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AND THAT'S THE WEEK THAT WAS…
For the Week Ended March 21, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (12/31/13)	Previous Week (03/14/14)	Current Week (3/21/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,576.66	16,065.67	**16,302.77**	**-1.65%**	**1.48%**
NASDAQ	4,176.59	4,176.59	4,245.40	**4,276.79**	**2.40%**	**0.74%**
S&P 500	1,848.36	1,848.36	1,841.13	**1,866.52**	**0.98%**	**1.38%**
Russell 2000	1,163.64	1,163.64	1,181.41	**1,193.73**	**2.59%**	**1.04%**
Global Dow	2,483.62	2,483.62	2,428.49	**2,450.37**	**-1.34%**	**0.90%**
Fed Funds	0.25%	0.25%	0.25%	**0.25%**	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	3.04%	2.64%	**2.75%**	**-29 bps**	**11 bps**

Between the ongoing drama in the Ukraine and the plight of the missing flight (and, of course, March Madness), investors had plenty of non-financial news to digest (though markets can surely be moved by non-financial news). Crimea's vote to secede from the Ukraine prompted action from the US and Europe in the form of sanctions against key officials and financial institutions. Though Prez Putin claimed that the Crimea deal would be the only annexation, the sanctions will be felt across the globe as Europe's two largest energy companies, **BP** and **Royal Dutch Shell**, maintain sizable presences in Russia.

By mid-week, Chair Yellen took to the podium and folks could focus again on some good old-fashioned Fed policy (but unfortunately, they didn't like what they heard). Despite the perpetual "cold weather" excuse, the policymakers plan to continue reducing the monthly bond purchases, a sign that they believe the economy will rebound once the winter has officially passed. On a more pressing note, Yellen and Co. claimed that the labor statistics will no longer be considered the "end all" when it comes to the timing of the next interest rate hike. Previously, a 6.5% unemployment rate was thought to be the precursor for such a move, but now it seems that a number of other factors will enter the equation. Though stocks tumbled in the aftermath of the policy meeting statement, the negative sentiment was short-lived and investors again focused on the perceived favorable market conditions post cold winter weather.

In earnings news, **Oracle** missed on its third quarter revenues as software sales and licenses came in below expectations. Similarly, **FedEx** struggled with lower shipping volume and higher expenses due to (get this) the frigid winter weather. **Toyota** was hit by a record $1.2 billion criminal penalty over prior safety violations and **GM** is sure to be watching as it recalled 1.5 million vehicles and took a $300 million hit due to bad ignitions switches (among other problems). Spinoffs topped the transaction news as **American Express** is selling half of its travel biz to a group that includes Qatar's sovereign wealth fund and **Hertz** is moving its equipment rental division, thought to be valued at over $4 billion. Chinese Internet giant, **Alibaba Group**, moved a step closer toward IPO and now looks destined for a US listing as opposed to one on the Hong Kong exchange in a deal expected to surpass **Facebook's** $16 billion initial valuation. **Verizon** turned to the debt markets for its $8.2 billion financing deal as rates remain low and Yellen's comments suggest that they will not stay that way forever.

Despite the harsh sanctions talk, many investors believe that the Ukraine/Russia/Europe/US debacle will soon pass and turn out to be a non-event (unless you're in Crimea). The Yellen comments were analyzed and over-analyzed until they were "spun" in such a way as to be positive for the markets. (A strong economy can overcome higher rates.) With the cold weather excuse still in their back pocket, investors put on their rally caps and took stocks to higher levels. Oil hovered right at the $100/barrel level as traders weigh geopolitical developments against the growing crude stockpiles. March Madness, baby!!!

Economic Calendar

Date	**Release**	**Comments**
March 17	Industrial Production (02/14)	Manufacturing back on track after cold winter
March 18	Housing Starts (02/14)	Growth in permits precursor for continued sector strength
	CPI (02/14)	Virtually flat
March 19	Fed Policy Meeting Statement	Dropped reference to 6.5% jobless rate re: raising rates
March 20	Jobless Claims (03/15/14)	4-week average at lowest level since the end of November
	Existing Home Sales (02/14)	Cold winter weather (again)
	Leading Indicators (02/14)	Indicates improvement for 2nd half of the year
The Week Ahead		
March 25	Consumer Confidence (02/14)	
	New Home Sales (02/14)	
March 26	Durable Goods Orders (02/14)	
March 27	Jobless Claims (03/22/14)	
	GDP (4th qtr revised)	
March 28	Personal Spending/Income (02/14)	

When Chair Yellen talks, Fed watchers…listen and digest and analyze and over-analyze and over-react and then compensate for their over-reaction. After the Fed meeting, Janet Yellen made a comment about the possibility of a Fed rate hike "something on the order of six months after it winds down its bond buying program." At the current pace of purchase reduction, the timing of the hike would then be around April 2015 or some six months prior to previous expectations by many analysts. She also said that folks should not pay too much attention to officials' projections and that "headwinds" continue to exist that may be hindering economic growth now and for the immediate future. The Fed's guidance put less emphasis on the unemployment rate as the policymakers would consider other labor measures for a true picture of the jobs market. Yellen even added that benchmark short-rates may remain low longer than normal. Bear in mind before over-reacting, lots can change between now and April 2015 (good and bad).

The economic data continues to give the Fed the confidence to reduce the bond buying program. With the calendar moving beyond the "cold winter weather" excuse, the recent numbers reveal an economy in rebound mode (perhaps). Manufacturing looks strong as industrial production rose more than expected in February, while the Philly Fed report also depicted sector expansion in the crucial northeast region. Housing has showed signs of slowing as of late as higher home prices prompted a slowdown in sales last month, though activity may pick up as the weather improves. Jobless claims rose slightly in the latest weekly release though still remains near a three-month low and the less-volatile four-week moving average fell to its lowest level since November 2015. Leading economic indicator rebounded from a weak couple of months and suggests a solid performance for the second half of the year.

On the heels of the sanction announcements, Russian markets have been hammered on concerns that its overall economy will be dramatically impacted. In fact, both **Standard & Poor's** and **Fitch Ratings** slashed their outlooks on Russia's sovereign debt from stable to negative. Germany's ZEW sentiment index fell in February as some fear that the Ukraine/Russian fiasco could have far-reaching effects on major players in the west, particularly Europe leading economies.

On the Horizon…Fed watchers take a few more days to digest the meeting results and try to interpret Yellen's comments and demeanor. After all, it took them years to master Bernanke interpretations. News from housing, manufacturing, and the consumer provide more fodder for the interest rate speculation. Tough talk from the west will be met by tougher talk from Prez Putin, but hopefully, the Crimea situation turns out to be the worst of the "disagreements" and the parties can begin to play nicer in the days ahead. Anyone with Duke in the Final Four? Mr. Buffett says, "No billion dollars for you."