RB

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AND THAT'S THE WEEK THAT WAS…
For the Week Ended March 28, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (12/31/13)	Previous Week (03/21/14)	Current Week (3/28/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,576.66	16,302.77	**16,323.06**	**-1.53%**	**0.12%**
NASDAQ	4,176.59	4,176.59	4,276.79	**4,155.76**	**-0.50%**	**-2.83%**
S&P 500	1,848.36	1,848.36	1,866.52	**1,857.62**	**0.50%**	**-0.48%**
Russell 2000	1,163.64	1,163.64	1,193.73	**1,151.81**	**-1.02%**	**-3.51%**
Global Dow	2,483.62	2,483.62	2,450.37	**2,485.23**	**0.06%**	**1.42%**
Fed Funds	0.25%	0.25%	0.25%	**0.25%**	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	3.04%	2.75%	**2.71%**	**-33 bps**	**-4 bps**

Investors paused this week to analyze various global developments as all signs seem to indicate "cautious optimism" in the markets. After a pullback month in January, stocks took off again in February and continued in that manner for much of March. While the economic releases have revealed a solid economy (or, at least, that is the hope once the frigid winter weather has passed), the turmoil in Ukraine/Russia brings ongoing concerns as sanctions could impact companies in Europe and the United States. China's economy, once the envy of the world, has shown continued signs of stress across various sectors and its central bank may be forced to act at some point soon. High flying bio-techs received a (negative) jolt as a congressional complaint claimed that a **Gilead** hepatitis drug is priced too high. For the past six weeks or so, the markets have done little but climb (to record levels on the S&P 500) and investors took the opportunity to lock in profits during the week. The tech-heavy Nasdaq and small-cap Russell 2000 were particularly hard hit, though Blue Chips closed on a decent note.

IPOs continued fast and furious as **King Digital Entertainment** (Candy Crush) made its trading debut, though "gamers" enjoy playing more than investors do as the stock tumbled on its opening day. **Facebook** continued it buying spree with the acquisition of **Oculus**, a virtual reality company, for $2 billion. **Apple** and **Comcast** are in the discussion phases for a partnership that would allow streaming services on Apple set-top boxes. The congressional complaint against Gilead raised some eyebrows about health care and other sectors deemed "high flying" as investors assumed a "too far too fast" mindset and chose to sell certain companies that had moved dramatically over the past few weeks.

"Too big to fail" financial institutions were in the news again as the Fed approved and rejected various capital plans as part of their annual stress tests. While **JP Morgan Chase** and **Bank of America** (among others) announced dividends to the tune of $22+ billion, **Citigroup** investors were left on the outside looking in. The Fed worried about the financial behemoth's ability to withstand a recession and a prolonged period of economic distress and rejected its plans for enhanced dividends and share buybacks.

Stocks sold off early (and often) on the bio-tech concerns and the negative economic news out of China added more fuel to the fire. Volatility ruled the day as investors weighed the newfound negativity against decent signs within the domestic economy. Add the Russia/Ukraine turmoil to the mix and many seemed to think the time was right to book profits. The S&P fell comfortably below its recent record-setting territory and the Nasdaq plunged to its lowest level since early February. With quarter-end just a day (and weekend) away, some investors may be engaging in last minute window-dressing, another reason for the roller coaster ride and the enhanced volatility. Oil pushed back above the $101 level as a solid showing from the consumer indicated that energy demand may be picking up as the travel-heavy summer approaches. All in a week's work. Never a dull moment.

Economic Calendar

Date	**Release**	**Comments**
March 25	Consumer Confidence (02/14)	Bested expectations
	New Home Sales (02/14)	Decline is latest repercussion of poor weather conditions
March 26	Durable Goods Orders (02/14)	Largest increase since November 2013
March 27	Jobless Claims (03/22/14)	4-week average at lowest level since last September
	GDP (4^{th} qtr revised)	Upward revision from prior estimate
March 28	Personal Spending/Income (02/14)	Better-than-expected data implies the return of the consumer
The Week Ahead		
April 1	ISM – Manu (03/14)	
	Construction Spending (02/14)	
April 2	Factory Orders (02/14)	
April 3	Jobless Claims (03/29/14)	
	Balance of Trade (02/14)	
	ISM – Services (03/14)	
April 4	Unemployment Rate (03/14)	
	Nonfarm Payroll (03/14)	

With much of the world focused on the Ukraine and China (and Malaysian Air), the domestic economy keeps plugging along to decent results. As March nears an end so should the severe winter weather excuse; hopefully any activity that was impacted will pick up in the months to come. Consumers seem to putting the weather excuse behind them as two key confidence measures revealed optimism and both income and spending levels increased in the most recent releases. Durable goods orders skyrocketed in February though much of the increase was the result of purchases in the volatile transportation sector. Jobless claims fell again in the latest weekly release and the 4-month moving average dropped to its lowest level since September 2013, a stellar sign for the labor market.

Overall, the GDP in the 4^{th} quarter was revised higher from last month's projection and final sales numbers of domestic products gave analysts hope that about future growth in this key measure. Housing remains the last holdout as new home sales fell in February, reversing January's solid gains. For the first two months of the year, sales are relatively flat from year-end levels, not a bad sign considering the weather, the higher mortgage rates, and the elevated home prices.

Shifting abroad, China's manufacturing sector received more bad news as the HSBC purchasing managers' index declined to an eight-month low. The Bank of China (among others) posted slower profit growth, its second weakest performance since the institution went public in 2006 and other state-owned banks have been taking sizable debt write-downs. While Europe's manufacturing index remained in expansion territory, it did fall in February which indicates sector growth, but at a slower pace. Germany's reading was considered weaker than expected, though strength in France offset any potential concerns. With inflation still non-existent in the euro-zone, some analysts have been using the dreaded "D" word (deflation) and certain European Central Bank (ECB) policymakers have hinted that new stimulus may be on the horizon.

On the Horizon…One quarter down (almost) and three more to go. While late-March has taken investors on a roller coaster ride, few could have imagined that stocks would be sitting at current levels after the nightmare that was January. Next week finds economic releases 'o-plenty with significant figures from manufacturing and labor. The global developments do not seem to be ending any time soon (thanks Vlad), but analysts are hopeful that China will take measure to get its economy out of the current funk and the ECB also seems primed to act on an if-needed basis. The Fed has shown signs of continued optimism by continuing its bond buying reductions and watchers need to get a better handle on Yellen's style and language and not read too much into each passing comment.