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AND THAT'S THE WEEK THAT WAS…
For the Week Ended April 4, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (03/31/14)	Previous Week (03/28/14)	Current Week ((04/04/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,457.66	16,323.06	**16,412.71**	**-0.99%**	**0.55%**
NASDAQ	4,176.59	4,198.99	4,155.76	**4,127.73**	**-1.17%**	**-0.67%**
S&P 500	1,848.36	1,872.34	1,857.62	**1,865.09**	**0.91%**	**0.40%**
Russell 2000	1,163.64	1,173.04	1,151.81	**1,153.38**	**-0.88%**	**0.14%**
Global Dow	2,483.62	2,504.05	2,485.23	**2,516.80**	**1.34%**	**1.27%**
Fed Funds	0.25%	0.25%	0.25%	**0.25%**	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.72%	2.71%	**2.72%**	**-32 bps**	**1 bps**

Investors were left scratching their collective heads after a bizarre roller coaster ride known as the first quarter 2014. January brought serious panic as many took profits from a stellar 2013 and worried that the Fed's bond purchase reductions (among other things) would hinder the economy. February allowed them to catch their breath as investors went bargain hunting and blamed virtually all that ailed the economy and biz climate on the "harsh winter weather." March turned global as developments in Crimea, China, and even Europe prompted renewed volatility and the quarter ended with far more questions than answers. Stocks rallied strongly on the last day of trading and most major indexes ended the quarter in positive territory, though the Blue Chip Dow lagged behind.

Washington joined the fray during the first week of the new quarter as Congressman (and aspiring Prez candidate?) Paul Ryan offered his budget plan that "will" end the deficit in 10 years. Of course, some believed he took liberties with certain assumptions and a good 40% of his spending cuts came as a result of repealing ObamaCare. The Supreme Court then turned political by disallowing the limits on individuals' campaign contributions over a two-year election cycle. Justice Roberts explains how the meager $123,200 limit infringes on First Amendment free speech and Dems bemoaned the billionaires who will begin "stealing" elections on behalf of their special interests (can't be bad for biz, right?).

Spring sprung eternal and the weather excuse became so "last quarter." Automakers moved past that excuse as many recovered with pent up demand and reported better-than-expected growth. **Fiat Chrysler** led the charge with 13% growth over last year. **GM** CEO Mary Barra faced the wrath of a grandstanding Congress as she tried to make excuses for the recall and cover-up that may cost the auto giant a pretty penny over the next few years (hopefully auto sales will continue to improve).

While some investors shied away from equities in the initial quarter, another seemingly risky security has started to gain in popularity. More and more, fixed income investors are turning to low-rated corporates and securities backed by mortgage and auto loans to add yield to bond portfolios that have struggled with the low returns of US treasuries. In the first quarter, more than $3.4 billion flowed into domestic high yield mutual funds and ETFs compared to just $1.76 billion this time last year. Though the Fed has hinted that rates will begin to increase at some point in 2015 (methinks Yellen protests too much), fixed income investors view another year of low rates as a positive for high yield. In the meantime, stocks surged back into record territory (S&P 500 and Dow Jones) on solid signs from manufacturing. The gov's unemployment data confirmed job growth over the past few months; investors rejoiced that the cold winter (and the catch-all excuse) was finally behind them and the Dow moved into positive territory (temporarily) for the year…not a bad accomplishment considering the dismal January. As the week came to a close; however, investors still bemoaned the valuations of high flying bio-tech and internet stocks and they pulled the markets (particular NASDAQ) down after what had been a solid week.

Economic Calendar

Date	Release	Comments
April 1	ISM – Manu (03/14)	Sign economy is back from weak data in Dec. and Jan.
	Construction Spending (02/14)	Edged higher, despite the harsh weather this winter
April 2	Factory Orders (02/14)	Biggest gain in five months
April 3	Jobless Claims (03/29/14)	Above expectations but last week revised lower
	Balance of Trade (02/14)	Largest deficit since September
	ISM – Services (03/14)	Increased after the lowest reading in four years in Feb.
April 4	Unemployment Rate (03/14)	Steady at 6.7%
	Nonfarm Payroll (03/14)	Solid additions with upward revisions from prior two months
The Week Ahead		
April 7	Consumer Credit (02/14)	
April 9	Fed Policy Meeting Minutes	
April 10	Jobless Claims (04/05/14)	
April 11	PPI (03/14)	

So is Fed Chair Yellen still concerned that she misled investors about the timing of the next rate hike? This week, she seemed to go out of her way to assure Fed watchers (and any other watchers) that rates will remain low. Yellen stressed that the jobs market was still not back "to normal health" and many Americans still feel like they are mired in their personal recessions. Just two weeks ago, her remarks about raising rates after the bond program reductions spooked investors that the timing of such a move would come sooner than later; now she may be recanting that projection.

Yellen's counterpart at the European Central Bank (Draghi) has a far different problem on his hand as Europe's nonexistent inflation (turned deflation?) may be forcing nontraditional actions along the lines of asset purchases or even negative interest rates (doesn't seem to be a solid investment?). Though the latest meeting left rates unchanged at 0.25%, Draghi hinted that the policymakers have been holding related discussions and new stimulus may be on its way. The Central Bank in China announced stimulus actions of its own that included small biz tax relief and spending on railroad construction in effort to get its once thriving economy back on track. While China's official purchasing managers' index came in slightly in expansion territory, the HSBC report showed manufacturing still in contraction mode.

Closer to home, domestic manufacturing received good news on the sector expansion front from the Institute of Supply Management and factory orders also posted its best showing in five months. However, the trade balance in February depicted its largest deficit since September 2013 as weakness in China and Europe's "fragile" recovery continued to hinder trade and the nation's exports. Despite the poor weather, construction spending climbed a tad in February and nonresidential building is also showing signs of recovering from recession doldrums. A favorable report from **ADP/Moody's** again brought optimism about the late-week government labor data though jobless claims rose more than expected in the latest week. Finally, 192k new nonfarm jobs were created in March and the prior two months were revised higher by 37,000 employees, while the jobless rate held steady at 6.7%. Though the March numbers were slightly below expectations, analysts saw them as proof that the labor market was thawing from the winter season.

On the Horizon…Investors get a reprieve on the economic calendar and will be able to focus on the Fed's policy meeting minutes to figure out which comment from Chair Yellen carries the most clout. Earnings season begins as the clock is now running for **Alcoa**, while **Wells Fargo** and **JP Morgan** also weigh in with the quarterly numbers. Some analysts are predicting weakness in bank earnings as lackluster mortgage activities (rising home prices and higher rates) as well as (anticipated) lower trading revenue could hinder results. All eyes will also turn global as China tries to steady its economy and Europe debates nontraditional stimulus. Any new Putin sightings?