RB

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AND THAT'S THE WEEK THAT WAS…
For the Week Ended April 11, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (03/31/14)	Previous Week (04/04/14)	Current Week (04/11/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,457.66	16,412.71	**16,026.75**	**-3.32%**	**-2.35%**
NASDAQ	4,176.59	4,198.99	4,127.73	**3,999.73**	**-4.23%**	**-3.10%**
S&P 500	1,848.36	1,872.34	1,865.09	**1,815.69**	**-1.77%**	**-2.65%**
Russell 2000	1,163.64	1,173.04	1,153.38	**1,111.44**	**-4.49%**	**-3.64%**
Global Dow	2,483.62	2,504.05	2,516.80	**2,470.01**	**-0.55%**	**-1.86%**
Fed Funds	0.25%	0.25%	0.25%	**0.25%**	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.72%	2.72%	**2.62%**	**-42 bps**	**-10 bps**

"The sky is falling; the sky is falling. Bio-techs, Internets and other "high-flyers" are way overpriced; earnings will be abysmal; China's economy is in a tailspin." With such "speculation" dominating the week's headlines, how can investors be expected to do anything but panic? And panic they did as their collective (over-)reaction to the string of "bad" news generated a free-fall for stocks. The Nasdaq suffered its worst one-day decline since late-2011; the Dow Jones experienced its biggest one-day drop since early February. In fact, when the dust finally settled, the major indexes were "in-the-black" for the year. So much for those recent record gains.

Little was expected of the 1st quarter earnings season as analysts fretted over the traditional "cold winter weather" mantra that Boards have been complaining about for the past two months. In fact, long before the first announcement, **FactSet** predicted a 1.4% decline in S&P 500 company earnings and cited the weather as the primary excuse. **Alcoa** kicked off the festivities with a first quarter loss on restructuring charges, but still bested expectations and seemingly calmed the masses (albeit only temporarily). **Wells Fargo** led financials to the earnings podium and posted a solid rise in profits, its 15th consecutive quarter of growth, despite lackluster mortgage activity. Unfortunately, the optimism for banks was short-lived as **JP Morgan Chase** suffered from poor trading results and weak mortgage lending as well.

In the transaction world, IPOs continued to come to market at a rapid pace though the recent pullback in equities brought new caution to the deal-making; a few much anticipated offerings like **Ally Financial** and **La Quinta Holdings** were priced on the more conservative side and others were postponed until the volatility subsides. **EBay** and activist investor Carl Icahn ended their public battle over their conflicting views for its **PayPal** subsidiary and will continue such debate behind closed doors. **Sun Pharmaceuticals** is buying **Ranbaxy Laboratories** in a deal valued at $3.2 billion.

Crude production has dropped as of late as Iraq's lower output led the OPEC countries to a decline of half a million barrels per day in March. Similarly, the US gov projected that domestic production will fall as well. Oil prices rose on the supply forecasts and stands comfortably above the $100 a barrel (in fact over $103) level, a slight concern heading into the summer travel season (though traders realize that prices can turn on a dime these days).

Volatility ruled the equity day as investors bounced back and forth about whether bio-techs, technologies and other (perceived riskier) securities had moved "too far too fast" in the 2013 rally or whether the recent pullback represented newfound buying opportunities. As the week neared an end, the pessimists and naysayers won out and the "high flyers" plummeted (again) and took the broader indexes on the downward ride with them. News about China's weakening trade position added fuel to the fire and investors headed for the hills in advance of the weekend. Hopefully that "falling sky" will turn out to be just a dropped acorn by the time they return after a few days of R&R (and more over-analysis).

Economic Calendar

Date	Release	Comments
April 7	Consumer Credit (02/14)	Exceeded all forecasts
April 9	Fed Policy Meeting Minutes	Worried about messages sent about timing of next rate move
April 10	Jobless Claims (04/05/14)	Lowest level in 7 years
April 11	PPI (03/14)	Greater than expected increase
The Week Ahead		
April 14	Retail Sales (03/14)	
April 15	CPI (03/14)	
April 16	Housing Starts (03/14)	
	Industrial Production (03/14)	
	Fed Beige Book	
April 17	Jobless Claims (04/12/14)	

A slow week on the economic calendar shouldn't have given investors much reason for concern. The consumer appears to be alive and well (and borrowing) as consumer credit on auto and school loans rose to its biggest gain in a year. Jobless claims gave the labor market another favorable shot in the arm as new filings fell by 32k to 300,000, the lowest level in seven years. Wholesale inflation, as measured by PPI, climbed more than anticipated, a decent economic sign given the recent price stagnation, though some analysts chose to rain on the parade and predicted the next few months will reflect lower prices now that the winter has passed. (Hard to imagine that higher inflation can be considered a good thing?)

In reality, the Fed would prefer to see inflation running a tad higher and has monitored the situation (and will continue to do so) as it makes future policy decisions. Fed officials also were worried that recent comments (thanks Chair Yellen) about interest rate policy may have been misconstrued and given investors and traders the wrong idea about the exact timing of a future rate hike. While the policy meeting minutes show areas of debate, most expect rates to remain low for the foreseeable future and some policymakers actually lowered growth forecasts as ongoing uncertainties abroad impact the domestic economy.

China leads the global concerns and this week found new worries in its midst. Exports declined by 6.6%, while imports fell by double figures (11%) as slower growth has hindered demand and brought the manufacturing sector to a virtual halt. The Chinese Central Bank added money to the banking system this week to help support the showdown in trade, and also to provide additional cash reserves for the dreaded tax season. Premier Li Keqiang even confirmed that growth could wane in the months ahead within the economic Superpower and may not reach the projected 7.5% target. Across the pond, Europe also continued to struggle with declining domestic demand and the continued slowdown in the emerging markets has hindered its trade picture as well.

On the Horizon… The "winter weather" excuse will be on display again next week as data like retail sales, industrial production, and housing starts should provide some indication about whether the country is thawing out and activity will be picking up in the months to come. Earnings season picks up in earnest and all eyes are on, not only the prior period's performance, but also on the outlooks for the quarters to come. **Citigroup**, **Bank of America**, and **Morgan Stanley** follow-up among financials, while **IBM**, **Google**, and **Intel** provide insight into the (overvalued?) world of technology. In reality, the news in Europe and Asia should have as much to do with the equity market performance as anything domestically. "It's small world" has never been more true and the troubles abroad can more than compensate (to the negative) for the positive developments at home. At least the leaders in China and Europe seem to be well aware of the concerns and are intent on enacting policies to right the ship.