



AND THAT’S THE WEEK THAT WAS...
For the Week Ended April 26, 2013

Market Matters...

Market/Index	Year Close (2012)	Qtr Close (03/31/13)	Previous Week (04/19/13)	Current Week (04/26/13)	YTD Change
Dow Jones Industrial	13,104.14	14,578.54	14547.51	14,712.55	12.27%
NASDAQ	3,019.51	3,267.52	3206.06	3,279.26	8.60%
S&P 500	1,426.19	1,569.19	1555.25	1,582.24	10.94%
Russell 2000	849.35	951.54	912.50	935.25	10.11%
Global Dow	1,995.96	2,110.73	2097.50	2,150.74	7.75%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps
10 yr Treasury (Yield)	1.76%	1.85%	1.71%	1.66%	-10 bps

Technology has been incredibly instrumental in the evolution of so many successful companies, the growth of the investment markets, the ease of trading. And yet, when in the wrong hands, technology can be distracting, detrimental, and even dangerous. Early in the week, a **Twitter** posting from an **Associated Press** account announced that Prez Obama had been hurt in an explosion at the White House. The rumors spread instantaneously and investors responded by selling stock en masse and the Dow Jones immediately dropped close to 150 points. The markets quickly recovered when the rumors proved false. Days later, the **Chicago Board of Options Exchange** faced a software “glitch” that prevented the opening of daily trading and forced traders to sit on their hands as various news stories developed, corporate earnings were announced, and investing/hedging opportunities passed. Though the issue was not considered a cyber-attack, it served as a reminder about the role technology plays in the markets...often good, at times bad.

Earnings season plugged along and the results are not giving investors much reason to celebrate (or even pout for that matter). Economic benchmark **Caterpillar** reduced its outlook for the year, but still announced a stock buyback program; Big Oil (**Exxon-Mobil**, **Chevron**, **Conoco**) each suffered from lower oil prices and other factors impacting demand; consumer products giant **Procter & Gamble** disappointed analysts and cuts its forecasts; **Amazon.com’s** numbers came in below Street expectations as the Internet retail giant continued to look long-term with more R&D and improved infrastructure (though investors want to see results at some point); **Netflix** surprised some naysayers who had all but written them off with favorable profits and new subscribers. Finally, **Apple** headlined the hectic week by recording its first year-over-year earnings’ decline in 10 years, but revenues still bested expectations and the company will be rewarding shareholders with higher dividends and a share repurchase. The tech behemoth also announced plans to tap the credit markets given the current low rate environment and its future debt already earned a AA-plus rating from **S&P** and an Aa1 from **Moody’s Investors Service**.

In other corporate news, **Fiat** is considering a plan to buy that portion of **Chrysler** that it doesn’t now own and perhaps take the company public again. **Oakmark Funds**, once a major **Dell** shareholder, sold its shares as the on-again, off-again private transaction saga lingers on. Investor George Soros took a large position in retailer **JC Penney**. **Research in Motion** (Blackberry) took a giant step “back to the future” with the release of a new keyboard-based phone, its first such model since 2009.

Stocks overcame the Twitter scare and some lackluster earnings news to return to positive territory this week and investors went bargain shopping to seek value in the aftermath of last week’s carnage (worst week of the year). Those pessimists who have been warning that summer 2013 will be a repeat of 2012 (and 2011) with a significant market pullback are finding few followers these days. Likewise oil prices jumped above \$93/barrel (for a bit) to their highest level in two weeks as gasoline demand surged and inventories fell. Just beware of rumors, innuendoes, software glitches, and, of course, fat fingers.

Economic Calendar

Date	Release	Comments
April 22	Existing Home Sales (03/13)	Biggest price gain since November 2005
April 23	New Home Sales (03/13)	Second-highest monthly sales pace in 3 years
April 24	Durable Goods Orders (03/13)	Sizable drop in civilian aircraft and defense goods
April 25	Jobless Claims (04/20/13)	Second-lowest since January 2008
April 26	GDP (1 st qtr)	Lower-than-expected growth rate
The Week Ahead		
April 29	Personal Income/Spending (03/13)	
April 30	Consumer Confidence (04/13)	
May 1	ISM – Manu (04/13)	
	Construction Spending (03/13)	
	Fed Policy Meeting Decision	
May 2	Jobless Claims (04/27/13)	
	Balance of Trade (03/13)	
May 3	Nonfarm Payroll (04/13)	
	Unemployment Rate (04/13)	
	Factory Orders (03/13)	
	ISM – Services (04/13)	

So is the impact of sequester already taking shape? With economists expecting an economic growth rate in excess of 3%, 1st quarter GDP expanded by a mere 2.5% and some are already blaming the across-the-board budget cuts that went into effect in early March. (And China is upset about 7.7% growth?) Though retail activity was actually solid in the first three months of the year (despite the payroll tax increase), business spending was down and reduced government activity helped stall the growth. With even more cuts scheduled to take place throughout the year (and beyond), analysts are worried about prospects for the quarters to come. In related news, late in the week, Congress passed legislation designed to slow air-traffic controller furloughs which have contributed to travel delays, though those cuts most likely will be redirected from other areas of the Federal Aviation Association's budget.

Most of the other economic news on the week was deemed more positive. Though existing home sales declined in March, much of the drop could be attributed to reduced inventory and the average price of such homes actually rose by the largest margin since November 2005. Additionally, more buyers have turned to new homes as sales soared at the second highest pace in three years. Jobless claims fell in the latest release to the lowest level since early March and even the less-volatile four-week average declined as well. Consumer sentiment surpassed expectations in the most recent **Thomson Reuters/U** of Michigan reading. On a down note, durable goods orders fell in March on lower biz investment, perhaps another byproduct of the start of sequester.

On the global front, analysts are now calling for the European Central Bank (ECB) to cut rates at its upcoming May meeting and **Goldman Sachs** made such a prediction in a recent report. Unemployment in both Spain and France set new highs last month and Germany's purchasing managers' index (PMI) fell into contraction mode, while its business confidence index came in below expectations. China's PMI dropped as well as trade continued to be impacted by Europe's ongoing problems, though still remained barely in expansion territory. Automaker **BMW** projects declining sales growth for its premium cars in China this year. Institutional investors have been pulling moneys out of Chinese stocks as outflows have continued for eight consecutive weeks and \$3.1 billion have left related equity funds.

On the Horizon... Investors hope the month of April ends on a strong note. The new month bring a hectic week on the economic calendar as analysts get a look into key labor and manufacturing releases to see just how early sequester has impacted thus far. The Fed meets to set policy and watchers will be looking for signs about the future of the bond buying program and indications that the powers-that-be may be on course to end (slow) the stimulus. More earnings...is anyone still watching?