



# Brounes & Associates

4607 BRAEBURN DR. • BELLAIRE, TEXAS 77401 • 713.962.9986 • ron@ronbrounes.com

## AND THAT'S THE WEEK THAT WAS... For the Week Ended May 3, 2013

### Market Matters...

Market/Index	Year Close (2012)	Qtr Close (03/31/13)	Previous Week (04/26/13)	Current Week (05/03/13)	YTD Change
Dow Jones Industrial	13,104.14	14,578.54	14,712.55	<b>14,973.96</b>	<b>14.27%</b>
NASDAQ	3,019.51	3,267.52	3,279.26	<b>3,378.63</b>	<b>11.89%</b>
S&P 500	1,426.19	1,569.19	1,582.24	<b>1,614.42</b>	<b>13.20%</b>
Russell 2000	849.35	951.54	935.25	<b>954.42</b>	<b>12.37%</b>
Global Dow	1,995.96	2,110.73	2,150.74	<b>2,189.67</b>	<b>9.71%</b>
Fed Funds	0.25%	0.25%	0.25%	<b>0.25%</b>	<b>0 bps</b>
10 yr Treasury (Yield)	1.76%	1.85%	1.66%	<b>1.75%</b>	<b>-1 bps</b>

The trend is your friend (and the current trend is a “friend with benefits” for investors). After a record-setting first quarter for stocks, analysts were skeptical that the “party” would continue. And yet, the Dow Jones enjoyed a fifth straight month of gains in April, while the S&P 500 and Nasdaq one-upped the Blue Chips with six month winning streaks. Among the major benchmarks, only the small-cap Russell 2000 fell slightly in April, its first decline since October 2012. Naysayers point to the prior spring/summers as periods of downturns in the economy (and markets), but the late-week labor releases seemed to negate some of the pessimism and investors pushed the Dow above 15k (briefly) and the S&P 500 passed the crucial 1,600 level. For now, investors remain positive and the trend continues to be quite friendly.

Earnings season plugged along and the results have been generally mixed. Though a good number of corporations have surpassed profit expectations, many key players (from high tech to Big Oil) have missed on revenues and future outlooks look uninspiring at best. Based on results-to-date, earnings are on track for a third quarter out of the past four in which revenues grew by less than one percent, according to **Thomson Reuters**. **Facebook** led the top performers as the social media giant continues its successful trek into the mobile phone world. **Pfizer**'s numbers missed analysts' expectations and management offered a lackluster forecast for the rest of the year. **GM** suffered with losses overseas, but automakers as a whole enjoyed solid sales results in April as demand for pickup trucks skyrocketed with the ever-surging housing market (builders need trucks).

In transaction news, after George Soros took a significant (passive) stake in ailing retailer **J.C. Penney**, the company secured another much-needed capital infusion in the form of a \$1.75 billion loan to rebuild its operations after the departure of its divisive CEO. **Apple** turned to the credit markets for the first time and issued \$17 billion in debt, a new record for an investment grade corporate bond offering. The company is stockpiling cash to reward shareholders for their long-term confidence through share repurchases and increased dividends. While Apple has no shortage of “cash on hand,” much of it remains overseas and management is avoiding a sizable tax bill by raising funds in this creative manner.

Triple-digit moves on the Dow are once again becoming the norm and, fortunately, stocks have enjoyed more up days than down ones these days. Despite the lackluster earnings news and a relatively confusing Fed statement after the recent policy meeting (will it decrease or increase the monthly bond buys?), investors remained focused on attainable milestones and kept both the Dow and S&P 500 at or near record-setting territory. Positive vibes from the European Central Bank (ECB) contributed to the optimism and the late-week labor numbers served as mere icing on the cake. Oil followed equities higher as traders overlooked the rising inventory numbers and focused on the favorable economic data which implied higher demand in the future (while hoping for some “friends with benefits” of their own).

## Economic Calendar

Date	Release	Comments
April 29	Personal Income/Spending (03/13)	Lower incomes raise concerns about future spending
April 30	Consumer Confidence (04/13)	Much stronger than expected reading
May 1	ISM – Manu (04/13)	Barely in expansion territory
	Construction Spending (03/13)	Biggest drop in government projects in more than a decade
	Fed Policy Meeting Decision	Flexibility on bond buying
May 2	Jobless Claims (04/27/13)	Lowest level for claims since January 2008
	Balance of Trade (03/13)	Biggest drop in exports since 2009
May 3	Nonfarm Payroll (04/13)	Job additions for past 2 months revised upward
	Unemployment Rate (04/13)	Fell to lowest level since December 2008
	Factory Orders (03/13)	Reflects weakness in manufacturing
	ISM – Services (04/13)	Lowest reading since July 2012
<b>The Week Ahead</b>		
May 7	Consumer Credit (03/13)	
May 9	Jobless Claims (05/04/13)	

No rest for the weary this week, and after the plethora of data, investors, analysts, and traders alike should be plenty weary. While most folks waited (not so) patiently for the end of week labor releases, they had to sift through news from manufacturing, housing, and the consumer. And, oh by the way, the Fed and ECB had a bit to add about their respective views on monetary policies as well. So let's go to the numbers. While many have been expecting the consumer to move into hibernation for the spring/summer months, the Conference Board's recent confidence index proved much stronger-than-expected and last month's reading was revised upward as well. Additionally, consumer spending rose in March, but weaker-than-forecast income levels do not bode well for the future. Manufacturing remained in expansion territory (oh-so-barely), though declining factory orders and the biggest drop in imports since 2009 revealed a sector struggling to contribute to future economic growth. Though construction spending fell in March on fewer government projects, residential activity remained strong and the **S&P/Case-Shiller** index depicted the largest gain in home prices in almost seven years.

Labor was well represented this week as the **ADP/Moody's** survey showed that a mere 119k private workers were added to the employment rolls in April. The weekly jobless claims data told a different story, however, as the number of Americans seeking benefits fell by 18k to the lowest level since early 2008, a period that coincided with the initial stages of the recession. Finally, the unemployment rate ticked down to 7.5% last month, the lowest level since December 2008 and the economy added a larger-than-expected 165k new workers in April, a sign of steady job growth. Furthermore, the job additions of the prior two month were adjusted upward by a sizable 114k and last month's fears of a total collapse in the labor market have been overstated. While some analysts still expect sequester (automatic budget cuts) to take a toll on jobs (especially government jobs), to date the (new) numbers are holding their own.

The Fed got together this week and agreed to continue with the \$85 billion bond buying program, though the statement claimed that the policymakers could "increase or decrease" the amount based on jobs and inflation data. Bernanke and friends also remained critical of Congress, stating that the budget belt-tightening is "restraining economic growth." Across the pond, the Fed's counterpart, the ECB, cut its benchmark lending rate and hinted that more moves may be on the horizon (bond buying?) as the euro-zone's economy remains firmly in contraction mode and the unemployment rate hit 12.1%, the highest rate on record. A few key gauges revealed potential challenges for China's manufacturing sector which has been hurt by slower trade with its ailing partners and barely registered sector expansion.

**On the Horizon...** Economists take a nice vacation as the calendar slows down considerably and they can dissect this week's key numbers. Similarly, many analysts are already looking past the earnings reports. Data aside, the overall market trend bears watching and hopefully those friendly benefits continue.