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AND THAT'S THE WEEK THAT WAS... For the Week Ended June 13, 2014

Market Matters...

Market/Index	Year Close (2013)	Qtr Close (03/31/14)	Previous Week (06/06/14)	Current Week (06/13/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,457.66	16,924.28	16,775.74	1.20%	-0.88%
NASDAQ	4,176.59	4,198.99	4,321.40	4,310.65	3.21%	-0.25%
S&P 500	1,848.36	1,872.34	1,949.44	1,936.16	4.75%	-0.68%
Russell 2000	1,163.64	1,173.04	1,165.21	1,162.68	-0.08%	-0.22%
Global Dow	2,483.62	2,504.05	2,599.21	2,587.94	4.20%	-0.43%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps	0 bps
10 yr Treasury (Yield)	3.04%	2.72%	2.60%	2.60%	-44 bps	0 bps

What goes up, must come down (hopefully temporarily). After setting 10 record highs in 2014, the Dow Jones took a bit of a break mid-week and investors used the time to reevaluate the domestic economic situation, the world's geopolitical picture, and even the latest shenanigans from the nation's capital. Many choose to take some profits from the recent record run. After all, retail sales (sans autos) were a bit sluggish in May; militants are looking to change the Iraqi landscape and raising new worries for the energy markets; and Wall Street lost one of its politico darlings when House Majority Leader Eric Cantor, of gov shutdown fame, forgot to campaign for reelection. Cantor was a long-time champion for banks, investment firms, and insurance companies, but the Tea Partier apparently wasn't Tea Party enough.

The week started with a flurry of "let make a deals" as boardrooms remained active and M&A activity topped the biz headlines. **Tyson Foods** emerged victorious in the **Hillshire Brands** sweepstakes and the \$7.7 billion payout landed it some Jimmy Dean sausage for its meat portfolio. **Merck** is going "all-in" against hepatitis C with its \$3.85 billion purchase of **Idenix Pharmaceuticals**. Semiconductor company **Analog Devices** is buying **Hittite Microwave** for \$2.45 billion. Online travel behemoth **Priceline** is venturing into uncharted territory with the acquisition of restaurant booking service **OpenTable** for \$2.6 billion. **GoDaddy** looks to become the next Internet darling to go public and plans to raise up to \$100 million in an offering. **Apple's** long awaiting seven-for-one stock split finally was enacted and mom and pop investors everywhere are now able to afford a share of two for their portfolios. In other corporate news, Apple also found itself on the wrong side of a formal investigation in the European Union as regulators began snooping around the tax dealings of Apple, **Starbucks**, and a division of **Fiat**. **Morgan Stanley** announced a sizable job reduction in its currency and interest rate trading divisions as profits have been hard to find as of late.

Oil traders were busy this week dissecting inventory reports, statements from the Organization of Petroleum Exporting Countries (OPEC), and military actions in Iraq. The government's supply data saw a drop in oil stockpiles and traders believed that demand will pick up in the second half of the year. While the friendly and trustworthy folks at OPEC claim to be leaving production steady at current levels, some feel that Saudi Arabia may be preparing to lift its output to accommodate the turmoil in the Middle East. Iraq produces over three percent of the world's crude and prices surged to levels not seen since September 2013 as its militants suddenly became more militant. When the dust had settled, price jumped close to \$107/barrel. Stocks started the week clinging to record highs, but a few consecutive triple-digit losses on the Dow Jones brought newfound panic to the markets that will hopefully turn out to be nothing more than traditional profit taking. Equities have been on quite a run as of late and the low level of volatility means that big moves one way or the other can happen on any given trading session. Perhaps Congressman Cantor can parlay a few friendly Congressional votes into a new Wall Street career like his wife's (just not in currency trading for Morgan Stanley).

Economic Calendar

Date	Release	Comments
June 12	Jobless Claims (06/07/14)	Still near lowest level since the first half of 2007
	Retail Sales (05/14)	Big jump in auto sales
June 13	PPI (05/14)	Dropped after 2 monthly increases
The Week Ahead		
June 16	Industrial Productions (05/14)	
June 17	Housing Starts (05/14)	
	CPI (05/14)	
June 18	Fed Policy Meeting Concludes	
June 19	Jobless Claims (06/14/14)	
	Leading Economic Indicators (05/14)	

The predictions came fast and furious and, for now, the United States looks to be in better shape than the rest of the world. A **Wall Street Journal** survey of 48 economists projects that domestic GDP will grow by 3.5% this quarter and has overcome the rough start from early in the year when the winter storms all but shut down parts of the country. Likewise, the economy is expected to create over 200k new monthly jobs on average, its best pace of labor growth since 2005, and the unemployment rate should fall to 6.1% by year-end (paying attention Chair Yellen?).

By contrast, the World Bank slashed its global growth estimates for the year to 2.8% from 3.2% initially forecast in January, and put much of the onus on China and its sluggish housing market. As confirmation, China's property sales continued their slide again last month, though stronger industrial production and retail sales data offered some reason for optimism in the once latest, greatest economic superpower. China's consumer process climbed by 2.5% in May from last year's level and its central bank plans to reduce its banks' reserve requirements to loosen the reins on some of its struggling financial institutions. Europe recently went the stimulus route as well to jumpstart its economy and some ECB watchers expect more moves in the near future to combat deflation and the higher-than-hoped for unemployment rate.

Closer to home, the Fed can breathe a sigh of relief for now and keep on its bond buying reduction ways as inflation remains well off the radar screen (for now). Producer prices fell for the first time in three months though some policymakers expect wage pressures to mount soon as labor growth continues. Though jobless claims rose slightly in the latest week's measure, they still remain near their lowest levels since early 2007 (the pre-recession times). In fact, US job openings jumped to the highest level in seven years, another sign that labor is trying to put the recession years in the rearview mirror.

While the latest economic releases have indicated that the consumer had emerged from hibernation, retail sales in May took a step backward and rose only slightly from the prior month's level. In fact, once the volatile auto sales were removed from the equation, they increased only 0.1%, though April numbers were revised higher and current activity still remains up 4.3% from last year.

On the Horizon... Welcome to the doldrums of summer. While most analysts remain "bullish" on the domestic economy, one or two weaker-than-expected numbers can spook investors as skeleton trading desks during the vacation months could mean exaggerated price movements. In other words, record-setting days can be replaced by triple-digit losses, only to bounce back to new records in the sessions to follow. The Fed gets together next week and few expect any significant changes to current (bond buying reduction) strategy, though most watchers will look for dialogue about labor to determine when that next rate move may come. Geopolitical developments certainly remain atop the headlines as Iraq brings newfound concerns to the energy market (potential inflation there?) and China tries to bounce back into solid growth mode. Vacation anyone?