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AND THAT'S THE WEEK THAT WAS... For the Week Ended June 20, 2014

Market Matters...

| Market/Index | Year Close (2013) | Qtr Close (03/31/14) | Previous Week (06/13/14) | Current Week (06/20/14) | YTD Change | Week Change |
|------------------------|-------------------|----------------------|--------------------------|-------------------------|----------------|--------------|
| Dow Jones Industrial | 16,576.66 | 16,457.66 | 16,775.74 | 16,947.08 | 2.23% | 1.02% |
| NASDAQ | 4,176.59 | 4,198.99 | 4,310.65 | 4,368.04 | 4.58% | 1.33% |
| S&P 500 | 1,848.36 | 1,872.34 | 1,936.16 | 1,962.87 | 6.20% | 1.38% |
| Russell 2000 | 1,163.64 | 1,173.04 | 1,162.68 | 1,188.42 | 2.13% | 2.21% |
| Global Dow | 2,483.62 | 2,504.05 | 2,587.94 | 2,617.81 | 5.40% | 1.15% |
| Fed Funds | 0.25% | 0.25% | 0.25% | 0.25% | 0 bps | 0 bps |
| 10 yr Treasury (Yield) | 3.04% | 2.72% | 2.60% | 2.61% | -43 bps | 1 bps |

So much for the doldrums of summer. Between Iraq and Congressional leadership departures and the Janet Yellen Fed and skyrocketing indexes, investors have little time for mid-day naps and vacations to the Hamptons (though the light trading volume reveals that plenty are taking much-deserved breaks). Many investors are overlooking the ongoing tensions (not strong enough?) in Iraq as Prez O contemplates his next move, but swears American troops will not be engaged on the ground. While Congressman Cantor looks forward to non-politico life (a lobby career perhaps?), financial institutions wonder if new Majority Leader McCarthy could be as bank-friendly (and Dems question if he was be as much of a pain) as his predecessor. All in all, investors took comfort in the Fed's latest assessment of the economy and the primary equity indexes continued their record-setting ways.

Boardrooms have remained active as corporate execs eschew family summer breaks in favor of biz opportunities that hopefully will bring future profitability. Chinese internet conglomerate **Alibaba** shared new insight about its operations and key personnel in advance of its much anticipated (and potentially record setting) public offering. **Siemens** muddied the waters in **General Electric's** \$17 billion pursuit of French company **Alstom** by bidding to buy its gas-turbine segment (and GE followed up with a revised bid of its own). Medical device maker **Medtronic** is acquiring rival **Covidien** for close to \$43 billion in a deal that may change the landscape of the medical-technology industry. **Kindred Healthcare** upped its offer for hospice company **Gentiva** in a deal now worth over \$500 million. **Level 3 Communications** is expanding its presence as an Internet carrier by purchasing **TW Telecom** for \$5.7 billion.

In other corporate news, **Amazon.com** unveiled its new Fire Phone smartphone (to work exclusively via **AT&T**) though some reviewers see it more of a conduit to consumer activity through its website. Not to be outdone, **Apple** has a few new versions of its smartwatch moving through the pipeline with an anticipated fall launch date. (How great will it be to check out the time, make a call, and watch Seinfeld all at once?) Economic bellwether **FedEx** posted revenue that bested expectations and offered a favorable forecast for 2015. **Morgan Stanley** released a "bullish" report on **Netflix**; **Bank of America Merrill Lynch** warned about the oil market as the violence in Iraq escalates.

On that note, oil pushed upward of \$107/barrel on the Middle East concerns, though analysts have pointed out that Iraqi production has yet to be impacted. Still, the high level raised some concerns about inflation and future interest rate policy. Stocks remained on a tear, mainly on the Fed news and expanded M&A activity, with a week's worth of up days and new records by the minute on the Dow Jones and S&P 500. The Nasdaq even pushed to a 14-year high and the Dow clearly has 17k set as an achievable target. Perhaps investors can take their eyes away from their screens and spend some of their newfound trading profits on family vacations. Any big travel plans, Congressman Cantor?

Economic Calendar

| Date | Release | Comments |
|-----------------------|-------------------------------------|--|
| June 16 | Industrial Productions (05/14) | Manufacturing gave a lift to sentiment. |
| June 17 | Housing Starts (05/14) | 1 st decline in four months |
| | CPI (05/14) | Sharpest increase in core prices since August 2011 |
| June 18 | Fed Policy Meeting Concludes | Economy showing signs of getting back on track |
| June 19 | Jobless Claims (06/14/14) | Decreased by 6,000 to 312,000 |
| | Leading Economic Indicators (05/14) | Rose for 4 th straight month |
| The Week Ahead | | |
| June 23 | Existing Home Sales (05/14) | |
| June 24 | New Home Sales (05/14) | |
| | Consumer Confidence (06/14) | |
| June 25 | Durable Goods Orders (05/14) | |
| | GDP (1 st qtr revised) | |
| June 26 | Jobless Claims (06/21/14) | |
| | Personal Income/Spending (05/14) | |

So just how does the Yellen Fed compare with Bernanke's (or even Maestro Greenspan's)? Now a cagey veteran of a few open market committee meetings, Fed Chair Yellen shared "many good reasons" to be optimistic about stronger economic growth in 2015 and 2016, mentioning the expanding labor market, the reduction in household debt levels, and an improving global economy (has anyone told China?). The policymakers voted to further reduce the monthly bond buying program by another \$10 billion (to \$35 billion) and now expect the Fed Funds rate to increase to 1.2% by year-end 2015 (from near-zero since late 2008) and to 2.5% by the end of 2016 as the unemployment rate drops faster than anticipated and inflation moves back to the more normalized 2% target.

The domestic economic data confirmed renewed strength as industrial production jumped for the third month in the past four, a sign that manufacturing has moved beyond the "doldrums of winter." Though housing starts fell for the first time in four months, residential building permits jumped at its fastest pace since September 2012 and home-builder confidence rose for the first time since December 2013, a nice forecast for future activity. Similarly, leading economic indicators rose for the fourth consecutive month after lagging in the early part of the year. Labor looks strong as new claims for unemployment benefits continued to hover around mid-2007 levels. Inflation has suddenly reentered the picture as consumer prices climbed at its fastest pace in over a year and escalating oil prices mean the Fed must remain on guard as price pressures emerge for "the first time in forever."

The global headlines have shifted from China to Russia to Iraq, though trade concerns should not be as apparent as they were when the Ukraine situation first broke. Oil prices have been on the rise on ongoing worries about Iraqi output, though its production remains intact and domestic supplies fell less than expected in the latest government release. Elsewhere across the globe, the inflation rate in the UK fell to its lowest level in five years and investor confidence in German dropped for the sixth-consecutive month.

On the Horizon...As the second quarter begins to wind down, investors are staring at a very different picture than they did at the end of the first quarter. The dismal winter season and related showdown are clearly in the rearview mirror and investors have some profit-taking availability as they contemplate those trips to **Disney** (or Vegas). Next week brings a hectic economic calendar with more news from housing and manufacturing. All eyes remain on Iraq as Sunni extremists look to take charge and even Obama has called for a new government. Oil prices (and inflation) suddenly have moved back to the radar screen and the Fed will definitely be watching (even from their respective vacations).