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AND THAT'S THE WEEK THAT WAS... For the Week Ended July 11, 2014

Market Matters...

Market/Index	Year Close (2013)	Qtr Close (06/30/14)	Previous Week (07/03/14)	Current Week (07/11/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,826.60	17,068.26	16,943.81	2.21%	-0.73%
NASDAQ	4,176.59	4,408.18	4,485.93	4,415.49	5.72%	-1.57%
S&P 500	1,848.36	1,960.23	1,985.44	1,967.57	6.45%	-0.90%
Russell 2000	1,163.64	1,192.96	1,208.15	1,159.94	-0.32%	-3.99%
Global Dow	2,483.62	2607.35	2644.27	2,599.41	4.66%	-1.70%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps	0 bps
10 yr Treasury (Yield)	3.04%	2.52%	2.65%	2.52%	-52 bps	-13 bps

Gaza, Iraq, Ukraine...ongoing turmoil and global tensions have been topping the headlines far too frequently these days. At times, markets are affected; at times, business is disrupted. Even more sadly, lives are lost. Hopefully calmer heads can prevail, but history is not often on the side of common sense.

Global biz news also hit the headlines as Portugal's troubled lender **Banco Espírito Santo** (rather its parent, **Espírito Santo International**) missed an interest payment on short-term debt and caused newfound panic among investors. Some feared a return of the global financial crisis with accompanying bank failures and contagion across the world. On that note, Spain's **Banco Popular Español** put off an anticipated subordinated bond issue until the adverse market conditions pass. Investors were already in profit-taking mode as the week began following the stock market's recent push into record territory on the favorable assessment of the labor picture. While the Portugal developments may turn out to be isolated and much ado about nothing, 2008 is not too distant a memory for many investors.

Earnings season kicked off this week and analysts are predicting a 4.8% growth rate for S&P 500 companies, a nice rebound from the weather-hindered first quarter. **Alcoa** got the ball rolling by besting estimates as the commodities giant continued to expand into higher-growth markets. **Wells Fargo** posted an increase in earnings, but a key profitability measure, net interest margin, narrowed during the quarter. With other financials set to report next week, a top Wall Street analyst reduced estimates for **Goldman Sachs** and **Morgan Stanley**. Meanwhile, **JP Morgan Chase** is seeking new cost-cutting measures to help overcome a suddenly sluggish revenue environment.

Consumer activity picked up nicely in June, though not all retailers have been beneficiaries of the improved labor conditions. **Costco** posted same-store sales that topped forecasts, though **Gap** reported a decline, primarily due to lackluster activity at its signature stores. **Walmart** has suffered through five straight negative quarters and its CEO predicted another six months until the discount giant reaps the rewards of labor growth. In boardroom news, **Archer Daniels Midland** is buying Swiss food company **WILD Flavors GmbH** for \$2.99 billion and **Reynolds American** is talking to **Lorillard** about a multibillion-dollar tobacco merger to compete with **Altria** (better known as Philip Morris).

Investors took a break from their record-setting days and the Portugal bank fiasco may have been more of an excuse to take profits than true contagion concern. The Dow pushed back below the 17k level and small-caps were hit hardest as some investors take a wait-and-see attitude about the (optimistic) earnings' forecasts. Crude's losing streak reached double-digits (for the first time in decades) with \$100/barrel back within reach as gasoline supply numbers remain high (considering the typical summer demand) and China's trade picture raised worries about the world second largest consumer's appetite for oil.

Economic Calendar

Date	Release	Comments
July 8	Consumer Credit (5/14)	Increased borrowing at a slower pace
July 9	Fed Meeting Minutes	Bond-buying program to end by October
June 10	Jobless Claims (07/05/14)	Matched the 3 rd lowest reading this year
The Week Ahead		
July 15	Retail Sales (06/14)	
July 16	PPI (06/14)	
	Industrial Production (06/14)	
	Fed Beige Book	
July 17	Jobless Claims (07/12/14)	
	Housing Starts (06/14)	
July 18	Leading Indicators (06/14)	

A slow week on the economic calendar allowed Fed watchers the opportunity to dissect the minutes from the latest policy meeting. The bond buying program now has a defined end date as officials expect to wind down the stimulus by October. At that time, the talk again will shift in its entirety to future interest rate hikes (as if that hasn't already started) and the new guessing game will begin in earnest. The minutes confirmed that labor is high on the Fed's radar screen (duh) and, while the latest releases have been favorable, certain policymakers still need some convincing about the longer-term picture. Last week, the nonfarm additions showed a continued promising trend for the workforce. This week, initial jobless claims dropped again in the latest weekly release and now stands at its third-lowest level of the year. Even the less volatile four-week moving average has fallen in lockstep, adding more credibility to the data. The Fed's minutes also showed that much discussion revolved around the ongoing communication policy and how to best keep concerned parties aware of the economic outlook and its impact on future interest rate and stimulus moves.

Shifting abroad, the Portuguese banking crisis served to help confirm that the EU still has a long road to go in its recovery efforts. Germany's industrial production plunged at his sharpest pace since April 2012 on lackluster manufacturing and construction activity. Given the latest data and the new developments in the financial sector, the European Central Bank looks to be staying the "easing" course and may drop rates further (more negative?) or enact certain unconventional measures like monthly bond buys that "seemingly" have proven successful in the US. China's June exports missed estimates, raising new concerns about demand in the country and future economic growth, though the gov seems more worried about **Apple's** iPhone location tracking feature and the potential national security threat it represents.

On the Horizon...Earnings season moves forward with financials (**Citigroup, JP Morgan, Goldman Sachs**) now on the clock amid speculation that the sector will suffer revenue declines on diminished volatility and lower trading volume. Technology is also represented as chip giant **Intel** posts its results and folks continue to witness the "slow death of the PC." The Fed releases its Beige Book, giving watchers another glimpse into the mindset of the policymakers, though, by now, the speculation about the coming rate hikes has already reached epic proportions. While PPI will show whether inflation is truly becoming a real threat, the recent losing streak in oil prices may serve to counter any pressures noted in its previous climb to \$107/barrel. In the meantime, the various geopolitical threats are very real and the loss of lives should be of greater concern than any biz interruption or market reaction.