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AND THAT'S THE WEEK THAT WAS... For the Week Ended July 18, 2014

Market Matters...

Market/Index	Year Close (2013)	Qtr Close (06/30/14)	Previous Week (07/11/14)	Current Week (07/18/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,826.60	16,943.81	17,100.18	3.16%	0.92%
NASDAQ	4,176.59	4,408.18	4,415.49	4,432.15	6.12%	0.38%
S&P 500	1,848.36	1,960.23	1,967.57	1,978.22	7.03%	0.54%
Russell 2000	1,163.64	1,192.96	1,159.94	1,151.61	-1.03%	-0.72%
Global Dow	2,483.62	2607.35	2,599.41	2,622.25	5.58%	0.88%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps	0 bps
10 yr Treasury (Yield)	3.04%	2.52%	2.52%	2.48%	-56 bps	-4 bps

“It’s a small, small (and often scary) world.” While many global developments quickly move beyond the daily headlines without so much as a glance from the average reader, the ongoing tensions across the world continue to dominate the news with tragic repercussions. In the Middle East, Hamas’s refusal to accept terms of a brokered ceasefire contributed to escalating violence, while a Malaysian plane was shot down over Ukrainian airspace and 295 passengers were killed. While some investors see these incidents as mere excuses to buy or sell, the sad reality finds continued loss of lives amid these senseless actions.

Financials took center stage in earnings season and the results were far better than expected. **Citigroup’s** trading revenue was not as bad as feared; similarly, **Goldman Sachs** and **JP Morgan Chase** posted profits that exceeded their reduced forecasts; **Morgan Stanley** benefited from solid wealth management and investment banking activity. In the tech world, **Intel** proved that the PC is not completely down and out and the chip giant even announced a sizable \$20 billion share repurchase program. **Google’s** double digit revenue growth beat Wall Street estimates. **IBM** reported a surprisingly nice quarter on restructuring moves, and Big Blue also entered into a “partnership” with **Apple** to create relevant biz apps and sell iPhones and iPads to its corporate customers.

Boardrooms remained active as tobacco giant **Reynolds** is buying **Lorillard** in a \$25 billion deal; drug maker **AbbVie** is joining forces with Dubin-based **Shire** in a \$54 billion transaction that will provide sizable domestic tax benefits. **GE**, fresh off its own stronger earnings report, expects to raise over \$3 billion when its financing arm, **Synchrony Financial**, goes public in what may be the largest domestic debut offering of the year. Shifting abroad, China’s **Alibaba** is planning for its IPO immediately after the US Labor Day holiday and recent private trades value the e-commerce behemoth at about \$150 billion. In other news, **Microsoft** is expected to reduce its labor force by 18k jobs over the next year as it continues to streamline its operations. **FedEx** has been charged by the Justice Department with transporting illegally sold and distributed prescription drugs and could face a fine of over \$1.6 billion fine.

While oil prices had been in the midst of a steady decline below \$100/barrel on the recent supply news, the international unrest brought renewed fears and prices surged back to the \$103 level. Still OPEC reported that its share of the global crude market has been on the decline as non-traditional domestic sources like shale have captured more of the world’s demand. Likewise, bonds have fared far better than many expected given the reduced Fed stimulus, and word broke that China has been buying up Treasuries at a fast clip in order to weaken its currency. Stocks remained in record-setting territory on the continued solid earnings reports, though key indexes suffered (temporarily) their worst day in months on the tragic global conflicts. Investors also welcomed remarks from Fed officials about future interest rate policy and the enhanced boardroom activity generally reflects management optimism.

Economic Calendar

Date	Release	Comments
July 15	Retail Sales (06/14)	Weakest increase since January
July 16	PPI (06/14)	Led by a 2.1% increase in energy prices
	Industrial Production (06/14)	Steady but sluggish improvement in spending
	Fed Beige Book	2nd-straight "beige book" to report expansion in all districts
July 17	Jobless Claims (07/12/14)	4-week average at lowest level in 7 years
	Housing Starts (06/14)	Weakest showing since September 2013
July 18	Leading Indicators (06/14)	Supports views of a stronger 2 nd half growth performance
The Week Ahead		
July 22	CPI (06/14)	
	Existing Home Sales (06/14)	
July 24	Jobless Claims (07/19/14)	
	New Home Sales (06/14)	
July 25	Durable Goods Orders (06/14)	

It was the best of times; it was the worst of times; it was a tale of two growth readings. While analysts have long been worried about the growth prospects for global superpower China, this week's announcement that its economy expanded at a 7.5% clip last quarter calmed some initial fears. The bullish report showed that China's strategy of easing credit and selectively increasing its spending has had a favorable response on the country's economy growth. To the contrary, many of Europe's "finest" continue to struggle as the Bank of Italy cut its current year growth estimate from +0.7% to +0.2% and warned of continued "downside risks" throughout the region.

Closer to home, the numbers were lackluster at best this week, though the domestic economy continues to roll along at a decent clip. Retail sales rose in June at its weakest pace since January, though declining auto sales were a major culprit. Similarly, industrial production grew in June at a slower pace than in May. Housing starts fell for the second straight month, its weakest showing since September 2013, but building permits, a predictor of future activity, rose from last month and a housing industry survey depicted builder optimism at a six-month high. Jobless claims dropped again and the less volatile four-week moving average fell to levels not seen in seven years, another solid sign for the labor market. Inflation is slowly moving back to economists' (and the Fed's) radar screens as PPI bumped up by 0.4% in June on higher energy prices.

Fed Chair Yellen made the trek to Capitol Hill and continued to relay her argument that the recovery "is not yet complete." While she acknowledges many improvements, she expressed concerns that too many Americans remain unemployed and housing has not progressed as much as desired this year. Yellen even lashed out at lawmakers who offered legislation that would bring Congress more into the policy-setting role by forcing the Fed to adopt formal rules about interest rate decisions. The Beige Book was released during the week as well and, as has become the norm (two consecutive Beige Books), it showed "moderate" or "modest" economic growth across all 12 regions.

On the Horizon... Fresh off its job cut decision, **Microsoft** is on the clock for its earnings announcement and will be joined by fellow IT biggie **Apple** and e-commerce retailer **Amazon.com**. Another economic bellwether **Caterpillar** takes to the earnings podium as well. The CPI release adds more clarity (or confusion) to the inflation picture and home sales numbers help confirm whether the sector has made any additional progress since the winter doldrums. Sadly, tragic geopolitical affairs may continue to dominate the headlines and investors will be watching as they predict just how markets (stocks, bonds, energy) will react. Hopefully, the senseless loss of lives will come to an end.