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AND THAT'S THE WEEK THAT WAS…
For the Week Ended July 25, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (06/30/14)	Previous Week (07/18/14)	Current Week (07/25/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,826.60	17,100.18	16,960.57	**2.32%**	**-0.82%**
NASDAQ	4,176.59	4,408.18	4,432.15	4,449.56	**6.54%**	**0.39%**
S&P 500	1,848.36	1,960.23	1,978.22	1,978.34	**7.03%**	**0.01%**
Russell 2000	1,163.64	1,192.96	1,151.61	1,144.72	**-1.63%**	**-0.60%**
Global Dow	2,483.62	2607.35	2,622.25	2,630.48	**5.91%**	**0.31%**
Fed Funds	0.25%	0.25%	0.25%	0.25%	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.52%	2.48%	2.47%	**-57 bps**	**-1 bps**

Geopolitical events continue to spiral out of control and suddenly economic repercussions are being felt across the globe. After a **Malaysian Airline** plane was downed, presumably by pro-Russian separatists, the European Union and others expanded sanctions against Russian officials. In the Middle East, the ongoing conflict between Israel and the Palestinians prompted the Federal Aviation Administration and the European Aviation Safety Agency to temporarily ban flights into Tel Aviv's Ben Gurion International Airport, a move that could have direct impact in Israel's tourism industry.

Closer to home, analysts focused on the hectic week on the earnings calendar as S&P companies-o-plenty reported results. For now, such companies are on pace to report growth of 5.6% for the second quarter, far in excess of the 4.9% forecast prior to the season. **Microsoft** made progress in its cloud technology advancements, and sales of Windows and Office products helped overcome the negative effects of the **Nokia** acquisition. **Facebook** continued to reap benefits of higher mobile ad revenue, while **Apple** notched its second quarter in a row of double-digit growth in iPhone sales. Likewise **Netflix** added more subscribers than expected to its streaming biz, and **Ford** experienced a record-setting quarter in North American sales. Conversely, **GM** posted a 80% profit decline on recall charges, and **Amazon.com** continues to disappoint investors as expansion in infrastructure and operations has given a nice bump to revenues, but failed to result in a much-anticipated return to profitability. While economic bellwether **Caterpillar** easily bested earnings' expectation, its revenue shortfall raised some concerns.

Elsewhere, the airline mergers seem to be working out (though perhaps better for CEOs than for travelers) as the parents of **American Airlines** and **United Airlines** both posted solid quarters and announced stock repurchase programs, with American also declaring its first dividend since 1980. In other transaction news, **CIT Group** is buying **IMB Holdco** (parent to **OneWest Bank)** for $3.4 billion in what is believed to be the largest full-bank acquisition since 2012. Still many financial institutions are struggling to overcome certain ill-effects of Dodd-Frank as both **Goldman Sachs** and **Morgan Stanley** (among others) have trimmed assets in recent years to comply with the regulation and continue to move away from traditional profit centers like trading. **Citigroup** has been on a selling rampage as of late and is expected to unload its consumer operations in sluggish Spain and Greece.

S&P stocks pushed back into record territory for a period this week as investors welcomed the generally favorable earnings news though activity was considered light and major indexes were little changed as trading desks slow in the height of vacation season. Crude climbed to its highest level since early July on the geopolitical tragedies and inventory declines, but weakening demand for gasoline brought out the sellers late in the week and pushed prices lower. And, sadly, the global conflicts continue to rage on with certain economic repercussions (and a devastating loss of lives).

Economic Calendar

Date	Release	Comments
July 22	CPI (06/14)	Year-over-year increase at highest level since October 2012
	Existing Home Sales (06/14)	Highest level since October
July 24	Jobless Claims (07/19/14)	reached an 8½-year low
	New Home Sales (06/14)	Housing recovery failing to build momentum
July 25	Durable Goods Orders (06/14)	Larger than expected increase
The Week Ahead		
July 29	Consumer Confidence (07/14)	
July 30	GDP (2nd quarter)	
	Fed Policy Meeting Statement	
July 31	Jobless Claims (07/26/14)	
August 1	Nonfarm Payroll (07/14)	
	Unemployment Rate (07/14)	
	Personal Income/Spending (06/14)	
	Construction Spending (06/14)	
	ISM – Manu (07/14)	

News out of Ukraine could mean even more sanctions that could eventually hit Russia further in the economic belt. Many analysts had expected the country to slip into recession after a 0.5% contraction in the first quarter. Well, Russia avoided such a stigma (by the hair of its chinny, chinny chin) as its economy expanded by 01% last quarter (of course, that subject to future revision). "New and improved" sanctions could be just the prescription for the dreaded "R" word to come to fruition. Elsewhere, global manufacturing appears to be on the rebound as the EU's composite purchasing managers index climbed to a three-month high of 54. Even more substantial, China's flash purchasing managers index jumped to 52, a 18-month high, after bouncing back into expansion mode a few months back. Just a few short months ago, investors were worried about the long-term growth potential of the "other" economic superpower. The recent results have prompted a collective global sigh of relief.

Closer to home, analysts are still trying to make heads or tails out of the domestic housing sector. Many had hoped for a nice rebound after a sluggish initial quarter 2014, the result of an overly harsh winter season. Existing home sales in June rose for the third straight month to the highest level since October 2013. Unfortunately the euphoria (too strong?) was short-lived and new home sales plunged 8.1% last month, significantly below expectations and bringing the naysaying housing bears back out of hibernation. On the bright side, the US' manufacturing news followed the rest of the world as durable goods increase 0.7% in June, besting forecasts. Additionally, jobless claims fell to the lowest level in over eight years, another sign that labor is heating up and companies are hiring again. (Paying attention, Chair Yellen?) On the inflation front, year-over-year CPI rose 2.1% to its highest level since October 2012, and should now officially be back on most analysts' radar screens, especially with talks about a future Fed rate hike at some point before year-end 2015. (Paying attention, Chair Yellen?)

On the Horizon…Next week finds the end of July and a hectic week on the economic calendar. Investors analyze (and overanalyze) news from manufacturing, labor, and even the consumer, and GDP begins to close the chapter on the second quarter. The Federal Reserve meets to set monetary policy and debate the timing of the next rate hike (as well as improved communications). Chair Yellen has been on record as saying jobs growth still has a ways to go for recovery, so the unemployment and nonfarm payroll releases will be dissected closely. Earnings season pushes forward as Big Oil execs (**Exxon-Mobil**, **Conoco-Phillip**) take their turns on the management calls, while bellwether **UPS** provides some details about the economy as a whole. And hopefully, some progress will be made on the global conflict front.