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AND THAT'S THE WEEK THAT WAS... For the Week Ended August 29, 2014

Market Matters...

Market/Index	Year Close (2013)	Qtr Close (06/30/14)	Previous Week (08/22/14)	Current Week (08/29/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,826.60	17,001.22	17,098.45	3.15%	0.57%
NASDAQ	4,176.59	4,408.18	4,538.55	4,580.27	9.67%	0.92%
S&P 500	1,848.36	1,960.23	1,988.40	2,003.37	8.39%	0.75%
Russell 2000	1,163.64	1,192.96	1,160.34	1,174.31	0.92%	1.20%
Global Dow	2,483.62	2607.35	2,606.36	2,618.81	5.44%	0.48%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps	0 bps
10 yr Treasury (Yield)	3.04%	2.52%	2.40%	2.34%	-70 bps	-6 bps

Say it ain't so, Warren? As the one rich guy who seems to enjoy paying taxes and telling Americans to contribute their fair share, Warren Buffett looks to be participating in a transaction that will move a giant domestic fast food company to Canada and help save them US taxes in the process. **Burger King** is buying Canada's **Tom Horton's** for \$11 billion and Buffett's **Berkshire Hathaway** is contributing about \$3 billion to the cause. In the tax-inversion structure, Burger King's headquarters will be moved to Canada and the company may save a pretty penny on future earnings. And the rich get richer.

Some retailer laggards brought up the rear in another (successful) earnings season as **Express** bested expectations, **Michaels** lifted its outlook for the year, and **Tiffany** posted strong results. On the flipside, **Abercrombie & Fitch** experienced a decline in sales and **Guess** lowered its guidance for the coming quarters. On the global front, Chinese internet behemoth, **Alibaba Group**, reaped the benefits of a growing mobile base and solid merchandise sales as its profits and revenues climbed in the release just prior to its official US public offering.

In other corporate news, bank lending has been on the rise as the domestic economy recovers and the FDIC reported the largest quarterly increase in loan and lease balances since late 2007. **Apple** never ventures too far from the headlines and even a simple emailed invite about a non-descript September 9 event prompts a buzz among the investment community. Many expect the company to introduce the "latest and greatest" iPhone as well as two new large-screen smartphones. The iWatch launch may also be in the cards and everyone is clamoring to get a glimpse at the newest, new thing. And somewhere, Steve Jobs is smiling.

Bonds continue to confound and befuddle as most investors expected rates to begin the slow steady climb upward on the better economic data and in anticipation of the next Fed rate hike. Instead, the yield on the benchmark 10-year treasury recent fell to its lowest level since June 2013 and ongoing economic weakness in Europe and continued geopolitical uncertainties has prompted a flight to quality to the safe haven of bonds. By contrast, the German 10-year is yielding 0.885% so a 2.33% treasury looks like a bargain to fixed income investors.

Despite the interest in safety, investors pushed stocks into record territory again with the S&P 500 index closing above 2000 for the first time ever and the Dow Jones hit a fresh intraday high and maintained its second straight weekly close above 17k. Investors have welcomed the decent earnings news, the solid economic data, and even boardroom activity (despite the potential negative tax ramifications) and seem to overlook the ongoing geopolitical disturbances in the Ukraine, Iraq, Gaza, and elsewhere. Ready for some holiday shopping, Sir Warren? How are those malls in Canada?

Economic Calendar

Date	Release	Comments
August 25	New Home Sales (07/14)	3 rd straight month of declining sales
August 26	Durable Goods Orders (07/14)	Biggest increase since 1992
	Consumer Confidence (08/14)	Highest level since October 2007
August 28	Jobless Claims (08/23/14)	Even 4-week average below 300k
	GDP (2 nd quarter revised)	Faster than previously estimated growth rate
August 29	Personal Spending/Income (07/14)	Personal spending declined for first time since January
The Week Ahead		
September 2	ISM – Manu (08/14)	
	Construction Spending (7/14)	
September 3	Factory Orders (07/14)	
	Fed Beige Book	
September 4	Jobless Claims (08/30/14)	
	Balance of Trade (07/14)	
	ISM – Services (08/14)	
September 5	Nonfarm Payroll (08/14)	
	Unemployment Rate (08/14)	

With most watchers believing a Fed rate hike is a foregone conclusion at some point in 2015, the economic numbers are getting dissected even more closely these days and most analysts seem to like what they see. In fact, second quarter GDP growth was revised upward to 4.2% (from +4.0%) on the stronger-than-expected corporate profits. In the latest release the Conference Board's consumer confidence index jumped to a level not seen since October 2007, revealing a possible uptick in consumer activity for the second half of the year. Though new home sales fell for the third straight month, the pace has expanded by 12.3% over last year's level and pending sales of existing homes have jumped in four of the past five months. Initial jobless claims dropped below the critical 300k level again (remember when 400k was considered a critical level?) and even the less volatile four-week moving average fell to 299,750 in the latest weekly release.

The numbers in Europe are far less promising and the European Central Bank (ECB) is expected to follow the Fed's lead (a few years later) with nontraditional stimulus like bond buying in the coming days. Many remain concerned about the inflation/deflation picture in the Eurozone and Germany's consumer price index was unchanged in August from July's level on the continued decline in energy prices, while the region's overall economy remains sluggish at best. (At least, Iceland has reopened its airspace...Who's scared of a little volcano anyway?) Closer the home, Brazil's economy officially dropped into recession (by technical definition) as its GDP contracted for the second straight quarter. While many sports enthusiasts touted the World Cup as a potential boon to the country's economy, the exact opposite may have occurred on lost productivity during the games. (Plus, the local team didn't even fare as well as expected.)

On the Horizon... Labor Day means the official end of summer so the returning staff on those trading desks should translate into enhanced activity and higher trading volume on the exchanges. Hopefully those traders returning from vacations will find some bargains and perhaps even fear that they missed out on the run to S&P 2000 and Dow 17k. Next week also finds some key economic releases and another glimpse into the mind of the Federal Reserve policymaker through the Beige Book release. The unemployment rate and nonfarm payroll releases will remain atop the key headlines as investors look toward labor as the key to future policy moves. The ECB remains of greater interest these days as Draghi and friends meet next week and have more pressing needs to address. Enjoy that last long weekend of summer!!!