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AND THAT'S THE WEEK THAT WAS…
For the Week Ended September 12, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (06/30/14)	Previous Week (09/05/14)	Current Week (09/12/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,826.60	17,137.36	16,987.51	**2.48%**	**-0.87%**
NASDAQ	4,176.59	4,408.18	4,582.90	4,567.60	**9.36%**	**-0.33%**
S&P 500	1,848.36	1,960.23	2,007.71	1,985.54	**7.42%**	**-1.10%**
Russell 2000	1,163.64	1,192.96	1,170.13	1,160.61	**-0.26%**	**-0.81%**
Global Dow	2,483.62	2607.35	2,631.71	2,592.71	**4.39%**	**-1.48%**
Fed Funds	0.25%	0.25%	0.25%	0.25%	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.52%	2.46%	2.61%	**-43 bps**	**15 bps**

The Fed is clearly on the "hot seat" (or, at least, on the "clock") now with a policy meeting set for next week, so a light week on the economic calendar gave investors a chance to lay low, book some profits, eye the ongoing geopolitical developments, and wait out Yellen and Co. Prez O. gave his "tough guy" speech about military engagement against Islamic militants on the eve of the 9-11 anniversary and Secretary of State Kerry continued a whirlwind tour of the Middle East, attempting to rally support for military action. The US joined the European Union in expanding sanctions against Russia and the fine print implies that global energy biggies like **Exxon-Mobil** may suffer negative repercussions from joint ventures with certain drilling partners. For the week, Blue Chip stocks gave up ground for the first time in a month, though investors do not seem to be dwelling on any negativity at the moment, but rather are taking a wait-and-see attitude toward the Fed.

Apple topped the headlines (again) as it unveiled the new new things (again): bigger, better, sharper, more powerful iPhones, an Apple Watch with communication features (didn't Maxwell Smart have one of those?), and a digital payment system that may one day make credit cards obsolete. Speaking of, **Home Depot** confirmed that it suffered a security breach in US and Canadian stores (move over **Target**). In the transaction world, **Dave & Buster's** looks to be going the public offering route to repay some long-term debt; **Microsoft** wants to add Minecraft and Swiss-based **Mojang AB** to its ever-changing portfolio of offerings to the tune of $2 billion; **Twitter** is turning to the debt market (while rates remain low) and plans to raise up to $1.5 billion to help with expansion plans; and **Dollar General** may go the hostile route in trying to convince **Family Dollar** shareholders that its board is incorrect in choosing the lesser offer from **Dollar Tree**. (Its $9.1 billion proposal means that these retailers must be making a pretty penny one dollar at a time.) Health care has been on a tear as of late with stronger spending at hospitals and doctors' practices, confirming certain economists' predictions that the Affordable Care Act will allow millions of Americans to obtain new coverage. The nation's largest (too big to fail) financial institutions (**Bank of America**, **Morgan Stanley, Goldman Sachs, Citigroup, Wells Fargo,** and **J.P. Morgan Chase)** are expected to report combined third quarter profits exceeding $16 billion, up 20% from the prior year, as loan demand picks up and investment banking activity continues to accelerate.

OPEC and the US Energy Information Administration both lowered their projections for global demand in 2015, while supply looks to remain strong as domestic crude production recently hit a 28-year high. Gasoline prices have tumbled over the past few months and **AAA** analysts expect another 20 cents or so decline by late-October. Stocks took a bit of a breather during the week as investors weighed the positive corporate activity (thanks Apple) against the global headlines and the concerns about Fed policy. The major indexes fell a tad on light volume (again). Just a few days and counting, Chair Yellen.

Economic Calendar

Date	**Release**	**Comments**
September 8	Consumer Credit (07/14)	Highest gain since July 2011
September 11	Jobless Claims (09/06/14)	Above forecasts but stayed near prerecession lows
September 12	Retail Sales (08/14)	Low gas prices and job growth encouraging consumers
The Week Ahead		
September 15	Industrial Production (08/14)	
September 16	PPI (08/14)	
September 17	CPI (08/14)	
	Fed Policy Meeting Statement	
September 18	Jobless Claims (09/13/14)	
	Housing Starts (08/14)	
September 19	Leading Indicators (08/14)	

Since everyone and their brother/sister expect the Fed to raise rates at some point in 2015, the details and fine print within the accompanying statements become even more important with each passing policy meeting. Next week, Fed Chief Janet Yellen and friends get together to discuss the economic situation and "debate" the risk/reward of shifting policy sooner than later (or later than sooner). This week's Jolts (Job Openings and Labor Turnover Survey) confirmed an ever-expanding labor market as job openings closed in on their highest level in 13 years and more employees are quitting their current employment with the confidence that they can find something else in short order. The Fed watches labor statistics quite closely. Some believe that next week's meeting will reveal a shift from the verbiage "near zero for a considerable time" as the bond buying programs near its close in October and the inevitable rate increase may be just a half a year away. So set the analysis (and over-analysis) begin.

During the week, consumer credit was reported to have increased again in July as folks seem more comfortable borrowing these days and debt levels jumped to another $26 billion after gaining about $19 billion in June. Similarly, retail sales rose by a better-than-expected 0.6% and last month's release was revised upward as well. Lower gasoline prices and an improving labor market seem to be encouraging consumers to take to the mall (or their favorite e-commerce sites) for added purchased. While "back-to-school" is coming to a close, the holiday shopping season is just around the corner.

Shifting abroad, China's trade surplus pushed to another record level in August as imports declined and US and other foreign demand for its goods and services remain high. Its inflation picture also took an unexpected turn as consumer prices dropped to their lowest level in four months. Japan's once fast-paced economy has taken a sudden shift into contraction mode as activity fell 7.1% in the second quarter, on the heels of the higher imposed sales tax on large, big ticket items. While activity had been high early in the year, consumers were making any and all major purchases in advance of the April 1st sales tax levy and have now gone into hibernation for the time being. In Europe, all eyes are in Scotland where a September 18th referendum will reveal its course of the future: go independent or remain part of the UK. The jury says it's still too close to call.

On the Horizon…The economic releases come relatively fast and furious next week as news from manufacturing, inflation, and housing top the headlines. Still, all eyes will be on the Janet Yellen and her cohorts at the Federal Reserve as the next policy meeting could set the tone for "the beginning of the end" of the seemingly never-ending low rate environment. As always, global developments will be monitored closely as well as geopolitical "challenges" have impact on economic activity, oil prices, and political policies across the globe. Just what does Prince George of Cambridge think about the upcoming Scottish vote to secede? (His first statement is forthcoming.)