



Brounes & Associates

4607 BRAEBURN DR. ▪ BELLAIRE, TEXAS 77401 ▪ 713.962.9986 ▪ ron@ronbrounes.com

AND THAT'S THE WEEK THAT WAS... For the Week Ended September 26, 2014

Market Matters...

Market/Index	Year Close (2013)	Qtr Close (06/30/14)	Previous Week (09/19/14)	Current Week (09/26/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	16,826.60	17,279.74	17,113.15	3.24%	-0.96%
NASDAQ	4,176.59	4,408.18	4,579.79	4,512.19	8.04%	-1.48%
S&P 500	1,848.36	1,960.23	2,010.40	1,982.85	7.28%	-1.37%
Russell 2000	1,163.64	1,192.96	1,146.90	1,119.33	-3.81%	-2.40%
Global Dow	2,483.62	2607.35	2,604.08	2,551.63	2.74%	-2.01%
Fed Funds	0.25%	0.25%	0.25%	0.25%	0 bps	0 bps
10 yr Treasury (Yield)	3.04%	2.52%	2.58%	2.53%	-51 bps	-5 bps

The more things change...the more they stay the same. So much for the promise of Arab Spring and the push to democracy throughout the Middle East. This week, the United States and its “new” coalition partners initiated attacks on extremist groups in Syria, taking aim at the military group Islamic State (also known as ISIS or ISIL). Some predict a long drawn out campaign to rid the region of the terror organizations (including Hamas), but, for now, the impact on the global economy (and even energy prices) may be minimal. Of greater economic note, Russian law may make it easier for its courts to begin seizing foreign assets which could limit investment in the once promising (developing) region.

Transactions dominated the headlines this week and boardroom activity generally implies confidence in the biz community. However, the news of the week brought concern and uncertainty to future global deals. Domestic corporations have been looking abroad as of late for acquisition targets with hopes of reaping tax benefits through so-call “inversion” deals. Lately, the Obama Administration has begun clamping down on such activity and prohibiting companies that move headquarters to countries with “friendly” tax policies from achieving the related benefits. A few potential deals have already been put on the backburner (or vanished altogether). On the flipside, German companies have been looking at the US for its growth as of late with aggregate purchases valued at about \$70 billion so far this year. Big Pharma giant **Merck (Sigma Aldrich)** and conglomerate **Siemens AG (Dresser Rand)** are among the German acquires at the forefront of the major transactions. Finally, buybacks remain in the news though the second quarter did not provide the same level of intense activity as had been seen early in the year. Over the three month period, companies engaged in \$116 billion of share buybacks down from \$159 billion in the first quarter. Still, for the 12-month period ended in June 2014, S&P companies spent over \$530 billion on share repurchases, up over 25% from the same period in ended June 2013.

In other corporate news, **Apple** iPhone 6 and 6 plus sales in stores soared in the first weekend they were available as over 10 million units found homes (despite some ongoing bugs with the new operating system). **Blackberry** has refused to leave the smartphone game quietly as it plans to launch a new square Passport for those users who can't quite live without a keyboard. In the aftermath of a SEC investigation about the authenticity of returns earned on **PIMCO** bond funds, legendary manager Bill Gross is leaving (voluntarily?) the firm he founded and “taking his talents” to **Janus Capital**.

Volatility returned to the equity markets as 100 point price moves in the Dow became the norm, at least for the week. Investors weighed decent economic news at home against the ongoing growth concerns in China and Europe (and the potential fallout from geopolitical/military developments). In fact, on Thursday the Dow suffered its biggest one-day point and percentage decline since late July, though volume was light due to the Rosh Hashana holiday. Despite the challenges for the week, few analysts are predicting the beginning of a new trend and some see mere window dressing as a new quarter begins.

Economic Calendar

Date	Release	Comments
September 22	Existing Home Sales (08/14)	Fell after 4 straight months of gains
September 24	New Home Sales (08/14)	Highest level of sales since May 2008
September 25	Jobless Claims (09/20/14)	Claims near prerecession levels
	Durable Goods Orders (08/14)	Aircraft purchases pulled back from July's record high
September 26	GDP (2 nd qtr – revised)	Fastest pace since late 2011
The Week Ahead		
September 29	Personal Income/Spending (08/14)	
September 30	Consumer Confidence (09/14)	
October 1	ISM – Manu (09/14)	
	Construction Spending (08/14)	
October 2	Jobless Claims (09/27/14)	
	Factory Orders (08/14)	
October 3	Unemployment Rate (09/14)	
	Nonfarm Payroll (09/14)	
	Balance of Trade (08/14)	
	ISM - Services (09/14)	

While the domestic economy continues to roll along and the Fed debates the exact timing of the inevitable rate hike, European and even Chinese counterparts struggle with less than stellar results. Europe's **Markit's** purchasing managers index dropped to its lowest level of the year, raising hopes that the European Central Bank will soon take even more aggressive actions to stimulate growth. Likewise, consumer confidence in the 18-country Eurozone declined for the fourth consecutive month as the never-ending conflict between Ukraine and Russia looks to hinder growth throughout the region.

China's purchasing managers index ticked up a tad, calming some fears that its manufacturing sector would lead the country into a downward spiral after some disappointing industrial production data. However, word from its finance minister that the central bank will not be initiating dramatic new stimulus efforts any time soon was not well-received by the investment community. Additionally, long-serving central banker Zhou Xiaochuan, the primary voice to the world on Chinese economic policy, may be leaving office, prompting newfound concerns and uncertainty about a replacement and what that means for policies moving forward.

Closer to home, the domestic manufacturing picture remains solid and even the Atlantic region depicted a faster-than-expected rate of growth. Though durable goods order fell from a record high in July on a sizable drop in aircraft purchases, the numbers looked far better once the volatile transportation component was removed from the equation. Similarly, while existing home sales declined for the first time in five months, housing got a nice lift from new homes sales data which made its biggest one-month jump since 1992 and climbed to its highest level since May 2008. The key data du jour, however, come in the form of the revised GDP release which showed that the domestic economy grew by 4.6% (up from 4.2% initially reported) and the best showing since late 2011.

On the Horizon...Attention policymakers. Any new hints about the timing of future rate hikes would be greatly appreciated. Expect the talking heads to begin prognosticating in earnest at the new quarter kicks off and the busy economic calendar finds key data from manufacturing, housing, and, of course, labor. The pullback in stocks has raised some concerns heading into the homestretch of the year, but, for the most part, analysts and investors remain confidence that the economy is heading in the right direction. Of course, a new quarter brings new concerns about earnings season, but hopefully some positive surprises will be in the cards in the weeks to come. *The more things change...*