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AND THAT'S THE WEEK THAT WAS…
For the Week Ended October 3, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (09/30/14)	Previous Week (09/26/14)	Current Week (10/03/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	17,042.90	17,113.15	17,009.69	**2.61%**	**-0.60%**
NASDAQ	4,176.59	4,493.39	4,512.19	4,475.62	**7.16%**	**-0.81%**
S&P 500	1,848.36	1,972.29	1,982.85	1,967.90	**6.47%**	**-0.75%**
Russell 2000	1,163.64	1,101.68	1,119.33	1,104.74	**-5.06%**	**-1.30%**
Global Dow	2,483.62	2,534.53	2,551.63	2,493.99	**0.42%**	**-2.26%**
Fed Funds	0.25%	0.25%	0.25%	0.25%	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.51%	2.53%	2.44%	**-60 bps**	**-9 bps**

And down the stretch we go. Investors closed the books on the third quarter with S&P 500 and Nasdaq both extending their winning streaks to seven straight positive quarters, though the small-cap Russell gave up ground on all the geopolitical uncertainty (thanks ISIS, etc.) and moved back "into the red" for the year. The new quarter finds plenty of real global concerns: a new American offensive in the Middle East (though this time some Arab states may help?), continued negative discourse in Ukraine/Russia (does Putin want to recreate the USSR?); a sudden wave of pro-democracy protests in Hong Kong against China's ultimate jurisdiction (surely no one will mess with the global business center that is Hong Kong?); a struggling European economy (don't just sit there, Prez Draghi?); and Ebola. Against that backdrop, investors sold stocks early and often to end the prior quarter and begin the new and the Dow Jones tumbled to levels not seen since mid-August, including a 200+ down day. By week's end, calmer heads prevailed as solid labor releases reminded everything that things at home "ain't" so bad after all.

Automakers were in the news as **GM** announced another sizable recall and **Ford** warned about its full year profits given the slowdown in Europe. Still, GM and **Chrysler** reaped another favorable month of sales. Apparently King Warren (Buffett) likes what he sees in that industry as his **Berkshire Hathaway** is buying **Van Tuyl Group**, the fifth largest domestic dealership brand with 78 locations across the country. **JP Morgan Chase** became the latest to report a significant cyber-attack with 76 million households and another seven million businesses impacted, though the "too big to failer" claims that key personal data like social security numbers and passwords should not be accessible by the hackers. **Fannie Mae** and **Freddie Mac** moved a step closer to extinction as quasi-privately run companies as a District Judge dismissed a case that tried to claim the gov acted illegally when he redirected (via dividend) the entities' profits to the US Treasury. **DirecTV** reached a multi-year agreement with the **National Football League** for the exclusive right to carry every Sunday afternoon game, a previous requirement for the $48.5 billion proposed merger with **AT&T** to move forward.

A strong dollar, dwindling global demand, and a decision by Saudi Arabia to cut prices (presumably to maintain market share) all contributed to the continuing plummet of oil prices as crude even dropped below $90/barrel to the lowest level in almost a year-and-a-half. Even the seemingly nonstop global turmoil has not been able to cease the energy market downturn as enhanced production from Libya and Iraq also has contributed to growing supply. Shifting to the equity market, its own frightening downturn was halted late in the week on favorable news from labor, but not before the small-cap Russell 2000 fell into correction territory after dropping more than 10% from its July highs. Investors have certainly kept more than a watchful eye on Hong Kong/China and the ongoing economic struggles in Europe, while weighing the positive releases at home against prospects for a "sooner-than-later" Fed move on rates. So hold on tightly…these next three months may send investors on a wild ride.

Economic Calendar

Date	**Release**	**Comments**
September 29	Personal Income/Spending (08/14)	Economy on track for solid growth in the 3rd quarter
September 30	Consumer Confidence (09/14)	Lowest reading since May
October 1	ISM – Manu (09/14)	Cooled a bit in September from very strong August
	Construction Spending (08/14)	Decline on big drop in private nonresidential construction
October 2	Jobless Claims (09/27/14)	Bigger than expected decline in claims
	Factory Orders (08/14)	Largest drop on record due to volatile aircraft component
October 3	Unemployment Rate (09/14)	Lowest level since July 2008
	Nonfarm Payroll (09/14)	Added jobs at fastest pace since June
	Balance of Trade (08/14)	Sign of stronger foreign demand for American-made goods
	ISM - Services (09/14)	Pulled back, but remained at high expanding levels
The Week Ahead		
October 7	Consumer Credit (08/14)	
October 8	Fed Meeting Minutes	
October 9	Jobless Claims (10/04/14)	

While the Fed sits on its hands, endlessly debating the exact timing of the next rate hike, the European Central Bank has the exact opposite problem to deal with. High and mighty Germany saw its manufacturing sector fall into contraction mode and the consumer price index in the euro-zone fell to its slowest rate since October 2009, certainly catching the attention of the policymakers. Interestingly, ECB President Mario Draghi and his partners-in-crime choose to leave policy unchanged for now and took no action at this week's central bank meeting. Draghi points out that last time the bankers met, they enacted "unprecedented" measures (i.e. the now negative bank deposit rate, the new bond buying programs) and must play a "wait and see" game while the stimuli works its way through the system. (Hopefully, no further damage will occur during the wait.) China's manufacturing sectors remained barely in expansion mode, though the powers-that-be have more on their plates these days than mere weekly numbers. The pro-democracy protests prompted bank and biz closures and contributed to equity market downturns across the globe. A few months ago, the Chinese gov issued a white paper proclaiming jurisdiction over Hong Kong and insisting that its leaders (administrative and judicial) express their undying patriotism to the Mother Country, words that apparently are not sitting too well in democratic circles.

Closer to home, the data came fast and furious this week, and continued to show an economy growing at a modest to moderate pace (that's Fed-speak at its finest). Though the ISM manufacturing index dropped a tad in September, it still shows a sector well within solid expansion mode. Similarly, the large decline in factory orders was really just a reversal of fortunes from last month's ultra-strong showing, and once the volatile aircraft component was stripped out of the equation, the slight decline was more logical and the worries subsided. For good measure, a drop in the nation's trade deficit implies strong foreign demand for "Made in America" goods and services. Consumer activity depicted an economy on track for continued growth with healthy gains in both income and spending. Though the confidence reading declined last month, the August index attained its highest level since pre-recession July 2007. While investors reacted (mainly negatively) to the early week releases, analysts clearly were waiting for the late-week unemployment numbers and no one should be disappointed. Even after analyzing and over-analyzing, few could dispute that the 248k new nonfarm job additions and the 5.9% unemployment rate both reflect a labor market on very solid ground (paying attention Chair Yellen?).

On the Horizon… A new quarter means that earnings season is right around the corner. **Alcoa** is now on the clock and early prognosticators have S&P 500 companies showing 4.6% earnings growth from last year. The great Fed debate will begin again in earnest following the labor numbers as predictions of a late-2015 rate hike may suddenly be pushed up to earlier in the year. As for all the global developments, don't forget…*It's a Small World After All* (and investors will be watching).