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AND THAT'S THE WEEK THAT WAS…
For the Week Ended October 10, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (09/30/14)	Previous Week (10/03/14)	Current Week (10/10/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	17,042.90	17,009.69	16,544.10	**-0.20%**	**-2.74%**
NASDAQ	4,176.59	4,493.39	4,475.62	4,276.24	**2.39%**	**-4.45%**
S&P 500	1,848.36	1,972.29	1,967.90	1,906.13	**3.13%**	**-3.14%**
Russell 2000	1,163.64	1,101.68	1,104.74	1,053.32	**-9.48%**	**-4.65%**
Global Dow	2,483.62	2,534.53	2,493.99	2,431.07	**-2.12%**	**-2.52%**
Fed Funds	0.25%	0.25%	0.25%	0.25%	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.51%	2.44%	2.28%	**-76 bps**	**-16 bps**

Any chance we can return to the doldrums of summer? While October is often considered the most volatile month of the year, this week took that title to extremes. Three consecutive days of "down 272, up 274, down 335" made some investors wish they had taken off of work for the Jewish holiday of Sukkot. Interestingly, nothing much happened: the economic calendar was slow; the ongoing geopolitical developments didn't expand nor contract; **Apple** didn't launch a new iPhone (though Carl Icahn did lash out at management again); and the European Central Bank is keeping policy at "status quo" for now. (Then again, **GM** announced another recall.) Looks like that homestretch of the year may be a wild ride.

In the corporate world, **Alcoa** kicked off earnings season with a better-than-expected report. Boardrooms were in the news, though the moves were opposite of the typical merger deals. **Hewlett-Packard** announced plans to split itself into two companies: one for its PC and printer biz; the other for enterprise services (servers, data storage, etc.). Not to be outdone, **Symantec** made a similar move and will soon be split into two public entities as well. General Motors is now recalling 7,600 Chevy Caprice police cars, its 75th safety action of the year. Activist investor Icahn still believes Apple to be undervalued (its stock price actually rose this week) and "urged" management to increase its share buyback program.

Crude prices continued their downward spiral on the basic laws of supply and demand. This week, the gov showed that inventories grew more than expected and oil production from the OPEC countries climbed to levels not seen since mid-2013 even as demand is declining in China and Europe. Prices plunged below $86/barrel during the week, the lowest level since December 2012 and are off more than 20% from their peak, a drop that meets the traditional definition of a bear market.

In terms of equities, volatility is the name of the game these days. The three consecutive 200-plus movement days mark the most volatile stretch of activity on the Dow Jones in over three years. In fact, the Blue Chip index has moved over 200 point on five of the past eight trading sessions and by triple digits over 13 of the last 19 days and is now "in the red" for the year after dropping over 400 points this week. Energy companies have been among the hardest hit as concerns about weaker global growth in the likes of China, Japan, and Europe and plummeting crude prices have taken their toll. For the first half of the year, the S&P oil-and-gas equipment and services subsector soared 23% (crude hit its high of $107.26/barrel on June 20). Since that time, the index has tumbled over 10% and revenues appear to be on the decline. During the week, the tech-heavy Nasdaq and small-cap Russell 2000 were especially truly decimated (over 4% each) as investors moved out of the perceived riskiest of equities. Safe-haven bonds have been the biggest beneficiary of the flight-to-quality (out of equities) and the yield on the 10-year treasury dropped to below 2.30%, completing a fourth straight weekly decline, the longest of 2014. How many more days in October?

Economic Calendar

Date	Release	Comments
October 7	Consumer Credit (08/14)	Smallest gain since November
October 8	Fed Meeting Minutes	Worries about slow growth in Europe, Japan and China
October 9	Jobless Claims (10/04/14)	4^{th} straight week claims remained below 300,000
The Week Ahead		
October 15	Retail Sales (09/14)	
	PPI (09/14)	
	Beige Book	
October 16	Jobless Claims (10/11/14)	
	Industrial Production (09/14)	
October 17	Housing Starts (09/14)	

*And the survey says…*The International Monetary Fund chose to "kick an 'economy' while its down" by lowering its outlook on global growth for 2015 on continued weakness in the Eurozone. The IMF also sees Japan continuing its tailspin after the tax levy earlier in the year and a few emerging countries (Brazil and Russia) remain concerning as well. On the flipside, its outlook for the US is favorable (who will we trade with though?). A **Wall Street Journal** survey of leading economists confirmed the IMF's domestic forecast and placed the US expansion on solid ground as jobs have exhibited stronger growth and the consumer may become even more confident with a few extra bucks in the pocketbooks as oil and gas prices remain in a freefall.

Industrial production in Germany plunged in August, raising new uncertainties about the euro giant's growth prospects for the third quarter and beyond. The Bundesbank (Germany's Central Bank) Prez raised sharp protests against the ECB over its bond buying program, claiming that such stimulus will prove ineffective (have they not monitored the US economy?) and also soundly rejected calls for its own country to cut taxes or increase government spending. (Doesn't look like the EU boys/gals are playing well with each other.) Germany's DAX equity index plummeted to a one-year low and is now comfortably in correction territory after suffering a greater than 10% decline since hitting an all-time high in June.

Closer to home, the economic headlines were relatively quiet for a change. Consumer borrowing grew at its slowest pace since last November and some see that as a negative precursor for the holiday season. (But what about the low oil prices?) Jobless claims painted another positive picture of labor as it dropped again in the latest weekly release and the less volatile four-week moving average hit its lowest level since February 2006. The Fed released minutes from the September policy meeting which expressed growing concerns about growth prospects for Europe, Japan, and China and how they will negatively impact exports. Given the global worries, some Fed watchers expect the Yellen and friends to take a more passive approach to raising rates, though the continued upswing in labor could sway that decision somewhat. Most expect the Fed to boost rates around mid-2015.

On the Horizon…Unfortunately, the volatility in the equity markets may be here to stay and those small investors considered "faint of heart" may be better off turning off CNBC and canceling their subscriptions to the Wall Street Journal (or any of a number of "expert" pundits' blogs…but not this one, of course) for a while. The Fed expresses more opinions on the economy through the release of its Beige Book, though no one expects any moves at all for the next nine months or so, given the less-than-favorable prospects for the global economy. Financials lead the charge with earnings reports as **Citigroup**, **JPMorgan Chase**, **Wells Fargo**, and **Goldman Sachs** sum up life at the "too-big-to-failers," while **Intel** and **Google** try to get techs back on track after a "challenging" week. And if the volatility persists, perhaps investors will choose to take the latter part of the week off for Simchat Torah.