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AND THAT'S THE WEEK THAT WAS…
For the Week Ended October 24, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (09/30/14)	Previous Week (10/17/14)	Current Week (10/24/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	17,042.90	16,380.41	**16,805.41**	**1.38%**	**2.59%**
NASDAQ	4,176.59	4,493.39	4,258.44	**4,483.72**	**7.35%**	**5.29%**
S&P 500	1,848.36	1,972.29	1,886.76	**1,964.58**	**6.29%**	**4.12%**
Russell 2000	1,163.64	1,101.68	1,082.33	**1,118.82**	**-3.85%**	**3.37%**
Global Dow	2,483.62	2,534.53	2,409.20	**2,470.50**	**-0.53%**	**2.54%**
Fed Funds	0.25%	0.25%	0.25%	**0.25%**	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.51%	2.20%	**2.26%**	**-78 bps**	**6 bps**

What a difference a day/week makes. Just when it looked like the Bears were emerging from hibernation in time to ruin a perfectly decent year (not a "great" year, just a "decent" one), reality set back in as investors realized that the economic and corporate pictures were not so bad after all. A few key benchmark businesses reported "decent" (there's that word again) earnings and solid showings from housing and labor (again) confirmed that the recovery remains intact. The lackluster inflation picture should allow the Federal Reserve policymakers a bit more leeway on major rate decisions (we'll hear from them next week) so investors viewed the latest developments du jour as a perfect storm of "decent" news. Stocks moved much higher on the week (though not without some temp setbacks), while volatility continued to rear its ugly head. The Blue Chip Dow Jones has closed up or down more than 1% on 10 trading sessions so far this month, the most since those November 2011.

To date, S&P 500 companies are on pace to report 5.3% earnings growth in the third quarter, better than the 4.5% forecast just a few weeks ago. While some biggees like **Amazon.com** (never-ending infrastructure expansion) and **IBM** (complete transformation to the cloud) continue to struggle quarter after quarter (after quarter), key benchmarks like **Caterpillar**, **3M**, and even **UPS** offered some pretty upbeat reports. **Apple** stole the show again this quarter with surging profits from its newest (old) iPhone, while even the oft-forgotten Mac posted record sales. Additionally, Apple's one-time nemesis **Microsoft** delivered strong results on cloud advancements and even its **Nokia** mobile division is showing signs of revitalization. Airlines are benefiting from low fuel costs (that apparently are NOT being passed on to the consumer) and **United**'s earnings more than doubled during the quarter. Domestic automakers fought through the never-ending recalls and weak activity across the globe, particularly in Europe, though strength in North American operations remain "decent."

"Never-mind" became the key boardroom phrase of the week as a few prominent deals look to be slipping through the cracks. **AbbVie** officially ended its proposed $54 billion merger with **Shire** as global inversion tax deals are being frowned upon by the Obama administration. Likewise, **Canadian Pacific** and **CSX** have ceased discussions about a potential giant railroad merger. **Chiquita Brands** (of banana fame) is moving beyond a previously announced deal with **Fyffes** and is now looking to join forces with Brazil's **Cutrale-Safra**, after disregarding its overtures (or simply playing hard to get) since August.

Oil fell to a 27-month low on supply/demand mismatches as consumers sock away a few bucks on more affordable gasoline. Call it bottom fishing, bargain hunting, or simply a return to normalcy, but equity investors stepped up and found value in the depressed stock market. Apple's earnings pushed the Nasdaq to its best one-day showing since January 2013 (and the best week of the year) and the main domestic indexes got back on track to reap "decent" gains for the year (sorry, but not quite yet, small caps). And despite a case of Ebola in New York, Wall Street uttered a collective sigh of relief (for a week, at least).

Economic Calendar

Date	Release	Comments
October 21	Existing Home Sales (09/14)	Highest level of the year
October 22	CPI (09/14)	Modest U.S. inflation pressures
October 23	Jobless Claims (10/18/14)	4-week average at lowest level since May 2000
	Leading Economic Indicators (09/14)	Signals expansion into 2015
October 24	New Home Sales (09/14)	More strength after a surging August
The Week Ahead		
October 28	Durable Goods Orders (09/14)	
	Consumer Confidence (10/14)	
October 29	Fed Policy Meeting Statement	
October 30	Jobless Claims (10/25/14)	
	GDP (3rd quarter)	
October 31	Personal Income/Spending (09/14)	

Despite the recent negativity among investors, the domestic economy continues to rock along and housing data this week proved the sector is holding its own. Existing home sales jumped to its highest level of the year and new homes sales climbed slightly in September (though any gain should actually be considered an impressive showing considering that August's 15% surge represented the fastest pace of the recovery). Though jobless claims rose a tad last week, they still remain around 14-year lows and the less volatile four-week moving average dropped to its lowest level since mid-2000, a great sign for the labor revival. Looking ahead, leading indicators delivered an upbeat outlook for the next three to six months. And inflation remains well-contained (and that's before the most recent oil plunge), another fact to be considered by Yellen and friends in the upcoming week (and beyond).

The news abroad was less promising as the major players in Europe continue their bickering over how best to stimulate the region. France wants Germany to invest another 50 billion euros to counter its own budget cuts, while Germany responded that France should be loosening its labor market (and minding its own biz). While a few euro biggees like techie **SAP** and retailer **Metro** issued weak earnings reports, **Markit** actually reported that manufacturing and services activity in the Eurozone climbed more than expected last month. Similarly, China **HSBC** report showed that its manufacturing activity ticked up a tad last month and the economic superpower's third quarter growth of 7.3% was slightly above analysts' expectations (though still the worst showing in five years).

The European Central Bank may be on track to buy corporate bonds, a move that some believe would work wonders for boosting the ailing economy. Meanwhile, the results of the region's bank stress tests are out and 25 Eurozone banks failed their financial wellness checks, though over half seem to have taken the appropriate measures to improve their balance sheets by the end of the year. Closer to home, a few Fed officials openly worried about the nation's banking system and urged Wall Street to "clean up its behavior and image" or risk a break-up of some too-big-to failers at some point in the future. Of note, the regulators remain concerned about certain banks' roles in currency and interest rate manipulations and attempts at tax evasion and the negative impact on the public's trust.

On the Horizon…What say you, Janet Yellen? The Fed is widely expected to confirm the end of its bond buying program at the upcoming policy meeting, but few anticipate much clarity on the timing of the next rate shift. The economic slowdown in Europe (and China) as well as virtually no price pressures at home should give the policymakers more time to kick-the-can down the road before any pressing decision is needed. Big Oil joins the earnings game this week as **Exxon Mobil** and **Royal Dutch Shell** show the world just how the global supply/demand "challenges" and low energy prices are impacting their operations. Analysts will be watching the GDP release to see how things officially fared in the third quarter and what that may mean for the homestretch of the year.