RB **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 October 31, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (09/30/14)	Previous Week (10/24/14)	Current Week (10/31/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	17,042.90	16,805.41	**17,390.52**	**4.91%**	**3.48%**
NASDAQ	4,176.59	4,493.39	4,483.72	**4,630.74**	**10.87%**	**3.28%**
S&P 500	1,848.36	1,972.29	1,964.58	**2,018.05**	**9.18%**	**2.72%**
Russell 2000	1,163.64	1,101.68	1,118.82	**1,173.49**	**0.85%**	**4.89%**
Global Dow	2,483.62	2,534.53	2,470.50	**2,527.33**	**1.76%**	**2.30%**
Fed Funds	0.25%	0.25%	0.25%	**0.25%**	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.51%	2.26%	**2.33%**	**-71 bps**	**7 bps**

Bank of Japan's Governor Haruhiko Kuroda doesn't plan to go trick-r-treating as Fed Chair Janet Yellen this year. Once upon a time, the central banks appeared to play follow-the-leader with some semi-coordinated global monetary policy. Not anymore. At this week's policy meeting, the Fed moved forward with plans to end its long-standing bond buying program this month and continued debate about the exact timing of the next rate hike. A day later, the Bank of Japan unexpectedly announced aggressive new stimulus moves, including an expansion to its bond purchases for the first time in over 18 months as its economy has been on a downward spiral in the aftermath of its national sales tax increase last April. Japan's Nikkei climbed to its highest level in close to seven years on the news, while the domestic equity indexes also rose toward record levels. The sizable increases in equities (treats) over the past two weeks represents a sharp reversal to the concerning bearish sentiment (tricks) that had enveloped the US markets in the early part of the month. (And investors will take treats over tricks anytime.)

Earnings season is another reason that investors have become more positive in recent times. About 70% of S&P 500 companies have reported and their earnings are on a pace to grow by 7.5%, far in excess of the expected 4.5% increase at the start of the season. Big Oil became the latest to deliver favorable results as both **Exxon Mobil** and **Chevron** posted strong earnings on better refining margins despite falling oil prices and lower production. Social media darlings **Facebook** and **Twitter** both bested expectations as well, but raised alarms with concerning revenue guidance for the quarters to come. **Visa** and **MasterCard** also topped expectations, a decent gauge of consumer activity, and the former even announced a $5 billion stock buyback program. In other corporate news, **Apple** seems to be overlooking the geopolitical turmoil in Iran and is in discussions about selling iPhones in the country with over 75 million potential users (but many question marks about its open biz practices).

Whereas oil were recently sitting comfortably in triple-digit territory (well above $100/barrel), the reality of high supply vs. low demand has caused prices to plummet to around $80/barrel. A noted **Goldman Sachs** analyst even predicted $70/ oil in 2015. While some worry about a large energy sector on the decline and its negative impact on the greater economy should prices remain low, others point out that the drop in gasoline means greater household income and the potential for enhanced consumer activity.

Investors have put their "spooky" negative thoughts about the stock market in the rearview mirror (for now) and pushed the Dow and S&P 500 back into record territory on the favorable earnings reports and global moves to jumpstart recoveries abroad. Even the lagging small-caps made a strong push back-into-the-black for the year as investors cut positions in safe-haven treasuries and assumed a bit more risk in their portfolios. Even a processing glitch on the New York Stock Exchange could not sway the newfound bullishness, though the negative nellies serve to remind folks that sentiment can change on a dime (as the past month have proven). For now, let's all get fat and happy on the endless treats of the days.

Economic Calendar

Date	**Release**	**Comments**
October 28	Durable Goods Orders (09/14)	Biggest drop in eight months
	Consumer Confidence (10/14)	Sentiment improved on job gains and cheap gasoline prices
October 29	Fed Policy Meeting Statement	Rates will remain near zero for a “considerable time”
October 30	Jobless Claims (10/25/14)	4-week average at lowest level since May 2000
	GDP (3rd quarter)	Expanded steadily again during the 3rd quarter
October 31	Personal Income/Spending (09/14)	Spending declined for only 3rd time since mid-2009
The Week Ahead		
November 3	ISM – Manu (10/14)	
	Construction Spending (09/14)	
November 4	Balance of Trade (09/14)	
	Factory Orders (09/14)	
November 5	ISM – Services (10/14)	
November 6	Jobless Claims (11/01/14)	
November 7	Nonfarm Payroll (10/14)	
	Unemployment Rate (10/14)	
	Consumer Credit (09/14)	

So did Japanese Prime Minister Shinzo Abe underestimate the impact his national sales tax plan would have on his economy as a whole? Over the past six months, the higher taxes have prompted a sudden halt to consumer activity and his once prospering economy has been (downwardly) spiraling out of control. Suddenly, the new feeling was that a new sizable stimulus package was needed to stop the bleeding in the world’s third largest economy. Meanwhile, in the Eurozone, business and consumer confidence ticked up a tad and the inflation rate even rose in October, though it still stood at less than half the central bank’s targeted rate (baby steps?). On the other hand, the German Ifo biz confidence index dropped to its lowest level in two years and the country’s low level of inflation indicates that more stimulus may be needed (though German officials most likely disagree).

Closer to home, domestic consumer confidence climbed sharply in October as labor continues to improve and cheap gasoline means more disposable dollars. Though weekly jobless claims rose a tad, the key labor indicator reveals an economy fully in job creation mode and the four-week moving average fell to its lowest level since May 2000. Durable goods orders suffered its largest decline in eight months, but some analysts believe it to be an aberration as business sentiment remains high and manufacturing strong. Personal spending also dropped last month, though the continued decline in gasoline prices offers promise that such activity will pick up in the months to come. GDP grew at an annual rate of 3.5% in the third quarter, better than the 3.1% forecast, and another sign that the domestic recovery remains on steady ground. Consumer spending and biz investment were among the positive components within the release, though analysts could revise future growth expectations as European and Chinese struggles could begin to negatively impact trade in the months to come.

The Fed got together this week to set policy and debate the timing of the next rate hike. Policymakers confirmed that the bond buying program was ending this month (though it can be reestablished if needed). They also gave favorable assessments of the job market and seemed to discount that inflation will be much of a concern (even with the lower oil prices). As far as the timing, the Fed continued to include the phrase “rates will remain near zero for a considerable time.” Most Fed watchers expect a rake increase around the middle of 2015 (is that considered “considerable time?”).

On the Horizon…Earnings season plugs along and, barring some surprising misses, analysts feel the season will turn out stronger than expected. Next week’s economic calendar is quite hectic as the new month brings key data from manufacturing and labor. It’s always nice when October comes to an end.