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AND THAT'S THE WEEK THAT WAS…
For the Week Ended November 7, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (09/30/14)	Previous Week (10/31/14)	Current Week (11/07/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	17,042.90	17,390.52	17,573.93	**6.02%**	**1.05%**
NASDAQ	4,176.59	4,493.39	4,630.74	4,632.53	**10.92%**	**0.04%**
S&P 500	1,848.36	1,972.29	2,018.05	2,031.92	**9.93%**	**0.69%**
Russell 2000	1,163.64	1,101.68	1,173.49	1,173.32	**0.83%**	**-0.01%**
Global Dow	2,483.62	2,534.53	2,527.33	2,516.73	**1.33%**	**-0.42%**
Fed Funds	0.25%	0.25%	0.25%	0.25%	**0 bps**	**0 bps**
10 yr Treasury (Yield)	3.04%	2.51%	2.33%	2.31%	**-73 bps**	**-2 bps**

All you fans of political gridlock should rejoice. With Republicans taking control of both Houses of Congress in the midterms, the next two years in DC should be filled with bickering, name-calling, bad-mouthing and general uneasiness. In other words, more of the same. While the eternal optimists are hoping that Prez Obama and his Dem cohorts will find common ground and ways to compromise with their Republican counterparts, few believe that much will be accomplished before the next big election in two years. Corporate America would love to see Conservatives make headway on key issues such as immigration and the corporate tax code, but don't expect the Administration to reach across party lines anytime soon. For now (and seemingly always), gridlock will rule the day.

Earnings season plugged along and is nearing completion, and the results remain far better than most expected. With over 85% of S&P 500 companies reporting, earnings are now tracking 7.9% growth, far in excess of the 4.5% estimated rate at the beginning of the season. **Chrysler**, **Whole Foods,** and **Disney** were among the big names that posted solid numbers this week. Chrysler was also among the automakers contributing to US auto sales hitting a decade-high-pace in October, the best performance since the start of the financial crisis. Demand for trucks and SUVs got a boost from the declining gasoline prices and the continued low interest rate environment.

Speaking of taking advantage of low rates, **Walgreens** raised about $8 billion in the debt markets, one of the largest bond deals of the year, and now plans to use the proceeds in its purchase of Euro drugstore chain **Alliance Boots**. Analysts expect to see other high profile (and some low profile) companies raise moneys via the bond market through at least early 2015 as rates remain quite low, though the Fed should move to lift borrowing costs by the middle of next year. In other transaction news, French advertising giant **Publicis Groupe** is moving beyond a failed merger with **Omnicom** and is now looking to enhance its position in the digital age by buying US-based **Sapient** for $3.7 billion. Health care company **Laboratory Corp. of America** is acquiring **Covance** for over $6.1 billion.

Oil prices continued their downward spiral as Saudi Arabia announced its intent to cut prices in order to maintain market share. Traders expect OPEC to finally take some action on falling prices once crude hits the $70/barrel level. For now, the supply/demand mismatch has pushed prices below $80/barrel and to new three-year lows during the week. Investors have put the early October stock slide in the rearview mirror as decent earnings news, a pro-biz Republican Congress, and likelihood of additional stimulus in the Eurozone prompted more buying and new record highs on the Blue Chip Dow Jones and benchmark S&P 500 indexes during the week. Heading into the homestretch of the year, investors see an array of favorable factors for a solid ending. Amid signs that the labor picture is improving and low prices at the tanks means more dollars in our pocketbooks, investors are hoping for a return of the consumer in time for the holidays. And besides, gridlock is never really a bad things for the market.

Economic Calendar

Date	Release	Comments
November 3	ISM – Manu (10/14)	Matched the highest level since March 2011.
	Construction Spending (09/14)	2nd straight monthly decline
November 4	Balance of Trade (09/14)	Widened as exports hit a 5-month low
	Factory Orders (09/14)	Slowdown in manufacturing expected to be short-lived
November 5	ISM – Services (10/14)	Slid for 2nd straight month
November 6	Jobless Claims (11/01/14)	2nd lowest level of the year
November 7	Nonfarm Payroll (10/14)	Averaged additions of over 220k/month in 2014
	Unemployment Rate (10/14)	Lowest level since 2008
	Consumer Credit (09/14)	Gains in credit card debt and auto and student loans
The Week Ahead		
November 13	Jobless Claims (11/08/14)	
November 14	Retail Sales (10/14)	

The new month always brings numerous economic releases and another glimpse into the domestic economy. While the numbers show an economy in the midst of "modest to moderate" growth (or, so says the Fed), the various sectors do not appear to be overheating. Manufacturing, as measured by the ISM index, climbed to its highest level since March 2011, though factory orders dropped for the second straight month, and the trade picture worsened on weaker demand for goods and services abroad. Similarly, the ISM depicted a services sector that slowed more than expected for the second consecutive month, but the index still appeared comfortably in expansion territory.

Labor remains strong with 214k new nonfarm jobs added to the economy last month and the data from the two prior months was revised higher as well. The new additions mean that average monthly job growth exceeds 220k this year. Meanwhile, the unemployment rate fell to 5.8% in October, the lowest level since 2008, and weekly jobless claims stand at the second lowest level of the year. Labor remains a key factor in the Fed's assessment of the economy in setting policy, and Chair Yellen and Prez Obama undoubtedly discussed the jobs picture as well as global growth (contraction?) and Dodd-Frank at their powwow this week.

News overseas is not quite as promising. Though manufacturing expanded ever-so-slightly in both China and the Eurozone, key countries like France and Italy suffered sector contraction. The European Commission reduced its outlook for Eurozone growth for both 2014 and 2015, citing political tensions as one cause, while inflation is expected to stay well below its targeted two percent level until at least 2016. As such, European Central Bank Prez Draghi reiterated the policymakers' readiness to act with nontraditional measures and most expect an enhanced bond purchase program as the primary option. For now, the ECB left its already interest low rates unchanged, while officials evaluate new measures to strengthen the joint economies and boost inflation. Perhaps, Janet Yellen should be meeting with Draghi as opposed to Obama these days?

On the Horizon…Retailers take their turn on those quarterly earnings conference calls as **Dillard's**, **J C Penney**, **Macy's**, and **Wal-Mart** make their announcements next week. While the success of the season is already a foregone conclusion (to the positive side), analysts will still be looking closely at the retailers' results as they forecast the upcoming holiday shopping season. Similarly, the October retail sales release serves as an additional precursor and many expect enhanced activity on the lower gas prices and solid readings from labor. While things on the domestic front remain favorable, the global picture raises more concerns and this week's balance of trade number shows that the weaker economies abroad can have a clear impact (negative) on the US companies. Therefore, the once infamous Fed watchers are suddenly becoming ECB watchers as well.