



## AND THAT'S THE WEEK THAT WAS... For the Week Ended November 21, 2014

### Market Matters...

Market/Index	Year Close (2013)	Qtr Close (09/30/14)	Previous Week (11/14/14)	Current Week (11/21/14)	YTD Change	Week Change
Dow Jones Industrial	16,576.66	17,042.90	17,634.74	<b>17,810.06</b>	<b>7.44%</b>	<b>0.99%</b>
NASDAQ	4,176.59	4,493.39	4,688.54	<b>4,712.97</b>	<b>12.84%</b>	<b>0.52%</b>
S&P 500	1,848.36	1,972.29	2,039.82	<b>2,063.50</b>	<b>11.64%</b>	<b>1.16%</b>
Russell 2000	1,163.64	1,101.68	1,173.80	<b>1,172.40</b>	<b>0.75%</b>	<b>-0.12%</b>
Global Dow	2,483.62	2,534.53	2,529.28	<b>2,558.12</b>	<b>3.00%</b>	<b>1.14%</b>
Fed Funds	0.25%	0.25%	0.25%	<b>0.25%</b>	<b>0 bps</b>	<b>0 bps</b>
10 yr Treasury (Yield)	3.04%	2.51%	2.32%	<b>2.31%</b>	<b>-73 bps</b>	<b>-1 bps</b>

“Give me your tired, your poor, your huddled masses yearning to breathe free.” This week, the Prez paraphrased Lady Liberty and started that ball rolling by bypassing Congress and offering his plan to grant millions of illegal immigrants protection from deportation and offering them new work opportunities. Republicans had talking points prepared long before the speech was delivered as they bemoaned Obama for overreach through executive order and warned of a mass influx of even more illegal *tired, poor, and huddled masses*. Political observers predict the bitter debate will linger well into the next Presidential election season and Republicans need be careful about upsetting Hispanic and other minority voters who may favor the Prez’s action in order to keep their immigrant families together.

Businesses will be watching as immigration reform could impact the corporate workplace and wages in particular. (How will “*the wretched refuse of your teeming shore*” and “*the homeless, tempest-tossed to me*” impact domestic biz productivity and future earnings?) The week, they came closer to closing another (successful) earnings season. With most of the S&P 500 having reported, earnings are tracking an 8.1% growth rate, far in excess of the 4.5% predicted at the beginning of the season. Retailers continued to post results with both **Home Depot** and **Lowe’s** reporting solid sales numbers (even with the security breach), a nice sign for home-improvement and housing. **Target** and **Best Buy** bucked their recent negative trends by besting expectations and lending newfound optimism to the holiday season. **Dollar Tree** welcomed those bargain shoppers last quarter as the discounter recorded its strongest sales results since 2011 as it moves closer to completing its \$8.5 billion acquisition of **Family Dollar**.

Speaking of M&A, corporate board rooms have been active as of late as 2014 is shaping up to be the best year for global deal-making since 2007. A few biggees hit the recent biz headlines with **Activis** agreeing to purchase Botox maker **Allergan** for \$66 billion and **Halliburton** is looking to join forces with rival **Baker Hughes** to the tune of \$34.6 billion in a marriage of the world’s second and third largest oil services companies (paying attention **Schlumberger**?).

While oil has been on a downward spiral, all interested eyes are now on OPEC as its members meet later this month to discuss production goals and current pricing. Some energy analysts believe that the powers-that-be may actually move to cut production by a small amount in an attempt to limit prices from falling even more. Then again, the group’s overall production currently exceeds its agreed upon daily quota, so many traders do not believe the words of OPEC carry much credibility as some members (thanks Saudi) are merely interested in protecting personal market share. Stocks continued their record-setting ways as investors cheered statements from abroad that seemed likely to lead to additional stimulus moves in ailing Europe and Japan. China then surprised the world with its first rate cut in more than two years as the second largest economy is dangerously close to missing its annual growth target of 7.5% for the first time since the late ‘90s. Any *huddled masses* from Europe, China or Japan looking to immigrate?

### *Economic Calendar*

<b>Date</b>	<b>Release</b>	<b>Comments</b>
November 17	Industrial Production (10/14)	Industrial activity off to a weak start in 4 <sup>th</sup> quarter
November 18	PPI (10/14)	Bested forecast for another monthly decline
November 19	Housing Starts (10/14)	Solid gain for single-family homes
	Fed Policy Meeting Minutes	Ended bond-buying program
November 20	Jobless Claims (11/15/14)	Levels consistent with solid employment growth
	CPI (10/14)	Latest sign of weak inflation
	Existing Home Sales (10/14)	Rose for first time this year on annual basis
	Leading Indicators (10/14)	Upward trend points to continued economic growth
<b>The Week Ahead</b>		
November 25	GDP – 3 <sup>rd</sup> qtr (revised)	
	Consumer Confidence (11/14)	
November 26	Jobless Claims (11/22/14)	
	Durable Goods Orders (10/14)	
	Personal Spending/Income (10/14)	
	New Home Sales (10/14)	
November 27	Thanksgiving Day	
November 28	Black Friday	

The world's central bankers were in the news this week with European Central Bank's Prez Mario Draghi pontificating about enacting additional stimulus to combat the low level of inflation in the Eurozone by expanding its bond buying program. The ECB appears to be taking a page out of the Fed's playbook with this non-traditional measure; interestingly, Chair Yellen and friends ended their program in October, an action that was confirmed in the minutes from the latest Fed policy meeting. Draghi's comments came on the heels of Europe's **Markit's** composite purchasing managers' index dropping to a 16-month low in November, though the release still indicates manufacturing sector expansion (ever-so-slightly).

China then made a bold move at the end of the week when it announced that its central bank was cutting its key lending rates to boost economic growth in the number two world superpower by helping to increase demand in its country. As China goes, so goes the rest of Asia (and other trading partners) so the surprising move could prove a catalyst for global growth across the region (and the globe, for that matter). In Japan, Prime Minister Abe recognized that the national sales tax enacted in April has been impacting the economy in a negative way. Japan's economy contracted by 1.6% between July and September and now officially stands mired in recession after two consecutive down periods. Abe is postponing the next leg of the sale tax hike that was scheduled for next October and will be offering a new round of stimulus measures to bump the economy in the short term. (Something akin to kicking the can down the road.)

Closer to home, the news remains far better for the domestic economy. Housing looks to be moving past its recent struggles as a home builder sentiment index rebounded in November and existing home sales depicted a year-over-year increase for the first time this year. Though housing starts in the aggregate declined last month, the entire loss was the result of slowing activity in the volatile multifamily component, and single-family sales actually climbed to the best level since November 2013. Leading economic indicators rose for the second straight month, a nice trend heading into the holiday shopping season. Inflation remains beneath the radar screen for now as the decline in crude prices continues to limit price pressures. While the labor market remains solid and jobless claims stand at levels consistent with strong jobs growth, the Fed may have some time to watch and monitor before enacting that next much-anticipated rate hike (probably mid-2015)

***On the Horizon...****It's beginning to look a lot like...Thanksgiving.* So, fill those plates with a giant feast; unbuckle those belts after a third helping of dessert; watch some football; and head out bargain hunting on Black Friday. Welcome to the homestretch of the year.