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AND THAT'S THE WEEK THAT WAS…
For the Quarter Ended March 31, 2014

Market Matters…

Market/Index	Year Close (2013)	Qtr Close (03/31/14)	YTD Change
Dow Jones Industrial	16,576.66	**16,457.66**	**-0.72%**
NASDAQ	4,176.59	**4,198.99**	**0.54%**
S&P 500	1,848.36	**1,872.34**	**1.30%**
Russell 2000	1,163.64	**1,173.04**	**0.81%**
Global Dow	2,483.62	**2,504.05**	**0.82%**
Fed Funds	0.25%	**0.25%**	**0 bps**
10 yr Treasury (Yield)	3.04%	**2.72%**	**-32 bps**

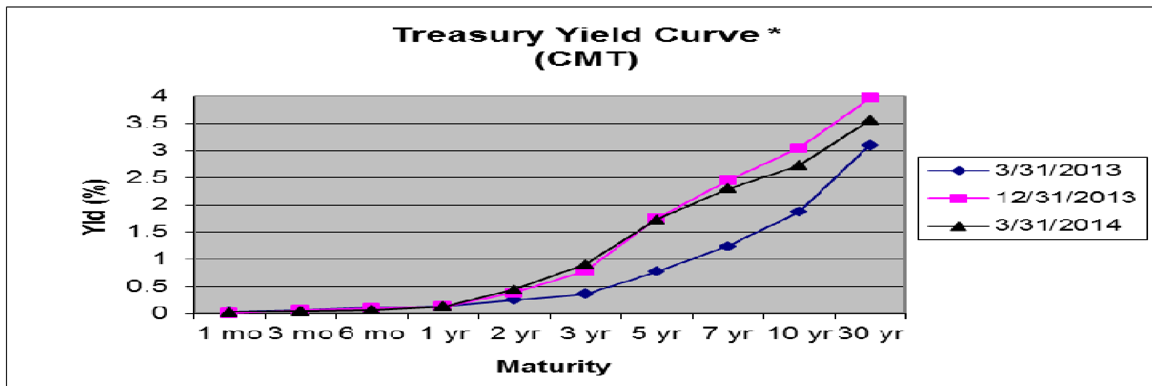
As January goes, so goes the (equity) market for the year. (Really?) With investors still basking in the glow of a highly successful 2013, January rained (and snowed and sleeted) on their parade to the tune of a 5%-plus drop in the Blue Chip Dow Jones, its worst start to a year since 2009. While January brought out the naysayers, February sent them back into hibernation as stocks enjoyed a bounce-back month with major indexes reaping at or above 4% gains. As the calendar flipped to March…enter the turmoil between Ukraine and Russia with global implications; confusing comments by the Fed Chair about the next interest rate hike; concerns about valuations of high-flying bio-techs; worries about the all-powerful Chinese economy; and a catch-all "poor winter weather" excuse. And the roller coaster ride of the first quarter continued.

Tough politico talk was followed by action as tiny Crimea chose to secede from the Ukraine and rejoin Russia. The US and Europe quickly joined forces with harsh sanctions against individuals and banks in Russia. Still, repercussion may be felt throughout the energy sector (among others) as Europe two largest oil companies, **BP** and **Royal Dutch,** are major players in Russia.

Despite some weaker performances early by key industry leaders (**IBM**, **Amazon.com**), earnings season was deemed successful (for the most part), and many companies used the "poor winter weather" excuse to explain any deficiencies. Transactions made headlines as IPOs were back in favor as the number of offerings in January and February doubled from the same period in 2013. Not all new deals were well-received as **King Digital's** (Candy Crush) stock declined in its first day of trading. Activist Carl Icahn ran his mouth (again) and **Apple** responded by upping its share buyback program. In M&A news, **Facebook** played "let's make a deal" and acquired messaging app **Whatsapps** for (a potentially inflated) $19 billion and also virtual reality company **Oculus** for $2 billion. The "poor weather" excuse made the rounds as auto sales dropped over two months and retailers struggled from slower store traffic. Congress jumped into the health care game (again) by "complaining" that **Gilead**'s hepatitis drug was priced too high.

March looked to be a continuation of February as investors realized that winter was nearing an end and expected brighter days ahead for the economy, corporate earnings, and general biz. The S&P 500 even moved into record territory. Suddenly, global developments in China and Ukraine/Russia caught the attention of investors and prompted many to rethink some of the solid gains of the prior few weeks. While few analysts proclaimed major challenges to the economy or biz climate, some speculated that bio-techs and other high flyers may be overvalued and profit-taking ensued with a flight-to-quality into the safe-haven of treasuries. Despite the late pullback, bio-techs still enjoyed a solid quarter and banks ended the period on a strong note. Industrials struggled early and the Dow Jones was the one major index to end in negative territory. Overseas, China suffered from economic concerns; Japan experienced profit-taking from 2013's gains; and much of Europe held its own. Who believes in that January Barometer anyway?

Economically Speaking…



When Bernanke safely out to pasture, the Janet Yellen regime began in earnest. The Fed remains confident enough about the state of the economy to continue reducing its bond buying program and certain officials threw out the "cold weather" excuse when any release came in weaker-than-expected. The policymakers also made clear that a 6.5% jobless rate is no longer a precursor for the next rate hike. Chair Yellen made a seemingly innocent comment about the timing of rate hikes that made some investors a tad antsy. She stated that she believed that next move should come "something on the order of six months after its winds down its bond program." Nervous Fed watchers calculated that the date would arrive slightly sooner than previously expected. Yellen warned investors to stop paying too much attention to every projection as "headwinds" continue to exist that could curtail the growth of the economy. Perhaps to calm everyone's minds about a sooner-than-later rate hike, she also claimed that "labor is still far from normal" and many Americans still feel like they are in recession. How's retirement treating you, Dr. B?

Despite the "cold weather" excuse, the economy is not making the Fed eat any of its words (at least not yet). Manufacturing remained strong as the ISM index rebounded from a weaker January and industrial production and the Philly Fed report both depicted solid growth. February was also a bounce-back month for jobs growth as measured by nonfarm additions and the four-week moving average of initial jobless claims dropped to its lowest level since last September. The consumer also may be emerging from winter hibernation as retail sales climbed in February and two key confidence measures depicted optimism. The housing releases prompted believers to used that "cold weather" excuse as early year sales have been on the decline.

Across the globe, China made continuous headlines as dismal news from retail, manufacturing, and housing showed the key sectors to be in the dumps. Many companies have been reporting disappointing earnings and have initiated large write-offs of debt. Its central bankers are monitoring the situation. Germany's purchasing managers was reported as below expectations, though France offset the negativity with an expansive reading of its own. The European Central Bank also remains worried about the dreaded "D" word (deflation) and some believe the policymakers will enact some non-traditional measures soon. Despite the euphoria from annexing (re-annexing?) Crimea, that Russian markets have been in a tailspin and both S&P and Fitch Ratings lowered their outlooks on the region from stable to negative.

On the Horizon… With January clearly in the rearview mirror, many investors are looking for bigger and better things throughout the remainder of 2014. Then again, the naysayers stand prepared to complain at every Yellen comment (don't worry…Dr. B. had a gaffe or two in the past and he survived just fine) . The ongoing uncertainties in Russia/Ukraine remain firmly on the front page of the home delivered paper (dating myself?). All eyes have been cast on China as a weak Superpower will prove more devastating than any reshuffling of flags in Crimea.

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