

Market Update 9/22/14

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Thomas Cymer CFP® CRPC® Presents:

WEEKLY ECONOMIC UPDATE

September 22, 2014

WEEKLY QUOTE

"I believe that one of life's greatest risks is never daring to risk."

- Oprah Winfrey

WEEKLY TIP

As you pursue both intermediate and long-range financial objectives, breaking the effort down into 5-year blocks can help you measure your progress.

WEEKLY RIDDLE

What word measures weight and turns negative if spelled backwards?

Last week's riddle:

Christine likes grapes but not potatoes. She likes squash but not lettuce, and peas but not onions. Following the same rule, will she like pumpkins or apples?

Last week's answer:

Pumpkins. Christine only likes fruits and vegetables that grow on vines.

INFLATION TOOK A HOLIDAY IN AUGUST

Consumer prices fell 0.2% last month while producer prices stayed flat. Wall Street didn't mind the dip in the Consumer Price Index - it saw less impetus for the Federal Reserve to alter its stance on interest rates. In its latest policy statement, the Fed reiterated its intent to keep the federal funds rate at a historically low level "for a considerable time after" it stops easing. The central bank is still on track to wrap up QE3 after its October policy meeting. Economists surveyed by MarketWatch expected no change in either the Consumer Price Index or the Producer Price Index for August.^{1,2}

A DOWNTURN IN GROUNDBREAKING

Why did housing starts drop 14.4% last month, with building permits down 5.6% as well? Census Bureau data showed an August decline in multi-family projects. Apartment construction accelerated 51% in July alone and is up 19.2% in the past year. Groundbreaking for single-family homes was only down 2.4% in August and remains up 4.2% year-over-year.³

MINOR ADVANCE FOR LEADING INDICATORS

The Conference Board's leading economic index showed a 0.2% gain for August after increases of 1.1% in July and 0.7% in June. In the words of CB economist Ken Goldstein, the smaller advance implies that the economy "is continuing to gain traction, but most likely won't repeat its stellar second quarter performance in the second half."⁴

STATUS QUO GOOD FOR STOCKS

The Federal Open Market Committee stayed the course last week and Scotland stayed part of Great Britain (and NATO and the European Union). Those headlines helped U.S. benchmarks record the following weekly gains: S&P 500, 1.25% to 2,010.40; DJIA, 1.72% to 17,279.74; NASDAQ, 0.27% to 4,579.79.⁵

THIS WEEK: Monday, Wall Street looks at the latest data on existing home sales and earnings from AutoZone. Tuesday, key September PMIs for China and the eurozone appear, accompanying earnings news from Bed Bath & Beyond and Carnival. The Census Bureau's August report on new home sales comes out on Wednesday along with earnings from KB Home and Accenture. Thursday, the Street will consider August durable goods data, initial jobless claims numbers and quarterly results from Nike. The last estimate of Q2 GDP arrives from Washington on Friday, along with the month's final University of Michigan consumer sentiment index and Q2 results from BlackBerry.

% CHANGE	Y-T-D	1-YR CHG	5-YR AVG	10-YR AVG
DJIA	+4.24	+10.51	+15.19	+6.93
NASDAQ	+9.65	+20.86	+22.95	+14.00
S&P 500	+8.77	+16.72	+17.64	+7.91

REAL YIELD	9/19 RATE	1 YR AGO	5 YRS AGO	10 YRS AGO
10 YR TIPS	0.56%	0.55%	1.68%	1.80%

Sources: online.wsj.com, bigcharts.com, treasury.gov - 9/19/14^{6,7,8,9}

Indices are unmanaged, do not incur fees or expenses, and cannot be invested into directly. These returns do not include dividends.

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Citations.

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Week of September 30th, 2013

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