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Market Week: October 13, 2014



The Markets

Concerns about signs of weaker growth abroad seemed to outweigh domestic corporate earnings reports last week as volatility went extreme. The Dow industrials saw triple-digit swings four days in a row that wiped out all of the index's year-to-date gains, and both the Dow and the S&P 500 had their worst weeks since May 2012. By the end of the week, the S&P was down 5% from its most recent high (a 10% drop is considered a correction). Meanwhile, the Russell 2000 fell solidly into correction territory, ending the week down almost 13% from its most recent high in March. The Global Dow also turned negative year-to-date.

The volatility sent investors once again seeking the relative security of U.S. Treasuries. As the price of the benchmark 10-year note has risen, the decline in its yield has accelerated in each of the last four weeks; the 10-year yield ended last week at its lowest level since June 2013.

Market/Index	2013 Close	Prior Week	As of 10/10	Weekly Change	YTD Change
DJIA	16576.66	17009.69	16544.10	-2.74%	-.20%
Nasdaq	4176.59	4475.62	4276.24	-4.45%	2.39%
S&P 500	1848.36	1967.90	1906.13	-3.14%	3.13%
Russell 2000	1163.64	1104.74	1053.32	-4.65%	-9.48%
Global Dow	2484.10	2493.99	2430.85	-2.53%	-2.14%
Fed. Funds	.25%	.25%	.25%	0%	0%
10-year Treasuries	3.04%	2.45%	2.31%	-14 bps	-73 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Headlines

- Minutes of the most recent meeting of the Federal Reserve's monetary policy committee showed that members are worried about slowing global growth. The potential domestic impact of dollar strength, which could become more problematic when interest rates increase, also was a concern, as a stronger dollar could make U.S. exports more expensive and weigh on the domestic economy. Members also wrestled with how to communicate any shift in the committee's expectations about when a rate increase might occur.
- European Central Bank President Mario Draghi said that the already sluggish European economy seems to be slowing further. Coupled with discouraging economic reports out of Germany--exports fell 5.8% in August, and manufacturing output and new orders also were down--Draghi's statement raised concerns about the financial health of Europe as a whole. To add to the gloom, the International Monetary Fund also lowered its outlook for global growth next year, though its U.S. forecast was more optimistic.



Key Dates/Data Releases

10/15: Retail sales, Empire State manufacturing, wholesale inflation, Fed "beige book" report

10/16: Industrial production, Philadelphia Fed manufacturing, international capital flows

10/17: Housing starts, options expiration

Eye on the Week Ahead

The question of the week will be whether last week's volatility exhausted negative sentiment or there's more to come. If domestic Q3 earnings reports and corporate guidance are robust, they might help provide some counterbalance to global pessimism. However, many large U.S. corporations earn a large percentage of their profits overseas; if forward guidance tends to be negative, that could have the opposite effect. Options expiration at week's end also could affect volatility.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.

About WealthTrust - Arizona

WealthTrust - Arizona is a fee based investment advisory firm that specializes in integrating portfolio management with estate planning for high net worth individuals and families. Services include portfolio management, estate planning, asset and lifestyle preservation, taxation concerns, access to trust and estate documentation preparation, business succession planning and more. The professionals at WealthTrust - Arizona are frequently sought out by the national media such as The Wall Street Journal, Forbes, New York Times, CNBC, BloombergRadio, and others to share their thoughts on matters that impact our clients.

Given the recent events impacting investors and their financial security, we would welcome the opportunity to provide a second opinion for anyone who would like to have a check-up on their investments, financial plan or estate plan. If you know of anyone who may have a concern with their current advisor or current investment portfolio, we encourage you to share our contact information with those that could benefit from a complimentary review.

Please visit us at <http://www.wealthtrust-arizona.com>

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