



WealthTrust - Arizona

8434 E Shea Blvd
 Scottsdale, AZ 85260
 480-483-7300
 info@wealthtrust-arizona.com
 www.wealthtrust-arizona.com



Market Week: October 20, 2014



The Markets

The hits just kept on coming: Ongoing weak economic data abroad, disappointing domestic retail and wholesale inflation numbers, and fears about the global impact of the Ebola virus continued to take a toll. At one point on Wednesday, the Dow had shed 458 points, though it saw a partial recovery later in the day. And despite a rally on Friday, the S&P 500 inched closer to correction territory; its 1% loss for the week left it down 6.2% from its September 18 record high. However, there also was some good news; the small caps of the Russell 2000, which have been beaten down for much of the year, had strong gains.

The benchmark 10-year Treasury yield continued to drop; as demand drove prices higher, the yield briefly fell below 2% on Wednesday. In Europe, the opposite was true; yields on 10-year Greek sovereign bonds rose to 9% as investors worried about whether the stagnant European economy might affect weaker countries' ability to repay or refinance existing debt. The price of oil, which has been declining recently because of falling global demand, plummeted to the low \$80s--its lowest level in more than two years.

Market/Index	2013 Close	Prior Week	As of 10/17	Weekly Change	YTD Change
DJIA	16576.66	16544.10	16380.41	-.99%	-1.18%
Nasdaq	4176.59	4276.24	4258.44	-.42%	1.96%
S&P 500	1848.36	1906.13	1886.76	-1.02%	2.08%
Russell 2000	1163.64	1053.32	1082.33	2.75%	-6.99%
Global Dow	2484.10	2430.85	2409.20	-.89%	-3.02%
Fed. Funds	.25%	.25%	.25%	0%	0%
10-year Treasuries	3.04%	2.31%	2.22%	-9 bps	-82 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

- U.S. manufacturing data was mixed. According to the Federal Reserve Board, industrial production increased 1% in September and rose at an annual rate of 3.2% during the third quarter. However, growth measured by the Fed's October Empire State manufacturing survey fell sharply from the five-year high recorded the previous month, and the Philly Fed index showed growth slowing slightly.
- Eurozone manufacturing output fell sharply in August, according to the European Union's statistical agency; the 1.8% drop was the largest monthly decline since late 2008. Production in the 28-member EU also fell 1.4%, and the 4.3% decline in German industrial production was especially unsettling.
- To help combat that weakness, the European Central Bank will start buying asset-backed securities and certain bank bonds shortly. And in China, the central bank there is reportedly ready to inject more than \$30 billion into its banking system to try to jump-start lending.
- The International Energy Agency cut its forecast for global demand for oil for the rest of this year and 2015. Weak global demand, increased U.S. production, and a strong dollar have already cut the price of



Key Dates/Data Releases

10/21: Existing home sales, Q3 China GDP

10/22: Consumer inflation

10/24: New home sales

oil by more than 20% since June, and the IEA said prices could fall further if supply isn't reduced. However, several key members of the Organization of the Petroleum Exporting Countries (OPEC) have indicated that at least for now, they prefer to try to retain market share rather than cut supplies to support prices.

- September's 0.3% annual inflation rate in the eurozone--the lowest level in five years--raised concerns about the possibility of deflation, especially since consumer prices actually fell in several countries. However, prices in the EU as a whole were up 0.4% during the month.
- Wholesale prices fell in the United States; the Bureau of Labor Statistics said prices for finished products and services dropped 0.1% in September, though they are 1.6% higher than the previous September. The 0.7% monthly decline in both the volatile food and energy sectors was largely responsible; not including food and energy, prices were up 0.2%.
- Retail sales in the United States slipped 0.3% in September, though the Commerce Department said they were 4.3% ahead of a year earlier. The biggest declines were seen in building and garden supplies, clothing, and nonstore retailers, all of which were down more than 1% during the month.
- U.S. housing starts jumped 6.3% in September; according to the Commerce Department, that put them 17.8% ahead of the previous September. Also, building permits--an indicator of future activity--were up 1.5% in September and 2.5% from a year ago.

Eye on the Week Ahead

After four straight weeks of volatility, investors will likely keep their fingers crossed for a break in the action as third-quarter earnings reports continue to stream in. Chinese third-quarter economic data will be watched in light of global growth concerns. Falling energy costs could keep U.S. consumer inflation figures low.

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.

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