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Market Week: October 27, 2014



The Markets

Relief at last: Investors finally regained some appetite for risk as equities got a break from the recent wave of selling. After four straight weeks of losses, the S&P 500 saw a strong bounce. However, the Nasdaq's rebound was even bigger and the small caps of the Russell 2000 saw their second consecutive week of robust gains. Though the Dow industrials lagged the other three domestic indices, the rally brought the Dow back into positive territory for the year. The Global Dow also recovered from its slump, nearly managing to break even for the year.

The strong showing in equities helped send the benchmark 10-year Treasury yield up as prices fell. Meanwhile, the price of oil stabilized in the low \$80s.

Market/Index	2013 Close	Prior Week	As of 10/24	Weekly Change	YTD Change
DJIA	16576.66	16380.41	16805.41	2.59%	1.38%
Nasdaq	4176.59	4258.44	4483.72	5.29%	7.35%
S&P 500	1848.36	1886.76	1964.58	4.12%	6.29%
Russell 2000	1163.64	1082.33	1118.82	3.37%	-3.85%
Global Dow	2484.10	2409.20	2470.50	2.54%	-.55%
Fed. Funds	.25%	.25%	.25%	0%	0%
10-year Treasuries	3.04%	2.22%	2.29%	7 bps	-75 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

- Sales of existing homes jumped 2.4% during September, according to the National Association of Realtors®. That's the highest pace of 2014, though the number of sales was 1.7% lower than in the previous September. The \$209,700 median sale price was 5.6% higher than a year earlier.
- Meanwhile, new home sales were up 0.2% in September; the Commerce Department said that put them 17% higher than in September 2013.
- Consumer prices rose 0.1% in September. The Bureau of Labor Statistics said that left the Consumer Price Index up 1.7% for the last 12 months--a level that might give the Federal Reserve some leeway to keep interest rates low. Increases in food and housing outweighed a 0.7% drop in energy costs.
- China's growth rate, while still robust compared to the rest of the world, slowed during the third quarter, according to the National Bureau of Statistics. The 7.3% increase in the country's gross domestic product was slightly lower than Q2's 7.5% and below the official target for annual growth (also 7.5%). Real estate prices and sales continued to be a soft spot in the Chinese economy.
- After subjecting 150 European banks to annual stress tests, the European Central Bank and the European Banking Authority said only 12 of them needed to raise additional capital as protection against



Key Dates/Data Releases

10/27: Dallas Fed manufacturing survey

10/28: Durable goods orders, home prices

10/29: Federal Open Market Committee announcement

10/30: Q3 GDP initial estimate

10/31: Personal income/spending

a worst-case scenario. Italy had the most problem banks, with Greece and Cyprus tied for second.

- Similar stress tests for U.S. banks to be conducted by the Federal Reserve next year will measure how well they would withstand a sharp deterioration in the corporate bond market, especially high-yield bonds issued by highly indebted companies. As in previous years, the tests also will gauge exposure to threats from a variety of factors that include sharp declines in the job market and economic growth, a jump in oil prices to \$110 a barrel, and a 60% drop in the stock market. Banks that fail the test could be restricted in their ability to pay dividends or buy back stocks until they address the deficiencies.

Eye on the Week Ahead

Once again, all eyes will be on the Fed as quantitative easing is expected to come to an end. And with recent volatility in the equities markets suggesting investor uncertainty, the first estimate of Q3 gross domestic product is likely to be significant. Also, the release of stress tests conducted on European banks could affect investor perception of the financial system there.

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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