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Market Week: March 24, 2014

The Markets

The Fed taketh away and the Fed giveth: After domestic equities fell in the wake of Wednesday's Federal Reserve announcement, encouraging manufacturing data, also from the Fed, helped stocks rebound to end the week with a gain. The Dow, which has generally been bringing up the rear in recent weeks, led the pack, though it remained solidly in negative territory for the year, along with its overseas counterpart. Meanwhile, bonds took a hit because of questions about the timing of an increase in short-term interest rates.

Market/Index	2013 Close	Prior Week	As of 3/21	Weekly Change	YTD Change
DJIA	16576.66	16065.67	16302.77	1.48%	-1.65%
Nasdaq	4176.59	4245.40	4276.79	.74%	2.40%
S&P 500	1848.36	1841.13	1866.52	1.38%	.98%
Russell 2000	1163.64	1181.41	1193.73	1.04%	2.59%
Global Dow	2484.10	2428.58	2451.31	.94%	-1.32%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.04%	2.65%	2.75%	10 bps	-29 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

- As expected, the Federal Reserve's monetary policy committee once again reduced its bond purchases by \$10 billion a month. However, the committee's statement said that rather than focusing primarily on a 6.5% unemployment rate to determine when to begin raising its target interest rate, policymakers would look at a variety of economic measures. The statement also forecast that an increase wouldn't occur for "a considerable time" after the end of the bond-buying taper. When pressed about what that term might mean, new Chair Janet Yellen raised eyebrows by saying it could mean as soon as six months after tapering ends. A survey of Federal Open Market Committee members showed most expect the target rate, now close to zero, to end 2015 at 1%.
- Frigid weather across much of the country also seemed to freeze both new residential construction and sales of existing homes in February. According to the National Association of Realtors®, the weather plus ongoing low inventories and restricted credit availability cut home resales 0.4% during the month. And while building permits--an indicator of future activity--were up 7.7%, the Commerce Department said housing starts fell 0.2% in February.
- Food prices, especially those for food eaten at home, rose 0.4% in February, which the Bureau of Labor Statistics said accounted for roughly half of the 0.1% increase in all consumer prices during the month. The overall increase put the consumer inflation rate for the last year at 1.1%, approximately where it's been for most of the last seven months.





Key Dates/Data Releases

3/25: Personal income/spending, new home sales

3/26: Durable goods orders

3/27: Final estimate of Q4 and 2013 GDP

- Data from the Philly Fed manufacturing survey showed a strong rebound to a reading of 9 from February's -6.3. And while the Fed's Empire State survey showed little change in overall conditions, new orders and shipments were both up.
- Two major automakers hit speed bumps last week. General Motors issued its second major recall in two months, this one for 1.8 million cars; the company is already under investigation for ignition defects involved in a 1.6-million-car recall last month. Also, Toyota agreed to pay a record \$1.2 billion criminal penalty to settle a Justice Department investigation of previous safety problems, and admitted it had misled consumers about a defect that caused cars to speed up when customers tried to brake.

Eye on the Week Ahead

After managing to shake off the Fed and the Crimean conflict last week, investors will likely pay extra attention to speeches by several members of the Fed's monetary policy committee to see if they shed additional light on last week's statements. Final U.S. GDP numbers for the fourth quarter and all of 2013 will be out, plus data on housing, manufacturing, and consumer spending.

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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.

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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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