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Market Week: May 5, 2014

The Markets

Generally encouraging data that suggested winter's economic deep freeze might be thawing led to broad-based gains for equities despite some slippage at week's end. The Dow finally managed to surpass briefly the record closing high it hadn't seen since New Year's Eve. However, of the four domestic indices in the table below, the S&P 500 remained the only one still in positive territory year-to-date. Meanwhile, the Fed's steady-as-she-goes approach to tapering helped boost demand for the benchmark 10-year Treasury, whose yield fell to its lowest level so far this year.

Market/Index	2013 Close	Prior Week	As of 5/2	Weekly Change	YTD Change
DJIA	16576.66	16361.46	16512.83	.93%	-.38%
Nasdaq	4176.59	4075.56	4123.90	1.19%	-1.26%
S&P 500	1848.36	1863.40	1881.14	.95%	1.77%
Russell 2000	1163.64	1123.03	1128.80	.51%	-2.99%
Global Dow	2484.10	2496.82	2523.17	1.06%	1.57%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.04%	2.68%	2.60%	-8 bps	-44 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, economic growth stalled during the first quarter, falling from 2.9% in Q4 2013 to the current 0.1% (though that figure will be subject to two revisions over the next two months). The Bureau of Economic Analysis said lower exports, less spending by businesses on fixed investments and inventory, and reduced spending by local and state governments were key to the decline.
- The unemployment rate saw its biggest drop since December 2010, falling from 6.7% to 6.3% in April; that's the lowest it's been since September 2008. Also, the Bureau of Labor Statistics said the number of new jobs created--288,000--was far greater than the last 12 months' 190,000 monthly average and represented the strongest job creation in more than two years. Gains were broadly distributed, led by employment in business and professional services, retail, restaurants/bars, and construction. However, the report wasn't all good news; the drop in the unemployment rate resulted partly from 806,000 people leaving the labor force.
- Consumer spending rebounded from the previous two months' deep freeze, rising an inflation-adjusted 0.7% in March. Even better, the Commerce Department said the spending was widespread, with the biggest gains in durable goods, which rose 2.7% (about half of which was purchases of cars and car parts). The bad news? Spending on durable goods was down 2.2% from the previous March, and one reason for March's higher sales was a 0.5% jump in the cost of food. Nondurable goods were up 0.9% for the month, while spending on services rose 0.4% and personal income was up 0.5%.





Key Dates/Data Releases

5/5: ISM services sector report

5/6: Balance of trade

5/7: Business productivity/costs

- Business for U.S. manufacturers also accelerated coming out of the frigid winter. The April reading on the most recent Institute for Supply Management survey rose to 54.9%, its highest level since December, and all but one of the 18 industries reporting saw gains. In addition, the Commerce Department said orders at U.S. factories were up 1.1% in March; a 3.5% jump in business spending on capital equipment (not including the volatile aircraft sector) was the biggest increase in that figure since January 2013.
- Home prices in the cities tracked by the S&P/Case-Shiller 20-City Composite Index were relatively flat for the month, rising only 0.2% as 13 of the 20 cities showed declines. Also, the 12.9% year-over-year gain was slightly lower than the previous 12 months' 13.2% increase.
- As expected, the Federal Reserve's monetary policy committee once again cut its monthly bond purchases by \$10 billion, leaving them at \$45 billion a month. The committee also reiterated its belief that its target interest rate will remain at its current level well after bond purchases end.

Eye on the Week Ahead

With few economic reports on tap this week, investors' focus could be overseas. Heightened tensions over Ukraine could counterbalance any data-induced optimism, as they did last Friday. Also, the European Central Bank will meet Thursday, when additional economic stimulus measures could be on the table.

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.goldprices.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

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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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