



## WealthTrust - Arizona

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# Market Week: August 4, 2014



## The Markets

A strong GDP report, generally positive corporate earnings, and a slightly more optimistic outlook from the Fed couldn't offset the ongoing stream of bleak news about geopolitical problems and investor desire to take some money off the table. The Russell 2000's recent losing streak spread to the large caps as the S&P 500 had its worst week of the year. Argentina's default on sovereign debt helped prompt a selloff on Thursday, which cut 317 points from the Dow and sent it back into negative territory for the year.

Market/Index	2013 Close	Prior Week	As of 8/1	Weekly Change	YTD Change
<b>DJIA</b>	16576.66	16960.57	16493.37	-2.75%	-.50%
<b>Nasdaq</b>	4176.59	4449.56	4352.64	-2.18%	4.22%
<b>S&amp;P 500</b>	1848.36	1978.34	1925.15	-2.69%	4.15%
<b>Russell 2000</b>	1163.64	1144.72	1114.86	-2.61%	-4.19%
<b>Global Dow</b>	2484.10	2630.48	2561.22	-2.63%	3.10%
<b>Fed. Funds</b>	.25%	.25%	.25%	0 bps	0 bps
<b>10-year Treasuries</b>	3.04%	2.48%	2.52%	4 bps	-52 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

- The initial estimate of 4% U.S. economic growth in Q2 showed a strong rebound from Q1's 2.1% contraction. However, the Bureau of Economic Analysis's initial estimate is subject to revisions over the next two months (for example, the initial Q1 estimate showed a 0.1% gain). Increases in exports and consumer spending (especially on durable goods) as well as more business inventory investment and state/local government spending drove the gains in gross domestic product.
- The unemployment rate ticked up slightly to 6.2% in July but was still at its lowest level in almost six years and more than a full percentage point below a year earlier. The Bureau of Labor Statistics also said the 209,000 new jobs added to payrolls in July roughly equaled the average monthly job gains over the last year; though that's down from the pace of the last three months, July was the sixth straight month in which 200,000+ new jobs have been added.
- Home prices continued to improve, but at a slower pace. All the cities in the S&P/Case-Shiller 20-City Composite Index report issued last week saw increases, but the 9.4% increase over last May was down from the previous month's 10.8% year-over-year gain.
- The Federal Reserve's monetary policy committee continued to reduce its bond purchases, cutting them to \$25 billion a month. The Federal Open Market Committee statement noted increased spending by both consumers and businesses as well as improvements in employment, though it also said there continues to be slack in the labor market. It also said that as long as inflation remains below 2%, its target interest rate is likely to remain at its current level for "a considerable time" after new bond



#### Key Dates/Data Releases

8/4: Factory orders, ISM services report

8/6: Balance of trade

8/8: Business productivity

purchases end completely. However, the moderately more positive language plus hawkish comments from one committee member helped elevate concerns about the timing of rate increases.

- Both the European Union and the United States attempted to increase pressure on Russia to end support for Ukrainian rebels. Previous sanctions have been largely directed toward individuals; the new measures are expected to affect Russian banks, the country's oil industry, and the military. The EU agreement is designed to isolate Russia economically without hampering Europe's fragile economic recovery.
- After Argentina failed to reach a settlement with large holders of \$13 billion of sovereign bonds that have already been restructured once, Standard & Poor's declared it in default on other interest payments. Coupled with a quarterly loss reported by Portugal's second-largest bank, Argentina's debt problems once again raised questions about the resilience of emerging economies.
- Trustees of the fund that finances Medicare reported that slower growth in federal health-care spending as a result of the Affordable Care Act appears to have helped delay by four years the date by which Medicare is expected to run out of money. The trustees now see that occurring in 2030. Social Security is expected to be solvent until 2033, but trustees of the Social Security Trust Fund said that unless action is taken, a shortfall might require cuts in disability benefits starting in late 2016.
- According to the Commerce Department, U.S. construction spending slumped nearly 2% in June. However, that was still 5.5% higher than in June 2013. Both public and private spending on residential and commercial building fell.
- The Institute for Supply Management said U.S. manufacturing continued to accelerate in July as its survey of purchasing managers rose to 57.1 from 55.3 (any number above 50 indicates expansion).

### Eye on the Week Ahead

Investors will try to gauge whether last week's downdraft was the start of something bigger or a much-needed breather for a lengthy bull market.

*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.*

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#### 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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