Economic & Market Review

~ November 2014 Investment Newsletter ~

Steven W. Lieberman, MBA, CFP® Summit Financial Resources, Inc. (973) 285-3637 slieberman@sfr1.com

Monthly Summary

U.S. data reports in November continued to validate a solid economic expansion. Corporate earnings reports for Q3 exceeded expectations, the labor market continued to firm, and third quarter U.S. GDP growth was revised upward to 3.9% following even more impressive growth in Q2. Investors also welcomed a Republican sweep of both houses of Congress and regarded a four year low in oil prices, on balance, as a favorable development.

The story internationally was quite a bit different. Continuing weakness in the euro zone led to an official cut in growth expectations and correspondingly aggressive comments out of the European Central Bank (ECB). Japan, now in a technical recession, delayed a second round of sales tax hikes and announced early elections to be held in December. The Bank of Japan (BOJ) had already become much more aggressive toward the end of October. The Bank of England (BOE), concerned about negative contagion from the rest of Europe, announced a delay in the timing of a rate hike - now many months later than previous expectations. Finally, China, in the wake of its own set of economic headwinds, surprisingly announced a rate cut of its own - the first in two years. Apparently weakness in real estate, investment spending, factory production, and retail sales was sufficient to ignore fears of credit-fueled growth. Some things never change.

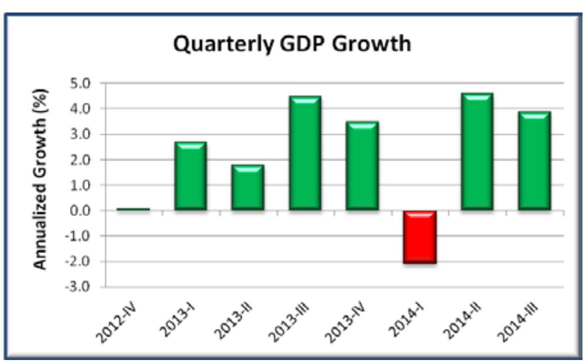
In the end, investors interpreted good news in the U.S. as good, and bad news elsewhere as...well, good. If it were not for aggressive central banks and the sugar highs they inject into markets, the story would likely be much different.

Economic Data

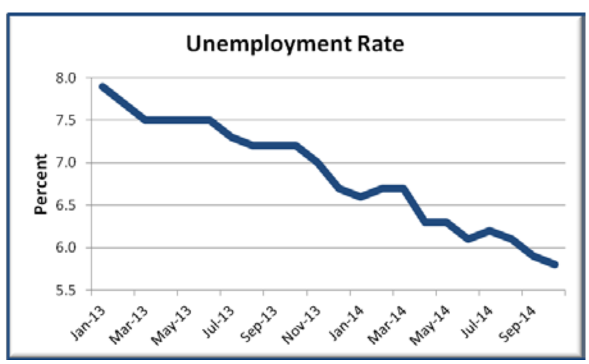
General	Prior	Current
GDP growth	4.6% (Q2)	3.9% (Q3)
Trade balance	-$40.0 B (Aug)	-$43.0 B (Sep)

Employment	Prior	Current
Initial jobless claims	292,000 (11/15)	313,000 (11/22)
Continuing claims	2.3 MM (11/08)	2.3 MM (11/15)
Change in nonfarm payrolls	256,000 (Sep)	214,000 (Oct)
Unemployment rate	5.9% (Sep)	5.8% (Oct)
Average weekly hours	34.5 (Sep)	34.6 (Oct)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	94.1 (Oct)	88.7 (Nov)
Retail sales growth (YoY)	5.9% (Sep)	4.6% (Oct)
Change in consumer credit	$14.0 B (Aug)	$15.9 B (Sep)



Data Source: U.S. Department of Commerce



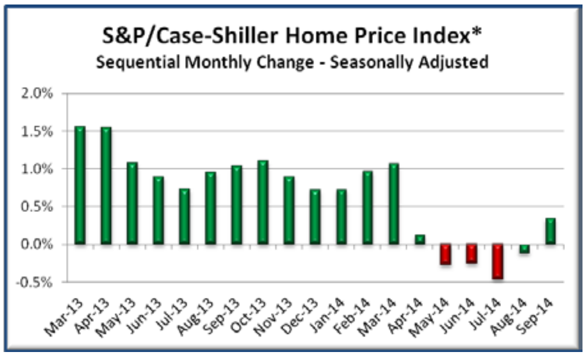
Data Source: U.S. Department of Labor

20141203-0777

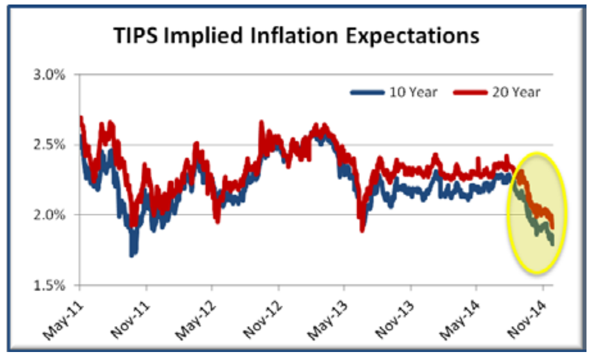
Manufacturing & Service	Prior	Current
ISM manufacturing index	56.6 (Sep)	59.0 (Oct)
ISM non-manufacturing index	58.6 (Sep)	57.1 (Oct)
Durable goods orders growth	-0.9% (Sep)	0.4% (Oct)
Industrial production growth	0.8% (Sep)	-0.1% (Oct)
Capacity utilization	79.2% (Sep)	78.9% (Oct)

Real Estate	Prior	Current
New home sales	455,000 (Sep)	458,000 (Oct)
Existing home sales	5.2 MM (Sep)	5.3 MM (Oct)
Case-Shiller home price index (YoY)	5.7% (Aug)	4.9% (Sep)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.7%/1.7% (Sep)	1.7%/1.8% (Oct)
Producer price index/Core (YoY growth)	1.6%/1.6% (Sep)	1.5%/1.8% (Oct)



Data Source: S&P/Case-Shiller



Data Source: U.S. Department of the Treasury, Summit

Market Returns

The S&P 500 gained 2.7% for the month and is up 14.0% for the year. Developed international equity markets, as defined by the MSCI EAFE index, were up 1.4% in November while the MSCI Emerging Markets index lost 1.1%. Year-to-date, international developed and emerging markets have returned -1.5% and 2.5%, respectively.

In the fixed income market, the Barclays U.S. Aggregate index gained 0.7% for the month, and the yield on the 10-year U.S. Treasury note fell 17 basis points to end at 2.18%. For the year, the Barclays U.S. Aggregate is up 5.9%. High yield credit spreads continued to widen during the month from lows set in June. Accordingly, the Barclays High Yield index fell 0.7% in the process bringing its 2014 gain down to 4.0%. International bonds were down 1.1% for the month taking year-to-date losses to 1.9%. In other markets, the DJ U.S. Real Estate index is up 26.3% in 2014 after rising 2.7% in November and commodities, the laggards among asset classes this year, were down 10.2% through November.