

# Economic & Market Review

~ November 2014 Investment Newsletter ~

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## 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

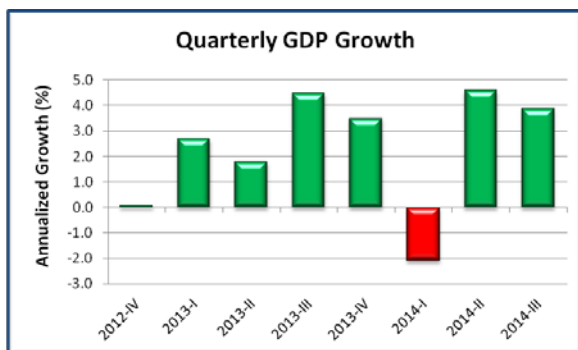
<b>General</b>	<b>Prior</b>	<b>Current</b>
GDP growth	4.6% (Q2)	3.9% (Q3)
Trade balance	-\$40.0 B (Aug)	-\$43.0 B (Sep)

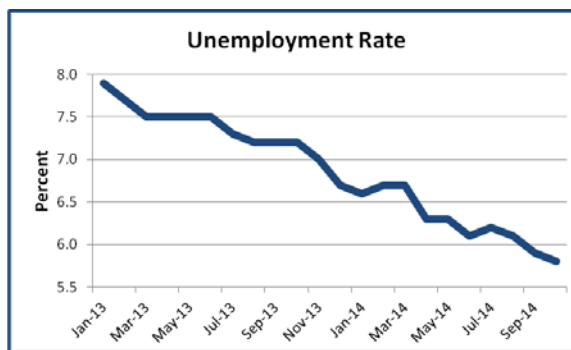
<b>Employment</b>	<b>Prior</b>	<b>Current</b>
Initial jobless claims	292,000 (11/15)	313,000 (11/22)
Continuing claims	2.3 MM (11/08)	2.3 MM (11/15)
Change in nonfarm payrolls	256,000 (Sep)	214,000 (Oct)
Unemployment rate	5.9% (Sep)	5.8% (Oct)
Average weekly hours	34.5 (Sep)	34.6 (Oct)

<b>Consumer</b>	<b>Prior</b>	<b>Current</b>
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



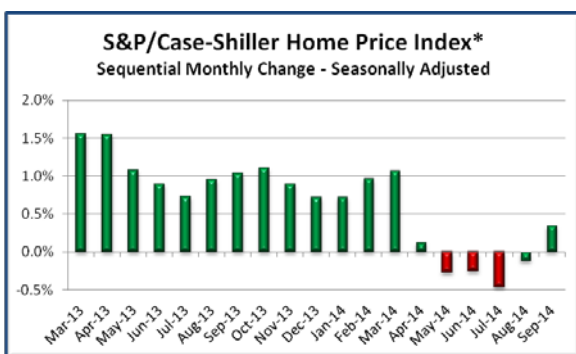
Data Source: U.S. Department of Labor



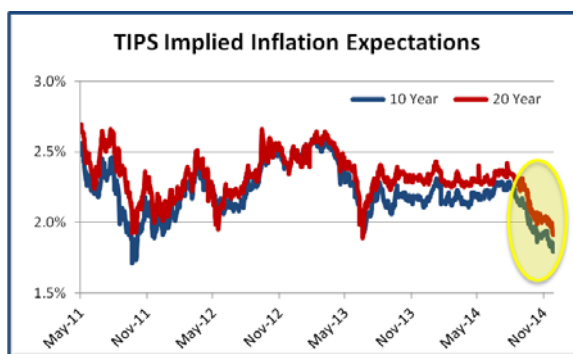
<b>Manufacturing &amp; Service</b>	<b>Prior</b>	<b>Current</b>
ISM manufacturing index	56.6 (Sep)	59.0 (Oct)
ISM non-manufacturing index	58.6 (Sep)	57.1 (Oct)
Durable goods orders growth	-0.9% (Sep)	0.4% (Oct)
Industrial production growth	0.8% (Sep)	-0.1% (Oct)
Capacity utilization	79.2% (Sep)	78.9%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

<b>Real Estate</b>	<b>Prior</b>	<b>Current</b>
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)

<b>Inflation</b>	<b>Prior</b>	<b>Current</b>
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.

## Disclaimers

This commentary was written by Robert W. Lamberti, CFA, Vice President of Investments and a Principal of Summit Financial Resources, Inc. and Summit Equities, Inc., 4 Campus Drive, Parsippany, NJ 07054. Tel. 973-285-3600, Fax: 973-285-3666. Source of performance: Morningstar®. Indices are unmanaged and cannot be invested into directly. The investment and market data contained in this newsletter is not an offer to sell or purchase any security or commodity. Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The MSCI EAFE and Emerging Markets Indexes were created by Morgan Stanley Capital International (MSCI) and designed to measure equity market performance in global developed and emerging markets, respectively. The Barclays Aggregate Bond Index is a market capitalization-weighted index comprised of government securities, mortgage-backed securities, asset-backed securities, corporate securities, and a small number of foreign bonds traded in the U.S. It is used to represent the universe of bonds in the domestic market. REITs, Real Estate Investment Trusts, are securities that invest in real estate directly, either through properties or mortgages. REITs receive special tax considerations and typically offer investors high yields, however, may have liquidity constraints. Past performance does not guarantee future results. Information throughout this Newsletter, whether stock quotes, charts, articles, or any other statement or statements regarding markets or other financial information, are obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or for any delay or interruption in the transmission thereof to the reader. To unsubscribe from this investment newsletter please reply to this email with "unsubscribe" in the subject. Opinions expressed are subject to change without notice and are not intended as investment advice or a guarantee of future performance. Consult your financial professional before making any investment decision.

