Economic & Market Review

~ April 2014 Investment Newsletter ~

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

Monthly Summary

Investment markets gained ground in April as investors looked past winter weakness as well as continued Ukrainian turmoil. Likewise, the Federal Reserve, in apparent agreement with investors, continued to ease off the gas pedal by deciding to reduce quantitative easing for a fourth time. Bond purchases will now run at a $45 billion per month rate - nearly half the pace maintained throughout last year.

The conclusion to treat weak first quarter economic data as weather related, and thus temporary, appears correct. Payroll growth and retail sales, including autos, have moved higher from previously depressed levels. Consumer confidence has also rebounded and even the downward trend in inflation is showing nascent signs of stabilization.

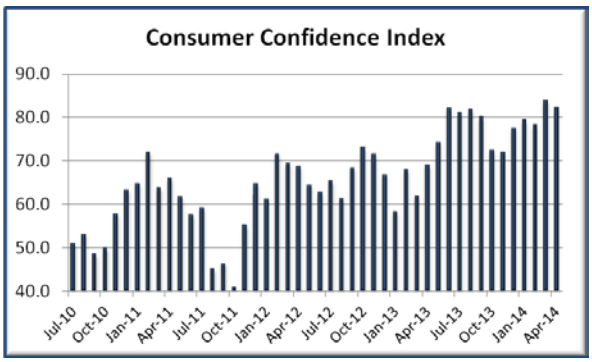
Market stability and modest gains are welcome. That said, progress from here will require more than just a rebound from temporary headwinds. The recovery in housing has slowed. The category has been a drag on GDP growth for two quarters in a row, and future trends in real estate are unclear. Likewise, in contrast to widespread expectations for strength in 2014, business fixed investment has actually declined so far this year. For now, rough winter weather is still working its way through economic data; cleaner numbers may reveal greater housing and business strength in coming months.

Economic Data

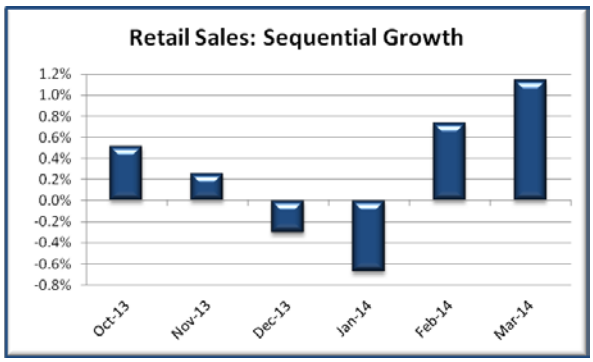
General	Prior	Current
GDP growth	2.6% (Q4)	0.1% (Q1)
Trade balance	-$39.3 B (Jan)	-$42.3 B (Feb)

Employment	Prior	Current
Initial jobless claims	330,000 (4/19)	344,000 (4/26)
Continuing claims	2.7 MM (4/12)	2.8 MM (4/19)
Change in nonfarm payrolls	197,000 (Feb)	192,000 (Mar)
Unemployment rate	6.7% (Feb)	6.7% (Mar)
Average weekly hours	34.3 (Feb)	34.5 (Mar)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	83.9 (Mar)	82.3 (Apr)
Retail sales growth (YoY)	1.8% (Feb)	2.6% (Mar)
Change in consumer credit	$13.8 B (Jan)	$16.5 B (Feb)



Data Source: Bloomberg

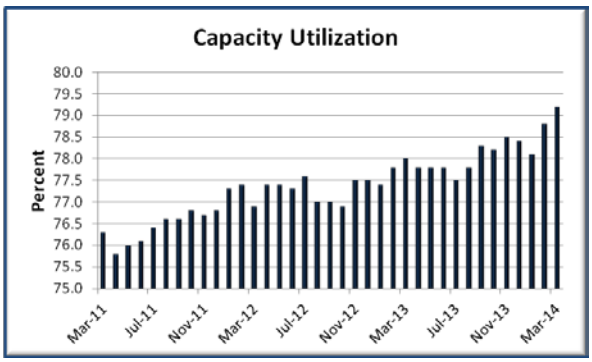


Data Source: Bloomberg

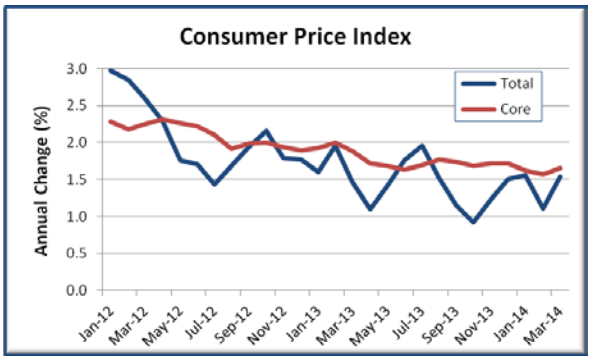
Manufacturing & Service	Prior	Current
ISM manufacturing index	53.2 (Feb)	53.7 (Mar)
ISM non-manufacturing index	51.6 (Feb)	53.1 (Mar)
Durable goods orders growth	2.2% (Feb)	2.6% (Mar)
Industrial production growth	1.2% (Feb)	0.7% (Mar)
Capacity utilization	78.8% (Feb)	79.2% (Mar)

Real Estate	Prior	Current
New home sales	449,000 (Feb)	384,000 (Mar)
Existing home sales	4.6 MM (Feb)	4.6 MM (Mar)
Case-Shiller home price index (YoY)	13.2% (Jan)	12.9% (Feb)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.1%/1.6% (Feb)	1.5%/1.7% (Mar)
Producer price index/Core (YoY growth)	0.9%/1.1% (Feb)	1.4%/1.4% (Mar)



Data Source: U.S. Federal Reserve



Data Source: U.S. Dept. of Labor

Market Returns

The S&P 500 gained 0.7% for the month and is now up 2.6% for the year. Developed international equity markets, as defined by the MSCI EAFE index, were up 1.4% in April while the MSCI Emerging Markets index rose 0.3%. Dollar weakness, in aggregate, boosted international stock returns for U.S. dollar based investors by about 0.5%. Year-to-date, international developed and emerging markets have returned 2.1% and -0.1%, respectively.

In the fixed income market, the Barclays U.S. Aggregate index gained 0.8% for the month, and the yield on the 10-year U.S. Treasury note ended essentially flat at 2.67%. For the year, the Barclays U.S. Aggregate is up 2.7%. High yield credit spreads were more or less flat during the month and remain near the post-crisis low. The Barclays High Yield index gained 0.6% in April and is up 3.6% so far this year. International bonds were up 1.3% and 4.2% for the month and year-to-date, respectively. In other markets, the DJ U.S. Real Estate index gained an additional 3.0% in April while commodities rose 2.4% over the same period. Following a relatively tough 2013 for these asset classes, year-to-date gains of 12.0% for real estate and 9.6% for commodities make them this year's best performers.