

Economic & Market Review

~ May 2014 Investment Newsletter ~

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Monthly Summary

Investment markets continued to rise in May, and economic data generally moved in a positive direction. Jobless claims eased, payroll gains were attractive, and the unemployment rate ticked down to 6.3%, a new post-crisis low. Consumer confidence also rose and ISM purchasing manager surveys portend a healthy near-term economic environment. Housing, which had shown some weakness in recent months, expanded in the latest data through April. Lastly, on a year-over-year basis, inflation rose to the highest level in a year and a half and is now in line with the Federal Reserve's target. A more robust rate of price growth is a positive sign for the economy and validates the Fed's current course of action to reduce bond purchases.

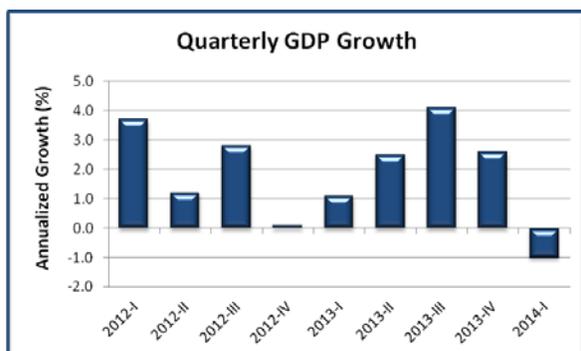
Not all data points were positive in May as the negative impacts of harsh winter weather continued to filter through economic results. Most particularly, first quarter GDP contracted at an annualized rate of 1%. Likewise, growth in durable goods orders slowed, industrial production shrank, and capacity utilization fell. Despite these challenges, however, investors remained sanguine and focused on the future. U.S. stocks rose to new highs by month end.

Economic Data

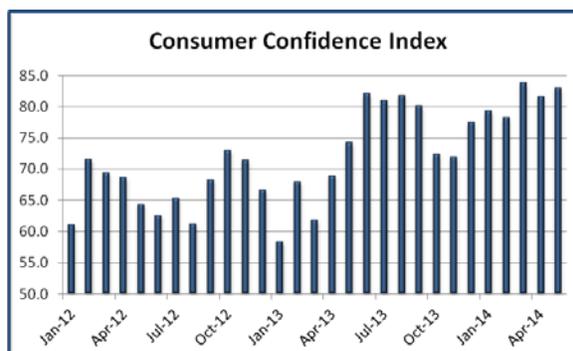
General	Prior	Current
GDP growth	2.6% (Q4)	-1.0% (Q1)
Trade balance	-\$41.9 B (Feb)	-\$40.4 B (Mar)

Employment	Prior	Current
Initial jobless claims	327,000 (5/17)	300,000 (5/24)
Continuing claims	2.6 MM (5/10)	2.6 MM (5/17)
Change in nonfarm payrolls	203,000 (Mar)	288,000 (Apr)
Unemployment rate	6.7% (Mar)	6.3% (Apr)
Average weekly hours	34.5 (Mar)	34.5 (Apr)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	81.7 (Apr)	83.0 (May)
Retail sales growth (YoY)	3.0% (Mar)	4.8% (Apr)
Change in consumer credit	\$12.9 B (Feb)	\$17.5 B (Mar)



Data Source: U.S. Department of Commerce



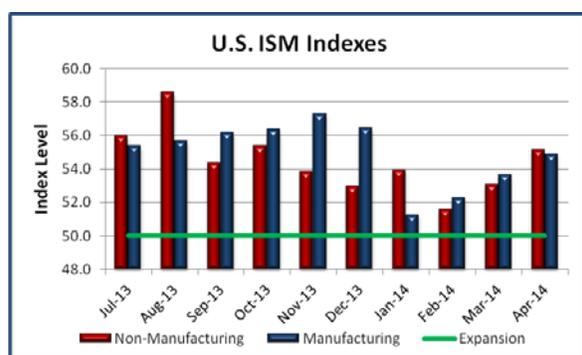
Data Source: Bloomberg



Manufacturing & Service	Prior	Current
ISM manufacturing index	53.7 (Mar)	54.9 (Apr)
ISM non-manufacturing index	53.1 (Mar)	55.2 (Apr)
Durable goods orders growth	3.6% (Mar)	0.8% (Apr)
Industrial production growth	0.9% (Mar)	-0.6% (Apr)
Capacity utilization	79.3% (Mar)	78.6% (Apr)

Real Estate	Prior	Current
New home sales	407,000 (Mar)	433,000 (Apr)
Existing home sales	4.6 MM (Mar)	4.7 MM (Apr)
Case-Shiller home price index (YoY)	12.9% (Feb)	12.4% (Mar)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.5%/1.7% (Mar)	2.0%/1.8% (Apr)
Producer price index/Core (YoY growth)	1.4%/1.4% (Mar)	2.1%/1.9% (Apr)



Data Source: Institute for Supply Management



Data Source: U.S. Census Bureau & Nat'l Assn. of Realtors

Market Returns

The S&P 500 gained 2.3% for the month and is now up 5.0% for the year. Developed international equity markets, as defined by the MSCI EAFE index, were up 1.6% in May while the MSCI Emerging Markets index rose 3.5%. Year-to-date, international developed and emerging markets have returned 3.8% and 3.4%, respectively.

In the fixed income market, the Barclays U.S. Aggregate index gained 1.1% for the month, and the yield on the 10-year U.S. Treasury note fell 27 basis points to end below 2.5% for the first time in 2014. For the year, the Barclays U.S. Aggregate is up 3.9%. 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 0.9% in May and is up 4.6% so far this year. International bonds were up 0.2% and 4.4% for the month and year-to-date, respectively. In other markets, the DJ U.S. Real Estate index gained an additional 2.8% in May while commodities lost 2.9% over the same period. Year-to-date, the real estate index is up 15.1%, the best performing asset class for the year, and commodities have gained 6.4%.

Disclaimers

This commentary was written by Robert W. Lamberti, CFA who serves as VP of Investments for Summit Financial Resources, 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.

