US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	0.02 (+01 bps)	GNMA (30 Yr) 6% Coupon:	112-26/32 (1.29%)
6 Mo. T-Bill:	0.04 (unch)	Duration:	3.68 years
1 Yr. T-Bill:	0.10 (+02 bps)	30-Year Insured Revs:	177.78% of 30 Yr. T-Bond
2 Yr. T-Note:	0.37 (-06 bps)	Bond Buyer 40 Yield:	4.29 (-04 bps)
3 Yr. T-Note:	0.79 (-09 bps)	Crude Oil Futures:	83.02 (-2.80)
5 Yr. T-Note:	1.42 (-11 bps)	Gold Futures:	1,238.30(+17.30)
10 Yr. T-Note:	2.20 (-08 bps)	Merrill Lynch High Yield Indices:	
30 Yr. T-Bond:	2.97 (-04 bps)	U.S. High Yield:	6.46% (-08 bps)
		BB:	5.04% (-09 bps)
		B:	6.59% (-05 bps)

Yields fell to record lows for the year before rebounding on Friday. Even as the Federal Reserve winds up its asset purchasing program this month, yields continue to fall and have so far defied expectations for them rising in 2014. The volatility in the equity markets and uncertainly regarding Global and Eurozone growth has encouraged many investors to reconsider their risk preferences. Treasuries have been beneficiaries; even with record low yields. The dollar has continued strengthening, which places downward pressure on US inflation and the price of oil continued its recent slump which is beneficial to consumers. If prices do not rise as fast as the 2% inflation target set by the Federal Reserve, it is unlikely they will look to increase rates in the near future and dovish monetary policy will continue. Wednesday's Producer Price Index report supported the narrative of falling prices as it fell .1% in September. Food and energy prices, both down 0.7% in September, led the index lower. Producer prices excluding food and energy were unchanged in September. September Retail Sales, also released Wednesday, declined .3%. Thursday and Friday's economic reports offered better economic news and showed September Industrial Production rising 1% and September Housing Starts rising 6.3%. Major economic reports (and related consensus forecasts) for the upcoming week include: Tuesday: September Existing Home Sales (5.1M,+.05M); Wednesday: September CPI (unch.); Thursday: Prior Week Initial Jobless Claims (284K, +20K) and September's Leading Index (.7%, +.5%); Friday: September New Home Sales (470K, -34K).

US Equities

Weekly Index Performance:			Market Indicators:	
DJIA:	16,380.41	(-0.96%)	Strong Sectors:	Industrials, Materials, Utilities
S&P 500:	1,886.76	(-1.00%)		
S&P Midcap:	1,322.12	(1.36%)	Weak Sectors:	Health Care, Cons. Staples, Info. Tech
S&P Smallcap:	624.69	(2.27%)		
NASDAQ Comp:	4,258.44	(-0.41%)	NYSE Advance/Decline:	2,000 / 1,250
Russell 2000:	1,082.32	(2.76%)	NYSE New Highs/New Lows:	89 / 813
			AAII Bulls/Bears:	42.7% / 33.7%

Equities continued to march downward this week, however, positive news eased some losses by the close on Friday. The S&P 500 was down for the fourth week in a row. The last time the S&P 500 was down four weeks in a row was August of 2011. The STOXX Europe 600 index was down eight days in a row until Friday, when a rally of 2.79% erased some of the losses for the week. The lift Friday was mainly due to talk of economic stimulus from the European Central Bank. Domestically, small cap stocks, represented by the Russell 2000, bucked the overall downward trend and posted a positive 2.7% return for the week. Year to date, the Russell 2000 still trails the S&P 500 by 9.8% however, this week was welcomed relief for most small cap investors. Earnings season continued as **Morgan Stanley Inc.** was up 0.8% this week as they announced trading revenues rose faster than analyst expectations. **General Electric Inc.** was up over 2.2% for the week as the company beat profit and revenue estimates for the quarter. **Google Inc.** was down over 6% for the week as the company missed profit and revenue expectations amid lower per click revenue. Teen clothing retailer **Urban Outfitters Inc.** saw its shares plunge over 14% Friday, as lower than expected sales continued to negatively impact profit margins. Looking forward we continue to be positive on the U.S. economy and equities as a whole. Oil dipped below $80 a barrel this week which in the long run should provide a significant tailwind to the U.S. economy. Additionally, for a net importing country, recent strength in the dollar should also help to boost the overall economy going forward. With corporate earnings continuing to be robust, record amounts of cash on company balance sheets, consumer sentiment at a high since the Great Recession and labor market gains, there are plenty of positive catalysts for patient equity investors.