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Market Month: November 2014

The Markets

Equities generally continued to push upward in November. The small caps of the Russell 2000 were the exception; they ended the month flat and were up less than 1% for the year. However, the S&P 500 and the Dow industrials once again hit new record levels, while the Nasdaq increased its year-to-date lead. Meanwhile, the Global Dow had its best month since February.

Oil prices already on the decline continued to fall, especially after members of the Organization of the Petroleum Exporting Countries (OPEC) decided not to cut oil production levels, sending the price plummeting to roughly \$66 a barrel. The price of gold continued its year-long downward trend despite a partial rebound from a dip in early November; it ended the month down roughly 4% at approximately \$1,175 an ounce. Meanwhile, low yields overseas continued to lure investors to U.S. Treasuries, sending yields down as prices rose despite the prospect of an eventual Fed rate hike.

Market/Index	2013 Close	Prior Month	As of 11/28	Month Change	YTD Change
DJIA	16576.66	17390.52	17828.24	2.52%	7.55%
Nasdaq	4176.59	4630.74	4791.63	3.47%	14.73%
S&P 500	1848.36	2018.05	2067.56	2.45%	11.86%
Russell 2000	1163.64	1173.51	1173.23	-.02%	.82%
Global Dow	2484.10	2527.85	2571.40	1.72%	3.51%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.04%	2.35%	2.18%	-17 bps	-86 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

The Month in Review

- U.S. gross domestic product grew during the third quarter at a slightly faster rate than the Bureau of Economic Analysis had previously estimated. However, the 3.9% increase in GDP was less than Q2's 4.6%.
- The U.S. unemployment rate edged down 0.1% to 5.8%, according to the Bureau of Labor Statistics. The economy added 214,000 jobs, most of them in restaurants, retail, and health care. The new jobs figure was slightly lower than the 222,000 monthly average so far this year. Meanwhile, a 3-cent increase during the month brought the average hourly wage to \$24.57; that average is up just under 2% over the last 12 months.
- Members of OPEC decided to maintain current production levels to try to maintain market share in the face of U.S. competition. The decision hurt oil prices around the world and raised concerns about whether oil companies would curtail investments in future energy development projects.
- In domestic politics, midterm elections gave Republicans control of both houses of Congress. Also, President Obama announced a program that will temporarily defer deportation for undocumented

Key Dates/Data Releases

12/1: ISM manufacturing report

12/2: Auto sales, construction spending

12/3: ISM services report, Fed "beige book," business productivity/costs

12/5: Unemployment/payrolls, factory orders, balance of trade

12/9: JOLTS job turnover report

12/11: Retail sales

12/12: Wholesale inflation

12/15: Industrial production, Empire State manufacturing survey, international capital flow

12/16: Housing starts

12/17: Consumer inflation, FOMC meeting

11/18: Philadelphia Fed manufacturing survey

12/19: Quadruple witching options expiration

12/22: Home resales

12/23: Durable goods orders, final Q3 GDP, personal income/spending, new home sales

12/30: Home prices

immigrants and allow them to receive work permits if they have been in the country for at least five years, have no criminal record, and/or have children who are American citizens.

- Despite growth in some of the eurozone's weakest members, the region as a whole was hampered by sluggishness in the larger economies, such as Germany and Italy. The eurozone grew 0.2% during the third quarter, according to the European Union's statistical agency. The European Central Bank continued to say it is ready to adopt additional stimulus measures if necessary to fight the twin threats of low inflation and stagnant growth.
- China's central bank unexpectedly cut two key interest rates to try to stimulate domestic consumption. China and the United States also announced an agreement to take steps to combat climate change by controlling greenhouse gases.
- After a second quarter of contraction, Japan officially fell into recession as gross domestic product fell at an annualized rate of 1.6% during the third quarter. That put pressure on Prime Minister Shinzo Abe, who postponed for 18 months a planned second round of sales tax increases and called for a new parliamentary election.
- U.S. home prices in cities measured by the S&P/Case-Shiller 20-City Composite Index were flat in September. Also, the year-over-year increase continued to show a downward trend; September's 4.9% annual gain was lower than the 5.6% seen a month earlier. Also, the Commerce Department said housing starts slipped 2.8% in October. However, sales of new homes were up 0.7% during the month, and the National Association of Realtors® said home resales rose 1.5%.
- U.S. inflation was low enough to prompt the Fed's monetary policy committee to say it will keep an eye out for signs of falling inflation, which could potentially delay any rate increase. Lower gas prices helped offset increases in housing costs; that left the Consumer Price Index unchanged for the month and the annual rate at 1.7%, while the Bureau of Labor Statistics said the 1.5% annualized wholesale inflation rate was the lowest since February.
- Manufacturing data was mixed. Though U.S. manufacturers saw a 0.4% increase in durable goods orders, according to the Commerce Department, the Federal Reserve said industrial production slumped 0.1% because of strong declines in mining and utilities. However, both the Empire State and Philly Fed manufacturing surveys showed business activity accelerating.

Eye on the Month Ahead

As a strong year for equities draws to a close, some investors may begin assessing whether to take some profits off the table or harvest any losses to offset realized capital gains. And all economic data is likely to be viewed through the prism of how it might affect Fed thinking about potential rate increases next year.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment.

" Our mission is to help our clients realize their financial goals, with compassion and integrity, as they travel their pathway of life. "

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