

After several weeks of dismal performance, equities shook off their worries and rallied enthusiastically on solid quarterly earnings giving the S&P 500 its biggest weekly gain of the year. For the week, the S&P 500 gained 4.12%, the Dow grew 2.59%, and the Nasdaq surged 5.29%, erasing much of their losses from previous weeks.<sup>1</sup>

Last week, we discussed some of the factors behind the recent pullback; what changed in a single week? Fundamentally, very little. However, investors regained their optimism on the reminder that many companies are still doing quite well in the economic recovery. Traders also took the opportunity to buy the dip, which added buying pressure, pushing markets up.

Markets are fundamentally forward-looking, and while global growth fears remain, investors are looking at the earnings growth picture, and realizing that the picture looks reasonably good. Not great, to be sure, but so far, S&P 500 firms are reporting 4.1% year-over-year earnings growth on 4.7% revenue growth, with about 41% of the S&P 500 firms reporting as of October 24.<sup>2</sup> If we leave out the struggling Finance sector, earnings growth jumps to 5.5%. These results are largely in line with performance in recent quarters, though earnings growth is below the four-quarter average, largely because of weak performance in the Finance and Technology sectors.<sup>3</sup> All told: Firms seem to be holding their own and turning profits, despite some weak demand issues.

Does this mean that the pullback is over? Hard to say. Markets are responding more to perception and noise than they are to fundamental factors right now. That means that more turbulence - and perhaps downward movement - can be expected in coming weeks. On the other hand, if earnings and economic fundamentals continue to look good, we may see a continuation of the rally.

Looking ahead, earnings reports from the energy and healthcare sectors will dominate this week; the two sectors represent opposite sides of the market. Healthcare was one of the big success stories of the year, while energy companies have struggled with declining oil prices.<sup>4</sup> While analysts expect weak results from many energy firms, they will be paying close attention to forward guidance; if energy leaders foresee a weak global economic environment, investors could respond with another attack of the nerves.

The week ahead is also heavy in economic data, with the Federal Reserve's Open Market Committee meeting and a first look at Q3 Gross Domestic Product (GDP). The Fed is widely expected to announce the end of quantitative easing at this week's meeting; analysts also expect the formal announcement at the end of the meeting to signal a more cautious Fed and their desire to let economic data decide future policy moves.<sup>5</sup>

Altogether, a big week ahead. We'll keep you informed.

## ECONOMIC CALENDAR:

**Monday:** Pending Home Sales Index, Dallas Fed Mfg. Survey

**Tuesday:** Durable Goods Orders, S&P Case-Shiller HPI, Consumer Confidence

**Wednesday:** EIA Petroleum Status Report, FOMC Meeting Announcement

**Thursday:** GDP, Jobless Claims

**Friday:** Personal Income and Outlays, Employment Cost Index, Chicago PMI, Consumer Sentiment

Data as of 10/24/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	4.12%	6.29%	12.13%	16.39%	7.93%
DOW	2.59%	1.38%	8.36%	13.70%	7.22%
NASDAQ	5.29%	7.35%	14.12%	21.62%	13.41%
U.S. Corporate Bond Index	-0.45%	3.87%	2.99%	2.24%	0.96%
International	2.37%	-7.15%	-6.22%	2.22%	2.81%
Data as 10/24/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.02%	0.06%	0.11%	1.52%	2.29%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## HEADLINES:

**Jobless claims remain close to 14-year low.** Jobless claims inched higher last week, but stayed below pre-recession levels, suggesting that the labor market is firming up. The four-week moving average of claims, considered to be a less volatile measure, fell to the lowest level since May 2000.<sup>6</sup>

**New home sales at six-year high.** Purchases of new single-family homes rose to a multi-year high in September, though revisions to August numbers suggest sales remain on a lower trend. Single-family home sales tend to be volatile, but lower mortgage rates could spur more sales.<sup>7</sup>

**European Central Bank fails 25 in stress test.** The ECB failed 25 Eurozone lenders during a series of financial health tests. Though banks have improved markedly since last year's tests, a few still have to raise more capital to protect against another potential financial crisis.<sup>8</sup>

**Inflation indicator remains tame.** Overall consumer prices rose a tepid 0.1% in September after falling 0.2% in August. Year over year, headline inflation is up 1.7%,

indicating that inflation remains soft and is giving the Federal Reserve breathing room to manage interest rates.<sup>9</sup>

## QUOTE OF THE WEEK



*“The two most important days in your life are the day you are born and the day you find out why.” - Mark Twain*

## RECIPE OF THE WEEK



### Vegetable Pesto Soup



*This vegetarian soup is hearty and simple to make.*

#### **Ingredients:**

Serves 4

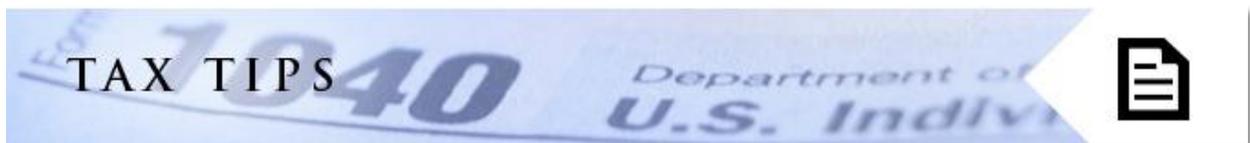
2 tablespoons olive oil  
2 stalks celery, chopped  
2 carrots, sliced  
1 onion, minced  
1 garlic clove, minced  
kosher salt and black pepper  
2 tablespoons low-sodium tomato paste  
6 cups low-sodium vegetable broth  
1/2 pound green beans, washed, trimmed, and halved  
1/2 bunch organic kale, washed and chopped

1 15.5-ounce can chickpeas or other white bean, rinsed  
1 cup frozen peas  
1/4 cup fresh pesto

**Directions:**

1. Heat a large, heavy-bottomed pot on medium heat. Add the olive oil. Sauté the celery, carrots, and onion until soft and translucent. Add the garlic and tomato paste, and stir for about a minute until the mixture is dark and fragrant.
2. Add the broth, green beans, kale, chickpeas, and frozen peas, and simmer for about 15 to 20 minutes until the vegetables are tender.
3. Add salt and pepper to taste.
4. Serve topped with a dollop of pesto.

Recipe adapted from Charlyne Mattox | RealSimple.com<sup>10</sup>



**Act Now to Avoid Tax-Time Surprises**

Avoid large refunds or unexpected tax bills at tax time by bringing your estimated taxes in line with what you will actually owe:

- **Check your withholding.** If you're an employee, work with your tax professional or use the IRS Withholding Calculator to check that your withholding is correct.
- **Report any important life changes.** If you've recently gotten married, had a child, gotten divorced, or added other dependents, you may need to adjust your withholding. If you have changed your name, make sure to file the change with the Social Security Administration to avoid errors at tax time.
- **Have multiple sources of income?** If you work multiple jobs or receive reportable income from other sources, you may need to make estimated tax payments. Consult your tax professional for help.

To learn more about adjusting your tax withholding or paying estimated taxes, ask your tax professional or check Publication 505, Tax Withholding and Estimated Tax.

Tip courtesy of IRS.gov<sup>11</sup>



### Use a Tee to Dial In Low Pitches

Hitting low-rolling pitches can be challenging for beginners (and even some experts). Many golfers use the hinge-and-hold swing and try to hold the hinge in the finish position. However, this can give the ball a lot of backspin, kill your roll, and rob your shot of distance.

Here's a drill you can use to fix the issue: When hitting low rollers, try a different position. Stick a golf tee into the back of your glove, leaving the point sticking out. Address the ball as you normally do. When swinging, allow your hands to release and your arms to rotate through the shot. Through impact and finish, the golf tee should be pointing level or down. This should help you avoid unpredictable backspin and give your shot the roll you're trying to achieve.

Tip courtesy of Zach Allen, PGA | Golf Tips Mag<sup>12</sup>



### Eat Great Greens

Kale is the new black. Or at least it seems that this hot green is everywhere. Kale, turnip greens, chard, and other leafy greens are a wonderful way to introduce plant-based nutrients into your diet.

- **Kale** is a cancer-fighting powerhouse of Vitamin K, Vitamin C, Vitamin A, and fiber.
- **Swiss Chard** is loaded with Vitamin K, Vitamin C, magnesium, potassium, and Vitamin E.
- **Turnip Greens** have a ton of Vitamin C and calcium, as well as cancer-fighting phytonutrients.

These greens are often great sautéed or cooked into a soup. Try and buy organic when you can because many conventionally grown greens test high in pesticides.

Tip courtesy of World's Healthiest Foods<sup>13</sup>



## Should You Have Your Ductwork Cleaned?

Do you remember the last time you had your HVAC ducts cleaned? Multiple times per day, your ducts circulate heated or cooled air throughout your house and collect dust, gunk, bugs, and other buildup that can cause air quality problems and reduce the efficiency of your system. The first line of defense is to check and replace your air filters regularly. If you note significant buildup on your filters, you may want to consider having your ducts inspected.

Not everyone needs his or her ducts cleaned, and the EPA doesn't have a recommended schedule of cleaning. However, if you think you need your ducts inspected, contact a reputable professional company in your area, such as the one that installed your system. Ask them to inspect your ducts and provide a written estimate of any work, showing you the contamination that would require a cleaning.

Interview the team to be sure that they don't use harsh solvents or chemical biocides that can harm your air quality. Make sure that they use vacuum equipment that exhausts outside of your house and carefully protects your expensive ductwork.

Tip courtesy of the EPA<sup>14</sup>

### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues.*

*We love being introduced!*

Securities, advisory services, and insurance products are offered through Investment Centers of America, Inc. (ICA), member FINRA, SIPC, a Registered Investment Advisor, and affiliated insurance agencies. ICA and iWealth are separate companies.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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<sup>1</sup> <http://goo.gl/S8Alos>

<sup>2</sup> <http://www.zacks.com/commentary/35010/q3-earnings-weak-growth-guidance>

<sup>3</sup> <http://www.zacks.com/commentary/35010/q3-earnings-weak-growth-guidance>

<sup>4</sup> <http://www.marketwatch.com/story/energy-health-care-earnings-to-dominate-week-2014-10-26>

<sup>5</sup> <http://www.ft.com/fastft/226072/post-226072>

<sup>6</sup> <http://www.cnn.com/id/102113600>

<sup>7</sup> <http://www.reuters.com/article/2014/10/24/us-usa-economy-housing-idUSKCN0ID1HX20141024>

<sup>8</sup> <http://www.reuters.com/article/2014/10/26/us-eu-banks-idUSKBN0IF0BF20141026>

<sup>9</sup> <http://www.reuters.com/article/2014/10/22/us-usa-economy-inflation-idUSKCN0IB1FD20141022>

<sup>10</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/chickpea-vegetable-pesto-soup>

<sup>11</sup> <http://www.irs.gov/uac/Still-Time-to-Act-to-Avoid-Surprises-at-Tax-Time>

<sup>12</sup> [http://www.golftipsmag.com/instruction/faults-and-fixes/lessons/mistakes-we-sometimes-make.html#.VE0U\\_9TF9t-](http://www.golftipsmag.com/instruction/faults-and-fixes/lessons/mistakes-we-sometimes-make.html#.VE0U_9TF9t-)

<sup>13</sup> <http://www.whfoods.com/>

<sup>14</sup> <http://www.epa.gov/iaq/pubs/airduct.html#deciding>