The Nottingham Advisor

Your Weekly Source for Market Information

NOTTINGHAM ADVISORS
ASSET MANAGEMENT

2014 - Issue 17
Week of April 20 - April 26

Tom Quealy, *Chief Executive Officer*
Larry Whistler, CFA, *President/Chief Investment Officer*
Nick Verbanic, *V.P./Portfolio Manager*
Chris Hugar, CFA, *Portfolio Manager*
Matthew Krajna, *Associate Portfolio Manager*
Amy Fogle, *Trading Specialist*

Hot Topic: Looking for a Q2 Bounce

Last week produced a trove of economic data that suggests the economic recovery may be picking up heading into Q2 and the back half of the year. Initial jobless claims remained at the lowest levels since before the recession, coming in at 304K last week, after a revised 302K the week before. The last time claims were as low as 300K for consecutive weeks was May 2007. Historically, as employment improves, so does the economy, meaning monitoring jobless claims and other employment related data can provide added color around the health of the economy.

Next Wednesday the market will get its "first look," or advanced reading, of Q1 GDP, and it is likely to be below trend and negatively impacted by inclement weather. However, with Q1 behind us, our attention is focused on Q2 and the second half of the year, with expectations for economic growth to accelerate. Retail sales rose +1.1% in March, ahead of expectations for +0.9% growth, representing the strongest gain in more than a year. Retail sales ex-autos rose +1.0%, also better than expectations for a +0.4% increase. According to an article in the WSJ over the weekend, tax refunds paid out through April 4th represented a year over year payout growth of +2.5%, which may be responsible for robust retail sales in March, and could lead to further growth in Q2. With the consumer representing nearly 75% of GDP, strong retail sales figures could prove to be a boon to GDP growth. Additionally, the March reading of the Consumer Price Index (CPI) showed inflation unexpectedly rising in March, with headline CPI rising +1.5% Y/Y (vs. +1.4% estimates), and core CPI (ex-food and energy) rising +1.7% Y/Y (vs. +1.6% estimates). While inflation still remains muted, the pickup is of note because it was unexpected. Rising inflation expectations should begin to lead interest rates higher, which should coincide with an expanding economic recovery.

While some areas of the economy can be seen improving, other areas such as housing remain weak. The National Association of Homebuilders (NAHB) homebuilder confidence index remained at 47 in April, below the critical level of 50 that signals positive sentiment. Housing starts came in at an annualized 946K, short of expectations for 975K, while building permits (often seen as a leading indicator) also missed expectations, coming in at an annualized 990K, short of the 1M expected. However, the Conference Board consumer confidence index rose to 82.3 in March, its highest level since 2008, signaling a culmination of economic factors that appear to be signaling optimism for Q2 and the back half of 2014.

This Week's Key Economic Data Releases:

April 22: Existing home sales data will be released.

April 23: New home sales data will be released.

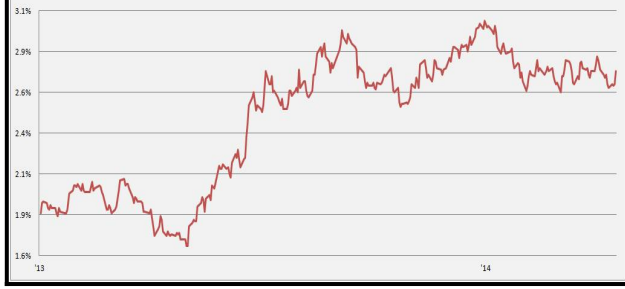
April 24: Initial and continuing jobless claims data will be released, as well as durable goods orders for March.

April 25: The University of Michigan will release its final reading of consumer confidence for April.

Fixed Income

- Treasury security prices rose last week, in tandem with equity markets.
- The 10yr Treasury closed at 2.73%.
- The 2/10yr Treasury spread widened to 230bps.
- The 30yr Treasury closed at 3.52%.
- According to Freddie Mac, the average 30-year fixed-rate mortgage in the U.S. fell to 4.27% last Thursday.

US 10 Year Treasury Yield



Equities

- Domestic equity indices rose last week, gaining more than +2%.
- U.S. industrial production rose +0.7% in March, from +1.2% in February, ahead of estimates for +0.6% growth. For the first quarter, industrial production rose at a +4.4% annual pace, slightly lower than the same period in 2013.
- Capacity utilization increased to 79.2% in March, which was +0.9% lower than its long-run average, but +1.2% higher than a year ago.
- The CBOE Volatility Index, known as the VIX, fell to 13.4.
- S&P 500 (+1.49% YTD): Utilities lead (+12.44% YTD), while Consumer Discretionary (-4.24% YTD) lags.

S&P 500 – Large Cap

Time Period: 4/19/2013 to 4/17/2014

For more information, please contact us at 716-633-3800.

www.nottinghamadvisors.com

Source: Morningstar Direct

The Nottingham Advisor

Your Weekly Source for Market Information

S&P 400 – Mid Cap

Time Period: 4/20/2013 to 4/17/2014

S&P MidCap 400 PR

S&P 400 – Mid Cap

- +1.06% YTD
- Utilities (+8.72% YTD) lead the way, while Consumer Discretionary lags (-2.66% YTD).

S&P 600 – Small Cap

- -0.86% YTD
- Energy (+12.32% YTD) leads, while Telecoms are the worst performing sector (-5.38% YTD).

S&P 600 – Small Cap

Time Period: 4/20/2013 to 4/17/2014

S&P SmallCap 600 PR

MSCI EAFE – Developed International

Time Period: 4/20/2013 to 4/18/2014

MSCI EAFE PR USD

MSCI EAFE – Developed International

- U.K. unemployment fell to 6.9%, below the Bank of England's 7% target.
- The ZEW sentiment survey fell to 43.2 in April, from 46.6 in March.

MSCI EM – Emerging Markets

- Chinese Q1 GDP grew +7.4% Y/Y, ahead of +7.3% expectations, while fixed asset investment, industrial production, and retail sales continued to slow, rising +17.6% Y/Y, +8.8% Y/Y, and +12.2% Y/Y, respectively.

MSCI EM – Emerging Markets

Time Period: 4/20/2013 to 4/18/2014

MSCI EM PR USD

USD – Dollar

Time Period: 4/20/2013 to 4/17/2014

ICE USD Spot

USD – Dollar

- The Dollar index gained slightly last week as yields on benchmark Treasury securities rose.
- The Yen weakened against the Dollar last week, closing at 102.6 JPY/USD.

DJ UBS – Commodities

- Gold prices fell sharply last week to close at $1,285/oz.
- West Texas Intermediate (WTI) crude oil was largely unchanged last week, closing at nearly $104/bbl.

DJ UBS – Commodities

Time Period: 4/20/2013 to 4/17/2014

DJ UBS Commodity PR USD

For more information, please contact us at 716-633-3800.

www.nottinghamadvisors.com

Source: Morningstar Direct