The Nottingham Advisor

Your Weekly Source for Market Information

NOTTINGHAM ADVISORS ASSET MANAGEMENT

2014 - Issue 31

Week of July 27 - August 2

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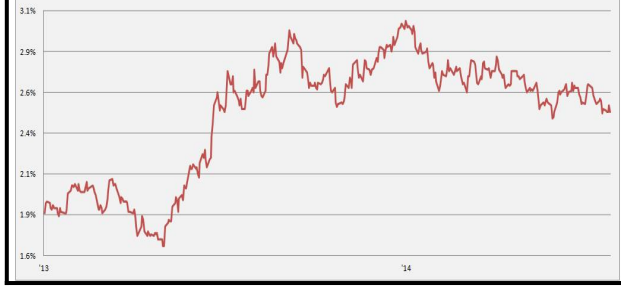
Fixed Income

- Treasury security prices fell last week as equity markets were mixed.
- The 10yr Treasury closed at 2.48%.
- The 2/10yr Treasury spread narrowed to 195 bps.
- The 30yr Treasury closed at 3.24%.
- According to Freddie Mac, the average 30-year fixed-rate mortgage in the U.S. was unchanged at 4.13% last Thursday.

US 10 Year Treasury Yield



Hot Topic: Buckle Up for a Busy Week

Despite the fact that the S&P 500 is up a solid +7.0% this year (following last year's +32.4% gain), the market has not been filled with much energy or excitement, but rather a sense of complacency. The CBOE Volatility Index (VIX), a measure of implied stock market volatility, rests at 12.7, a level similar to 2007. Furthermore, until recently, the S&P 500 had went more than 50 trading days without a move of greater than +/- 1%. Investors appear to be in a "wait and see" mode, looking for a clear catalyst to emphatically push the market higher or lower. While there is no way to know for certain what that catalyst will be, there's a possibility it comes this week as investors are hit with a barrage of economic data, most notably, an advance look at Q2 GDP, as well as July's jobs report.

After Q1's disappointing -2.9% decline in GDP, economists are looking for a strong rebound in economic growth on Wednesday. Economists blamed Q1's print on the particularly bad weather during this year's winter months. Although economic data since then has been much better, many are still looking for a strong number this week to affirm that view. Of the 78 collected by Bloomberg, the average estimate stands at a gain of +3.1% for Q2 (with a range of +1.9% to +5.2%).

In addition to Q2 GDP, Friday's jobs report is sure to attract considerable attention as well. Employment remains in acute focus as the data continues to play a key role in Fed policy. The past month saw improvement in jobless claims and a solid employment report for July is expected. Currently, expectations are expected for a +231,000 increase in nonfarm payrolls and a +230,000 gain in private payrolls.

Speaking of the Fed, it will begin another two-day meeting on Tuesday and the central bank will publish a statement on Wednesday. While no major change to the current course is expected, the release will still garner strong coverage as market participants comb through the statement's language to gain insight into the Fed's current line of thinking.

While GDP, unemployment, and Fed policy will likely occupy the main stage this week, investors will also receive a whole slew of other information including pending home sales (Monday), the Dallas Fed Manufacturing Index (Monday), the Case-Shiller 20-City Index (Tuesday), consumer confidence (Tuesday), ADP employment change (Wednesday), jobless claims (Thursday), Chicago PMI (Thursday), personal income and spending data (Friday), ISM manufacturing data (Friday), and auto sales (Friday). If that wasn't enough, it is still Q2 earnings season and results from several companies (including Pfizer, American Express, Exxon Mobil, and Colgate-Palmolive) will also be released this week.

Clearly, by Friday, investors will have a much better idea where the economy, and (by extension) the market, stands. Only time will tell if it is enough to give investors conviction either one way or another...

This Week's Key Economic Data Releases:

July 29 : The FOMC begins a two-day meeting.

July 30: The advance (first look) at Q2 GDP will be released, as well as ADP's July employment report.

August 1: The Labor Department will release its July employment report. ISM mfg., PMI, and vehicle sales data will also be released.

Equities

- Equity markets were mixed last week with large caps essentially flat, but small and mid caps down -0.5% and -0.7%, respectively.
- The IMF cut its U.S. 2014 growth forecast to +1.7%, from +2.8% prior. Its forecast for global growth was also cut from +3.36% to +3.4%.
- June non-defense durable goods, a proxy for CAPEX, rose +1.4% M/M, but May's +0.7% M/M gain was revised to -1.2%.
- The CBOE Volatility Index, known as the VIX, closed at 12.7.
- S&P 500 (+7.0% YTD): Technology leads (+11.8% YTD), while Consumer Discretionary (-0.1% YTD) lags.

S&P 500 – Large Cap

Time Period: 7/26/2013 to 7/25/2014

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

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Source: Morningstar Direct

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S&P 400 – Mid Cap

Time Period: 7/27/2013 to 7/25/2014

S&P MidCap 400 PR

S&P 400 – Mid Cap

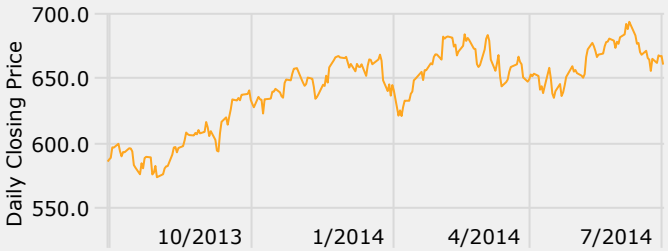
- +4.7% YTD
- Telecoms (+20.6% YTD) lead the way, while Consumer Discretionary lags (-0.8% YTD).

S&P 600 – Small Cap

- -0.9% YTD
- Energy (+8.5% YTD) leads, while Telecoms are the worst performing sector (-9.1% YTD).

S&P 600 – Small Cap

Time Period: 7/27/2013 to 7/25/2014



S&P SmallCap 600 PR

MSCI EAFE – Developed International

Time Period: 7/27/2013 to 7/25/2014

MSCI EAFE PR USD

MSCI EAFE – Developed International

- The German IFO business confidence index fell to 108 in July, from 109.7.
- Japan's Consumer Price Index (CPI) rose to +3.3% Y/Y, excluding fresh food prices.

MSCI EM – Emerging Markets

- Russia unexpectedly raised its benchmark interest rate from 7.5% to 8.0%.
- China flash HSBC PMI rose to 52 in July, an 18-month high.

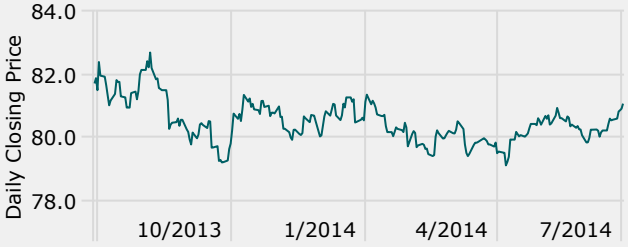
MSCI EM – Emerging Markets

Time Period: 7/27/2013 to 7/25/2014

MSCI EM PR USD

USD – Dollar

Time Period: 7/27/2013 to 7/25/2014



ICE USD Spot

USD – Dollar

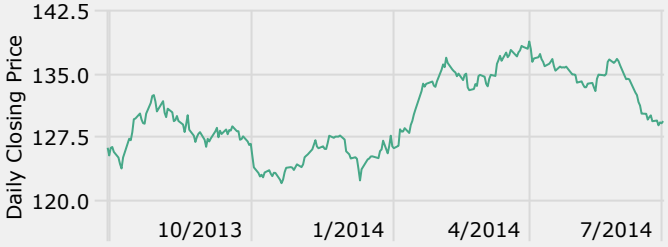
- The Dollar index rose last week, even as interest rates moved lower, as investors flocked to safe haven assets.
- The Yen weakened slightly against the Dollar last week, closing at 101.8 JPY/USD.

DJ UBS – Commodities

- Gold prices fell last week, closing at $1,309/oz.
- West Texas Intermediate (WTI) crude closed at $102/bbl.

DJ UBS – Commodities

Time Period: 7/27/2013 to 7/25/2014



Bloomberg Commodity PR USD

Source: Morningstar Direct