

The Economy

Nonfarm payrolls grew for the 48th consecutive month in September, according to data from the Bureau of Labor Statistics (BLS). The number of new jobs created totaled 248,000. It was the seventh time this year the number of new jobs created topped 200,000 for the month. The unemployment rate in the U.S. stood at 5.9%. A survey from Towers Watson revealed that U.S. employers are planning to give 3.0% pay raises, on average, in 2015, according to *USA TODAY*. Pay raises averaged 2.9% in 2013 and are expected to be 2.9% in 2014. Data from the BLS shows that the Consumer Price Index has ranged from a low of 1.0% (10/13) to a high of 2.1% (5/14) since the start of 2013, so raises are outpacing the rate of inflation.

Consumer Confidence 86.0 (Sep) 92.4 (Aug)	Crude Oil (Mo.-End) \$91.16 (Sep) \$95.96 (Aug)	Personal Spending +0.5% (Aug) Jul was -0.1%	ISM Manufacturing 56.6 (Sep) 59.0 (Aug)	ISM Non-Manufacturing 58.6 (Sep) 59.6 (Aug)
Gold (Mo.-End) \$1210.50 (Sep) \$1286.50 (Aug)	Natural Gas (Mo.-End) \$4.12 (Sep) \$4.07 (Aug)	Factory Orders -10.1% (Aug) Jul was +10.5%	New Home Sales 504,000 (Aug) 412,000 (Jul)	Existing Home Sales 5.05M (Aug) 5.15M (Jul)

The Stock Market

Indices (Source: Bloomberg)

	Sep	12-mo.
S&P 500	-1.4%	19.7%
DJIA	-0.2%	15.3%
NASDAQ 100	-0.8%	27.5%
S&P 400	-4.6%	11.8%
Russell 2000	-6.0%	3.9%
Russell 3000	-2.1%	17.7%
MSCI World (ex U.S.) (USD)	-4.1%	4.9%
MSCI Emerging Markets (USD)	-7.4%	4.3%

Growth/Value (Source: Bloomberg)

	Sep	12-mo.
S&P 500 Growth	-1.1%	21.6%
S&P 500 Value	-1.8%	17.8%
S&P 400 Growth	-3.8%	10.2%
S&P 400 Value	-5.4%	13.5%
Russell 2000 Growth	-5.4%	3.8%
Russell 2000 Value	-6.8%	4.1%

Thirty-one out of the 132 subsectors (23%) that comprise the S&P 500 posted a gain in September, down from 124 (94%) last month, according to S&P Dow Jones Indices. Consumer Staples was the best performing sector, up 0.63%. In September, the dividend-payers (423) in the S&P 500 (equal weight) posted a total return of -2.43%, vs. -3.23% for the non-payers (79), according to S&P Dow Jones Indices. There are currently 502 stocks in the index. Year-to-date, the payers were up 8.62%, vs. a gain of 10.33% for the non-payers. For the 12-month period ended September 2014, payers were up 24.92%, vs. a gain of 23.56% for the non-payers. Year-to-date, there were 292 increases, up from 287 a year ago. Year-to-date, there were seven decreases, down from 11 a year ago. Global M&A volume totaled \$2.7 trillion (USD) in the first nine months of 2014, up 59% from the same period a year ago and the strongest first nine months for deal making since 2007, according to Thomson Reuters. In the first three quarters of 2014, the S&P 500 posted a total return of 8.34%. From 1926 through 2013, the S&P 500 posted an average annual total return of 10.08%, according to data from Ibbotson Associates/Morningstar. Sam Stovall, chief equity strategist at S&P Capital IQ, noted in a CNBC.com article that, since 1946, the S&P 500 has generated an average Q4 gain of 2.5% in mid-term election years.

U.S. Dollar Index (DXY) +3.9% (Sep) +7.4% (YTD) \$ was up 0.3% in '13	CBOE Total Equity Options (# of contracts in millions) Sep: 40.3 (+21.8%) Aug: 33.1 (-21.2%) Record 7/08: 67.2 million	Short Interest (NYSE) Mid-Sep: 15.0B (+1.4%) Mid-Aug: 14.8B (+0.7%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 16.31 (9/30) 11.98 (8/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Sep	12-mo.	Yield
U.S. Treasury: Intermediate	-0.36%	1.11%	1.27%
GNMA 30 Year	-0.13%	3.80%	2.99%
Municipal Bond (22+)	0.32%	12.88%	3.25%
U.S. Aggregate	-0.68%	3.96%	2.36%
Intermediate Corporate	-0.84%	4.32%	2.48%
U.S. Corporate High Yield	-2.09%	7.20%	6.13%
Global Aggregate	-2.79%	1.19%	1.77%
EM Hard Currency Agg.	-1.80%	7.06%	4.67%

The yield on the benchmark 10-Year T-Note rose 15 basis points to 2.49% in September. It was down 12 basis points from 2.61% on 9/30/13. The yield on the 10-Year T-Note closed September below where it stood a year ago despite the fact that investors know that the Federal Reserve is terminating its bond buying program in October. Investors funneled a net \$65.2 billion into bond funds in the first eight months of 2014, according to the Investment Company Institute. Due to the pullback in interest rates in 2014, we have yet to witness the "great rotation" from bonds to equities that was discussed by some industry pundits and the financial media. The absence of any serious inflationary pressures plus the exceptionally low interest rate levels in Europe are helping to prolong the rally in the bond market, in our opinion.

Key Rates as of September 30		Key Yield Spread		2014 Debt Issuance Through August		
				(Source: Thomson Reuters)		
Fed Funds	0-0.25%	The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 398 basis points on 9/30/14, up from 363 on 8/31/14. It was 419 on 9/30/13. (Source: Bloomberg)		Debt Category	\$ Amount	% change over '13
2-Yr. T-Note	0.57%			Treasury	\$1.4 Trillion	+3.7%
10-Yr. T-Note	2.49%			Corporate	\$890.4 Billion	+1.4%
30-Yr. Mortgage	4.09%			Convertible	\$29.7 Billion	+53.1%
Bond Buyer 40	4.42%		Asset-Backed	\$142.1 Billion	+23.6%	
(Source: Bloomberg)				Municipal	\$204.5 Billion	-12.3%

Equity funds reported net *inflows* totaling \$1.3 billion in 8/14, vs. \$6.6 billion of net *outflows* (revised up) in 7/14, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$4.4 billion, vs. \$9.5 billion of net *inflows* (revised up) in 7/14. Money Market fund net *inflows* totaled \$36.0 billion, vs. \$16.1 billion of net *outflows* in 7/14. Y-T-D through August, equity funds reported net *inflows* totaling \$51.9 billion, vs. \$65.2 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$15.0B) and \$137.3 billion of net *outflows* for MMFs.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2011.36	09/18/14	676.53	03/09/09	1972.29	-1.94%	8.34%	1.96%
S&P 500 Growth	1090.63	09/18/14	363.99	03/09/09	1072.23	-1.69%	9.36%	1.57%
S&P 500 Value	911.42	09/18/14	307.16	03/09/09	891.10	-2.23%	7.23%	2.40%
S&P 400	1445.16	07/01/14	404.62	03/09/09	1370.97	-5.13%	3.19%	1.49%
S&P 400 Growth	643.31	07/01/14	174.44	11/20/08	614.45	-4.49%	1.56%	1.08%
S&P 400 Value	510.63	07/01/14	144.98	03/09/09	481.03	-5.80%	4.68%	1.91%
S&P 100	897.09	09/19/14	322.13	03/09/09	881.25	-1.77%	8.77%	2.09%
DJIA	17279.74	09/19/14	6547.05	03/09/09	17042.90	-1.37%	4.60%	2.21%
NASDAQ 100	4103.08	09/18/14	1036.51	11/20/08	4049.45	-1.31%	13.83%	1.28%
Russell 2000	1208.65	03/04/14	343.26	03/09/09	1167.95	-3.37%	1.34%	1.38%
Russell 2000 Growth	725.38	03/04/14	190.73	03/09/09	657.25	-9.39%	-4.05%	0.68%
Russell 2000 Value	1554.11	07/03/14	469.32	03/09/09	1399.81	-9.93%	-4.74%	2.10%
Russell 3000	1197.45	09/05/14	389.61	03/09/09	1168.71	-2.40%	6.95%	1.84%
MSCI World x U.S. (USD)	5496.51	07/03/14	2131.84	03/09/09	5123.16	-6.79%	-0.66%	3.32%
MSCI Emerging Markets (USD)	473.36	10/29/07	152.47	09/30/04	420.46	-11.18%	2.43%	2.79%
Ibovespa/Brazil (USD)	44638.24	05/19/08	7844.58	10/25/04	27713.46	-37.92%	26.01%	4.40%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1123.72	-54.83%	-19.19%	4.69%
S&P BSE 500/India (USD)	226.04	01/07/08	49.55	09/30/04	164.73	-27.12%	31.92%	1.47%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	385.03	-52.48%	13.82%	2.85%
KOSPI/South Korea (USD)	2.29	10/31/07	0.63	11/20/08	1.91	-16.49%	0.51%	1.09%
Hang Seng (USD)	4082.25	10/30/07	1420.68	10/27/08	2953.30	-27.65%	1.61%	3.92%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1295.06	-34.87%	-2.18%	3.40%
S&P Consumer Discretionary	548.24	09/05/14	125.72	03/09/09	528.90	-3.53%	0.86%	1.49%
S&P Consumer Staples	469.38	09/24/14	199.80	03/09/09	465.07	-0.92%	7.23%	2.64%
S&P Energy	737.09	06/23/14	273.25	11/02/04	661.05	-10.32%	3.23%	2.32%
S&P Utilities	224.93	06/30/14	113.81	03/09/09	213.99	-4.86%	13.95%	3.71%
S&P Financials	509.55	02/20/07	81.74	03/06/09	312.29	-38.71%	7.42%	1.75%
S&P Banks	414.38	02/20/07	49.02	03/05/09	225.80	-45.51%	9.55%	1.73%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	562.96	-16.79%	13.36%	3.77%
S&P Health Care	755.42	09/24/14	252.84	03/05/09	739.96	-2.05%	16.62%	1.53%
S&P Pharmaceuticals	566.35	09/24/14	214.50	03/03/09	556.13	-1.80%	15.81%	2.42%
NYSE Arca Biotechnology	3160.62	09/24/14	484.48	04/04/05	3093.62	-2.12%	32.91%	0.15%
S&P Information Technology	670.76	09/18/14	198.51	11/20/08	659.92	-1.62%	14.13%	1.48%
Philadelphia Semiconductor	657.36	09/18/14	171.32	11/20/08	638.48	-2.87%	20.94%	1.58%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	161.13	-11.01%	7.47%	4.81%
S&P Industrials	477.85	06/09/14	132.83	03/09/09	458.11	-4.13%	2.87%	2.11%
S&P Materials	319.68	09/24/14	108.33	03/02/09	312.57	-2.22%	8.87%	2.03%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	81.11	-64.57%	-2.78%	1.44%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	278.55	-41.17%	-0.58%	N/A
Merrill Lynch Perpetual Preferred	206.50	08/27/14	51.79	03/09/09	205.70	-0.38%	12.18%	5.52%
Merrill Lynch High Yield Constrained	358.03	09/01/14	130.37	12/12/08	350.45	-2.12%	3.61%	6.47%