



Closing Recap – 4:05PM EST

Friday, August 15, 14

Index	Up/Down	%	Last
DJ Industrials	-50.61	0.30%	16,662
S&P 500	-0.10	0.00%	1,955
Nasdaq	11.92	0.27%	4,464
Russell 2000	-2.88	0.25%	1,140

Equity Market Recap

- Russia/Ukraine headlines, 4 eco data points, retail earnings (a 200 point spread between high/low on day for Dow Industrials)...but after all said and done, S&P post flattish session. Markets started as they had all week, rising early and slowly adding to gains (for a third day), ignoring weaker/mostly disappointing earnings all week. The S&P was trading at its best level in August, until...**reports that Ukrainian troops attacked**, destroyed “part” of military column that entered country from Russia through rebel-held border post of Izvaryne. The news created selling pressure, as the **S&P fell nearly 20 points** from its highs, caused a **jump in bonds** (sending yields down) and the dollar fell. The headlines dominated the media for the rest of what was a fairly slow news day (outside of a few earnings) – equities pared losses into the end of the day (note volume this week has been abysmal)
- European markets were higher overnight, again until...the **Ukraine/Russia story** hit wires, reversing major averages and ending sharply lower. **The DAX Index**, which was up nearly 1%, ended lower by (-1.4%), a more than 200 point reversal from highs; The FTSE Index managed to close higher, nearing its biggest weekly gain in six months, as weak global economic data has increased expectations for a continuation of ultra-loose monetary policy. **The FTSE 100** was up over 40 points early (still near a 2% rise for the week) – note dovish commentary from the BoE has helped stocks and **weakened the Pound** vs. other currencies (on track for sixth weekly drop)
- Few items to watch next week include: Fed Minutes, Jackson Hole meeting tail end of the week, Euro PMI’s late week, earnings mostly wraps up (few more retail **HD, LOW, TGT**),
- Asia ended week on a good note, **Hang Seng** rose nearly 1% (up by 2.3% for the week); for the week, **The Nikkei** was higher by over 3%, **the Shanghai** posted a gain of 1.5%

Economic data

- The **Empire State manufacturing survey** dropped to 14.7 in August, below estimates for reading of 20.0, and down from a four-year high of 25.6 in July. The new-orders index fell to 14.1 from 18.8 while shipments moved higher to 24.5 from 23.6; prices paid and prices received both rose in August; future conditions climbed 18 points to 46.8, the highest level in two-and-a-half years

- U.S. **producer prices rose** 0.1% in July (2nd straight month of gains), and core prices rose 0.2% (both in-line with forecasts), down from June's 0.4% increase; overall producer prices rose 1.7% YoY, down from June's annual-growth rate of 1.9%. Personal consumption, rose 0.2% in July, and increased 2.1% over the past year
- U.S. **industrial production** edged higher in July, rising 0.4%, which was unchanged from an upwardly revised June (to 0.4% from 0.2%), and above estimates for a 0.3% increase. July **Capacity utilization** was 79.2%, in line with views and above June's 79.1% report (is the highest level since 2006)
- Preliminary August reading on the **University of Michigan/Thomson Reuters consumer-sentiment** index fell to 79.2, its lowest level since November, and down from final July level of 81.8 (estimates were for reading of 82.3 for August)
- **U.S. TIC** data showed foreigners sold \$153.5B in total U.S. assets in July (biggest number ever sold) after buying a revised \$33.1B in June (from \$35.5B). Net liquidations totaled \$18.7B, unwinding the \$18.6 B in June purchases (revised from \$19.4B)

Commodities

- **Gold prices** surprisingly lagged all day despite the mounting tensions/headlines out of Russia/Ukraine; gold fell more than \$20 an ounce early (under \$1,300 an ounce) as U.S. inflation remained steady (PPI data) but pared some of their earlier losses as safe-haven demand emerged on reports of clashes between Ukrainian and Russian forces; **September silver** lost nearly 38c, or 1.9%, to trade at \$19.53 an ounce
- **Oil prices recover** a large chunk of yesterday's sell-off; Brent crude futures rose 1.4% to close at \$103.53 per barrel, while WTI crude rose \$1.77 to settle at \$97.35 (almost erasing yesterday losses); **U.S. natural gas futures fell** near 3% early on cooler than normal forecasts over the next week or so, erasing most of Thursday's gains from a smaller-than-expected storage build (was up 4% yesterday); front-month gas futures fall 12c to \$3.77 mln Btu
- **U.S. corn futures** jumped 1%, rising for the fifth straight session and posted its best week since March; rose 3.5c to \$3.65 (ends week up 3.9%)

Currencies

- **The dollar** was down 0.1% against the yen at 102.33 yen after hitting its highest in more than a week. The euro advanced against the dollar (trading above \$1.34 earlier, but pared gains)

Bond Market

- **Treasury yields fell** to their lowest in more than a year after rising tension between Russia and Ukraine drove "flight to safety" bids. Ukraine's President said artillery had destroyed a "significant" part of a Russian armored column that had crossed into Ukraine during the night. Bonds had been strong prior to that (on weaker manufacturing/confidence data earlier), but surged further following the reports, with the yield on the 10-yr dropping from 2.38% to lows around 2.3% (yields finished around the 2.33% level). Prices on 30-year Treasury bonds were up more than a point, yielding 3.13% (touched low of 3.11%, lowest since May 2013)

Interesting Articles

- E-commerce speeds up, hits record high share of retail sales. <http://goo.gl/ZPjBgd>
- California's record heat is like nothing you've ever seen... Yet. <http://goo.gl/7c2S5N>

Macro	Up/Down	Last
WTI Crude	1.77	97.35
Brent	1.46	103.53
Gold	-9.50	1,306.20
EUR/USD	0.0032	1.3394
JPY/USD	-0.09	102.34
10-Year Note	-0.055	2.343%

Sector News Breakdown

Consumer

- Retail; **JCP** posts narrower loss than expected and FCF expected to be positive in 2014 (but shares fall/reversing earlier 4% rise); **JWN** fell on q2 comps and on dilution from Trunk Club acquisition may last longer than expected; **DDS** falls as 2q eps/sales both trails Street estimates; **SHLD** cautious comments at Cleveland Research, says may see more losses; **SHOO** acquires Dolce Vita Holdings for \$60.3m in cash; **NWY/BEBE/FL** all down on downgrades; retailers been soft this week on **M, DDS, JWN, WMT** and **KADE** reports and/or guidance (next week **TGT, URBN, HD, DKS, TJX, LB, LOW, ANN, FL** and **SPLS**)
- Staples: **MNST** jumped 30% as **KO** to buy a 17% stake in MNST for about \$2.15B; **EL** q4 beats but q1 trails estimates; **CQB** rejected \$13 offer from Cutrale Group/Safra Group
- Housing names; little surprising to see housing stocks acting as poorly as they did today given the huge drop in interest rates; group has been laggard in recent months given disappointing housing data over the last month; shares of **LEN, TOL, PHM** fell (guess thought is those that could have refinanced when rates were at 2%, have already done so)
- Gaming/Lodging/Leisure; **HOT** upped to OW at Barclays; **SEAS** said to build bigger enclosures for killer whales amid recent controversy; in gaming, **SJM Holdings** downgraded to Neutral at CS

Energy/Utilities

- **UPL** upgraded by two firms lifts shares; **NBL** Bright exploration well did not hit hydrocarbons; **FANG & ATHL** both upgraded at Tudor Pickering; **BBG** upgraded; **GLF** to be added to S&P MidCap 400; offshore drillers remain under pressure (**NE, DO**); recall yesterday energy was the weakest complex in the S&P by far following sharply drop in oil prices – paring some losses; **BHI** said U.S. rig count up 5 to 1913 rigs (rig count up 122 from last year at 1791); **DRC** trades to best level in 3-weeks (upgraded yesterday at Guggenheim w \$100 tgt)
- **Utility index (UTY)** gained following the drop in treasury yield prices, making defensive stocks that pay good yields more attractive; shares of **PCG, D, FE, ED** advanced

Financials

- Financial guaranty stocks **AGO** and **MBI** rise as Puerto Rico Electric Power Authority (PREPA)/creditors reach agreement (MBI upgraded at BTIG); **APO** and **KKR** cut to Market Perform at Wells Fargo as sees "considerable downside risk" to earnings as incentives go away; **DRL** said SEC opens probe into Puerto Rico tax receivables; July Master Trust data showed Net charge-off declines for **BAC, DFS, JPM**: delinquency drops for BAC, JPM...**AXP** in line on both NCO's and delinquency...**ADS** showed a jump in both NCO's and delinquency (shares fall)

Healthcare

- **GILD/ACHN** rise as ACH-3102/Sovaldi Hep C treatment combo cures 12 patients after 4 weeks; **MNK** to be added to S&P 500 (its deal to acquire QCOR set to close tonight); **ICPT** weak as FBR Capital initiated with Underperform rating and \$172 tgt; **LGND** signs pact with Avian Pharma/entitled to upfront payment; **NLNK** momentum continues for 3rd day on Ebola drug comments; **DVA** downgraded to hold; **SLXP** surges all day; **TKMR** (which fell the last few days), spiked late day on no specific news (ebola stock); **Roche** in talks on \$10B deal to buy remainder of Chugai (<http://goo.gl/lg4jwM>)

Industrials & Materials

- Material ; **BHP** led Euro miners on reports to spin-off unwanted assets; **HUN** reporting manufacturing disruption; steels were mixed (group has been strong since earnings); ag chemical stocks (**POT, IPI, MOS**) get lift on better grain prices today (corn higher); as precious metal prices fell, gold/silver miners pare recent gains (**NEM, ABX, GG**)
- Industrial; very quiet in space, though weakness in **GE**; transports underperform, with freight/truckers down the most (**R, FDX, LSTR, JBHT**); **FDX** faces money laundering charge in revised indictment, Bloomberg reported (shares -1%)

Technology, Media, Telecom

- Semi-equipment stocks gains after **AMAT** quarter/guidance (**KLAC, LRCX, ASML** rise); **ADSK** raises FY15 rev guidance and net subscriber adds, but shares fall; **IDCC** lost its patent case against **NOK** and ZTE Corp. at ITC; Video game software sales fell 15% YoY/while overall sales jumped 16%, according to NPD data (gamers **ATVI/SNE/GME/EA** mixed)... <http://goo.gl/oUQ716> ; **VRNG** plunged after Court of Appeals reversed jury's verdict in case vs **GOOGL**; **NQ** CFO resigns due to personal reason/says not related to accounting; Chinese stock on earnings, **SINA** rises, **WB** falls; **MSFT** nears 52-week highs; **GTAT** advanced, while **GLW** dipped following WSJ report re AAPL sapphire article; Internet names mixed (**NFLX, Z** strong...**FB, GOOG, PCLN** weaker) – no real news in space

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