



## Mid-Morning Look – 11:25AM EST

Friday, August 15, 14

Index	Up/Down	%	Last
DJ Industrials	-38.95	0.23%	16,674
S&P 500	-1.42	0.08%	1,953
Nasdaq	+2.54	0.05%	4,455
Russell 2000	-1.76	0.15%	1,148

All was moving along quietly, equities adding to gains for a third day, ignoring mixed to weaker economic data this week, and disappointing earnings results in the retail sector, with S&P trading at best level in August. However, comments mid-morning that **Ukrainian troops attacked, destroyed “part” of military column** that entered country from Russia through rebel-held border post of Izvaryne, led markets sharply lower (S&P falls nearly 20 handles – has since recovered about half), **bonds surging** further (yield down to 2.32%), the dollar reeling (**Euro jumps** over \$1.34), **VIX jumps** about 10% and oil higher. Headlines overshadowed a barrage of economic reports in the U.S., and a handful of earnings reports (**JWN, JCP, DDS, AMAT, and ADSK**)

### 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 (2<sup>nd</sup> 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 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)

## Treasuries, Currencies and Commodities

- In Currency markets, the **dollar weaker** on the data reports, but falls further after Ukraine; euro briefly trades above \$1.34 mark on headlines but pares gains; yen little changed on day now at around 102.40
- **Precious metals weak**, with gold off about \$10 to \$1305 (paring its losses by about \$10 since the Ukraine convoy news), as inflation fears fade after in-line PPI data, and dropping from prior month increase
- **Energy futures higher** initially (after more than 2% drop yesterday); jumps further on the Ukraine news – WTI up more than \$1 to \$96.20 and Brent up around \$1.50 to \$103.50. .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 10.8c to \$3.798 mln Btu
- **Treasury markets surging**; initially higher after round of disappointing economic data reports (manufacturing data/confidence – though industrial production was better) sending yields lower; but yields took further leg down after the Ukraine news, with 10-yr yield touching falling more than 7 bps at one point to 2.32%, and 30-yr trades to 3.13% on “flight to safety”. German 10-yr bund yield touches all-time low of 0.965%

Macro	Up/Down	Last
WTI Crude	1.09	96.67
Brent	1.42	103.49
Gold	-9.80	1,305.90
EUR/USD	+0.0024	1.3386
JPY/USD	-0.03	102.40
10-Year Note	-0.055	2.343%

## Sector Movers Today

- Retailers under pressure; been a tough week – **JWN** and **DDS** fall on earnings, **JCP** reverses prior 4% gains to turn negative; **NWY/BEBE/FL** all down on downgrades
- Wells Fargo downgraded private equity firms **APO** and **KKR** to Market Perform as sees "considerable downside risk" to earnings as incentives go away; cuts tgts on both
- Semi-equipment stocks gains after **AMAT** quarter/guidance (**KLAC**, **LRCX**, **ASML** rise)
- Financial guarantee stocks **AGO** and **MBI** rise; Puerto Rico Electric Power Authority (PREPA)/creditors reach agreement (MBI upgraded at BTIG)

## Stock GAINERS

- **ACHN/GILD** +9%/1%; ACH-3102 and GILD's Hep C treatment Sovaldi combo cures 12 patients after 4 weeks
- **AMAT** +5%; on quarterly results
- **CHTR** +0.5%; Berkshire increases stake
- **GLF** +4%; to be added to S&P MidCap 400
- **HOT** +1%; upgraded to Overweight at Barclay's
- **MBI** +4.5%; upgraded at BTIG to buy; Puerto Rico Electric Power Authority (PREPA)/creditors reach agreement
- **MNK** +3%; to join S&P 500 Index
- **MNST** +30%; KO to buy a 17% stake in MNST for about \$2.15 billion
- **SINA** +6%; on earnings
- **UPL** +3%; upgraded by two firms

## Stock LAGGARDS

- **DDS** -5%; 2q eps/sales both trails Street estimates
- **ICPT** -2.7%; initiated with Underperform rating and \$172 tgt at FBR Capital
- **JWN** -4%; q2 comps light and dilution from Trunk Club acquisition may last longer than expected; Q2 comps 2.7% vs. 3.1% est.
- **NQ** -2.5%; CFO resigns due to personal reason/says not related to accounting
- **WB** -6%; on earnings

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