Weekly Market Update

A broadly positive year for U.S. markets draws to a close

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Article Highlights

- The S&P 500 Index records a double-digit gain in 2014.
- U.S. Treasury yields fall in light holiday-week trading.
- Political uncertainty in Greece worries markets, but the fallout appears largely contained.
- Oil prices continue to slide amid excess supply concerns.

December 31, 2014

Equity and fixed-income markets

Despite lackluster performance to kick off the holiday-shortened week, the S&P 500 Index remained on pace for a gain of nearly 15% in 2014—its fifth double-digit advance in the past six years. Stocks in Europe, however, were down about 1% for the week through December 30 on the likely prospect of a snap election in Greece in early 2015. Japanese equities also declined. The euro slid to a two-year low versus the dollar, while the yen strengthened. Oil prices, meanwhile, dipped below $53 per barrel as oversupply concerns persisted.

The yield on the 10-year U.S. Treasury note, which moves in the opposite direction of its price, moved lower on thin trading volume and stood at 2.18% on the morning of December 31. In Europe, fixed-income markets were generally resilient in the face of Greece's latest political worries, with Italy successfully auctioning 10-year notes at yields of less than 2%, a record low. This suggests that Eurozone sovereign debt markets have become less susceptible to the type of contagion seen at the height of the euro crisis in 2011-2012. Elsewhere, emerging-markets debt recovered strongly in the past week, following a recent bout of volatility sparked by the precipitous drop in the Russian rouble.

Current updates are available here. For additional insights from TIAA-CREF Global Investment Strategist Dan Morris, view our Weekly Market Perspective Video.

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The U.S. economy remains on track heading into 2015

The final few days of 2014 were relatively light in terms of U.S. economic releases. In general, data was mixed but did not point to any significant change in the economy's trajectory.

- **Consumer confidence** rose in December from an upwardly revised November reading, according to The Conference Board.
- **Home price appreciation** slowed to 4.5% in October on a year-over-year basis, the slowest pace in two years, based on the S&P/Case Shiller 20-City Composite Index.
- **First-time unemployment claims** jumped by 17,000, to 298,000, although the less-volatile four-week moving average inched lower, to 290,750. Claims that remain consistently below the 300,000 level are associated with healthy job gains and GDP growth.

A number of closely watched releases, including the December payrolls report and unemployment rate, are scheduled for the week of January 5 and have the potential to move markets in what should be heavier post-holiday trading. We expect bond spreads to tighten in the initial weeks of January in line with what is traditionally a good period for equities

The next Weekly Market Update will be published on Friday, January 9.