Weekly Market Guide

December 9, 2013

E. William Stone, CFA® CMT
Chief Investment Strategist

Marsella Martino
Senior Investment Strategist

Rebekah McCahan
Investment Strategist

Michael Zoller
Investment Strategist

Commentary: After stronger-than-expected employment data last week, the markets will continue to gauge expectations for a reduction in Federal Reserve (Fed) asset purchases. PNC still expects no taper at next week's Fed meeting, but tapering in first-quarter 2014 seems likely. China will be in the spotlight this week, as the country releases industrial production and retail sales data. Chinese trade and inflation data were released over the weekend, with exports and Consumer Price Index better than expected and imports below. Central banks in Korea, the Philippines, New Zealand, Switzerland, and Indonesia meet this week, with all expected to keep policy unchanged. Eurogroup and Ecofin meetings this week will be watched for news regarding decisions around the Eurozone banking union. Domestically, markets will be watching Congress to see what, if any, compromise can be reached on the proposed federal budget deal.

Week in Review: The first revision for U.S. third-quarter GDP was higher than expected. The economy expanded 3.6%, with almost half the growth from a boost in inventories, while household spending moderated. Less inventory as well as the impact of the government shutdown could weigh on economic growth for the fourth quarter. The first official full week of the holiday selling season got off to a strong start; Cyber Monday sales were up 17.5% from last year, according to IBM Digital Analytics. The Fed Beige Book delivered further good news, with all 12 districts reporting moderate or modest growth despite the government shutdown. The European Central Bank reiterated its commitment to keeping rates low for the foreseeable future and lowered its inflation forecast for 2014 by 0.2 percentage point to 1.1%. Friday's job report bested expectations, breaking above 200,000.

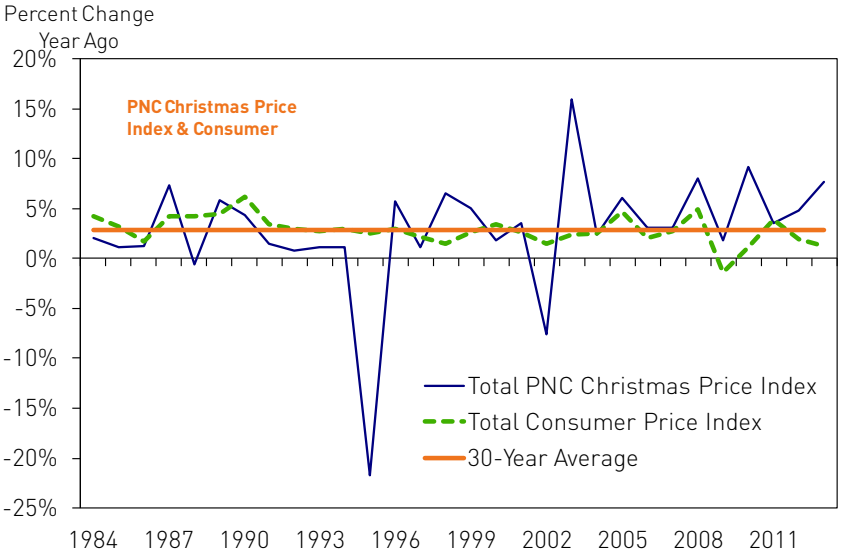
	Last wk (%)	YTD (%)	52-wk (%)	P/E (x)	P/E fwd (x)	Div yld (%)
S&P 500	-0.04	26.57	27.29	16.02	16.48	1.92
S&P 500 Growth	0.13	27.27	27.48	17.63	18.15	1.75
S&P 500 Value	-0.22	25.82	27.15	14.74	15.28	2.20
S&P Mid-Cap 400	0.42	28.35	30.61	19.96	19.73	1.32
S&P Small-Cap 600	-1.11	36.30	40.56	21.33	22.37	1.12
FTSE NAREIT Equity	0.73	-0.09	1.65	-	-	3.74
Global Equities						
	Last wk (%)	**YTD (%)**	**52-wk (%)**	**P/E (x)**	**P/E fwd (x)**	**Div yld (%)**
World	-1.02	14.92	17.81	15.07	14.36	2.38
MSCI EAFE	-2.19	15.18	17.73	19.42	13.72	3.16
MSCI EM	-1.58	-5.02	-2.61	11.83	10.36	2.67
Developed						
Japan	-1.99	21.99	25.48	14.27	15.54	1.85
U.K.	-1.59	15.07	16.78	18.80	14.79	2.97
Germany	-1.58	22.72	26.90	13.63	14.45	2.73
Canada	-1.19	0.65	2.46	14.52	16.47	3.03
Emerging						
China	-0.94	8.39	17.47	13.60	11.21	2.48
South Korea	-3.05	1.03	4.12	11.30	12.00	1.31
EMEA	-1.36	-4.92	-1.40	9.50	9.95	3.52
Latin America	-2.03	-15.20	-12.23	13.53	15.97	3.34

Economic Data		Consensus	Previous
12/9	GE Exports (m/m)	-0.5%	1.6%
12/9	GE Industrial Production	0.8%	-0.9%
12/9	CA Housing Starts	195.0k	198.3k
12/9	GE Labor Costs	1.8%	1.8%
12/10	JN Consumer Confidence	44.0	41.2
12/10	FR Industrial Production	0.1%	-0.5%
12/10	IT Industrial Production	0.2%	0.2%
12/10	UK Industrial Production	0.3%	0.9%
12/10	JN Machine Orders (m/m)	0.4%	-2.1%
12/10	US JOLTs Job Openings	N/A	3913
12/10	US Wholesale Inventories (m/m)	0.3%	0.4%
12/10	US NFIB Small Bus Optimism	92.6	91.6
12/11	GE CPI (m/m)	0.2%	0.2%
12/12	FR CPI (m/m)	0.0%	-0.1%
12/12	EC Industrial Production	0.3%	-0.5%
12/12	US Retail Sales	0.5%	0.4%
12/12	US Import Price Index	-0.8%	-0.7%
12/12	US Jobless Claims	320k	298k
12/12	US Business Inventories	0.4%	0.6%
12/13	US PPI (m/m)	0.0%	-0.2%

Alternative Assets	Last wk price	Last wk rtn (%)	YTD (%)	52-wk (%)
DJ/UBS	125.8	1.53	-9.84	-11.40
HFRX Macro	1125.9	-0.62	-3.44	-2.48
TIPS Index	270.3	-1.34	-9.09	-10.17
Rates				
	Friday Close (%)	**3-mo ago (%)**	**6-mo ago (%)**	**12-mo ago (%)**
Fed Funds	0.09	0.08	0.10	0.16
Prime	3.25	3.25	3.25	3.25
2-yr Treas	0.30	0.46	0.30	0.25
10-yr Treas	2.88	2.94	2.08	1.59
30-yr Mgt	4.48	3.65	4.05	3.39
IG Yield	3.35	3.63	3.03	2.74
HY Corp	6.38	6.89	6.65	6.88
Currencies/Commodities/Volatility				
$ Index	80.32	83.60	80.95	80.33
$ per €	1.37	1.32	1.32	1.30
$ per £	1.64	1.56	1.55	1.61
¥ per $	102.71	98.93	98.38	82.35
Gold	1229.00	1386.50	1415.80	1701.80
Crude Oil	97.65	110.53	94.76	86.26
VIX	13.79	15.85	16.63	16.58

PNC's WEEKLY CHART

A steadily improving economy boosted the 2013 PNC Christmas Price Index®, the thirtieth annual tongue-in-cheek economic analysis by PNC Wealth Management®, by 7.7%. Based on the gifts in the holiday classic "The Twelve Days of Christmas," the price tag for this year's PNC CPI is $27,393.17. PNC's CPI has increased 116% since 1984, but its average annual increase is identical to U.S. inflation.



Source: Bureau of Labor Statistics, Bloomberg, PNC

Data as of 12/6/2013. Please see reverse side for important disclosures.

Sources: FactSet Research Systems, Dow Jones UBS Index, Barclays Capital, Bankrate.com, Chicago Board Options Exchange, Bloomberg, Bank of America/ Merrill Lynch, HFR Asset Management, LLC, MSCI