

# MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / FEBRUARY 2015

## February Summary

Global equity markets performed well in February on the heels of widespread global monetary support, an extension of Greece's bailout, a truce in Ukraine, and relatively favorable economic dynamics in the U.S. — particularly in regards to employment. The S&P 500 delivered its strongest monthly return since October 2011 and its best return for a February since 1998. Developed international equity markets did even better.

Despite the exuberance, global growth expectations have actually been dialed down for 2015. Indeed, aggressive central banks are certainly not suggestive of economic strength. Likewise, doubts linger as to whether Greece's new left-wing government will follow through on required budget cuts and economic overhauls — odds are they will not. Moreover, it is unlikely that Putin will be satisfied with the status quo in Ukraine. As for the U.S., slower international growth and dollar strength are negatively impacting economic activity as well as corporate profits. And year-to-date stock market gains have already exceeded expected earnings growth

for all of 2015. Accordingly, stock market advances from here must be predicated on further multiple expansion — a dubious bet when

valuations are already at historic highs. In short, go-forward return expectations should be tempered.

## February's Economic Releases

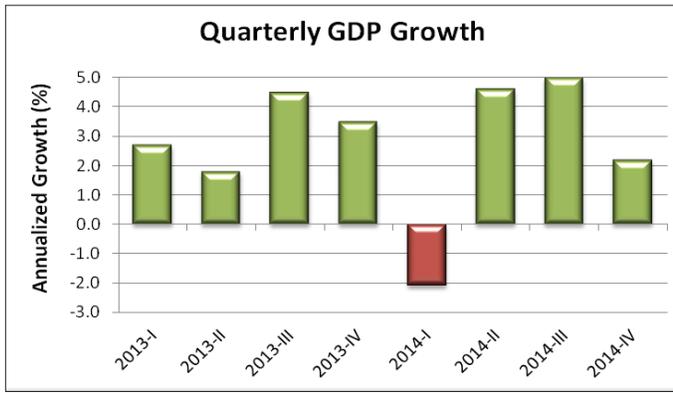
General	Prior	Current
GDP growth	5.0% (Q3)	2.2% (Q4)
Trade balance	-\$39.8 B (Nov)	-\$46.6 B (Dec)
<b>Employment</b>	<b>Prior</b>	<b>Current</b>
Initial jobless claims	282,000 (2/14)	313,000 (2/21)
Continuing claims	2.4 MM (2/7)	2.4 MM (2/14)
Change in nonfarm payrolls	329,000 (Dec)	257,000 (Jan)
Unemployment rate	5.6% (Dec)	5.7% (Jan)
Average weekly hours	34.6 (Dec)	34.6 (Jan)
<b>Consumer</b>	<b>Prior</b>	<b>Current</b>
Consumer confidence index (Conf. Board)	103.8 (Jan)	96.4 (Feb)
Retail sales growth (YoY)	4.7% (Dec)	2.8% (Jan)
Change in consumer credit	\$13.5 B (Nov)	\$14.8 B (Dec)
<b>Manufacturing &amp; Service</b>	<b>Prior</b>	<b>Current</b>
ISM manufacturing index	56.7 (Dec)	56.5 (Jan)
ISM non-manufacturing index	55.1 (Dec)	53.5 (Jan)
Durable goods orders growth	-3.7% (Dec)	2.8% (Jan)
Industrial production growth	-0.3% (Dec)	0.2% (Jan)
Capacity utilization	79.4% (Dec)	79.4% (Jan)
<b>Real Estate</b>	<b>Prior</b>	<b>Current</b>
New home sales	482,000 (Dec)	481,000 (Jan)
Existing home sales	5.1 MM (Dec)	4.8 MM (Jan)
Case-Shiller home price index (YoY)	4.3% (Nov)	4.5% (Dec)
<b>Inflation</b>	<b>Prior</b>	<b>Current</b>
Consumer price index/Core (YoY growth)	0.8%/1.6% (Dec)	-0.1%/1.6% (Jan)
Producer price index/Core (YoY growth)	1.1%/2.1% (Dec)	0.0%/1.6% (Jan)



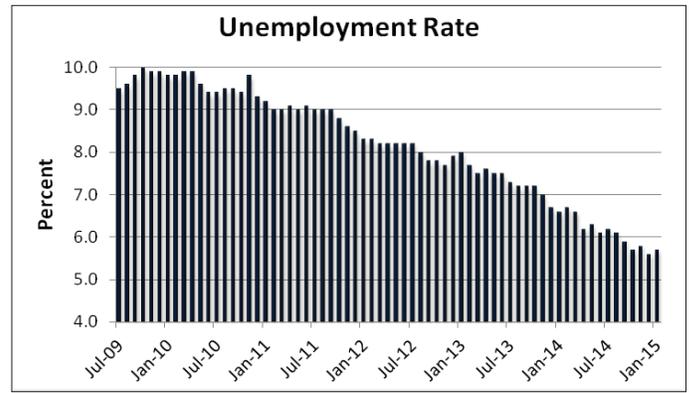
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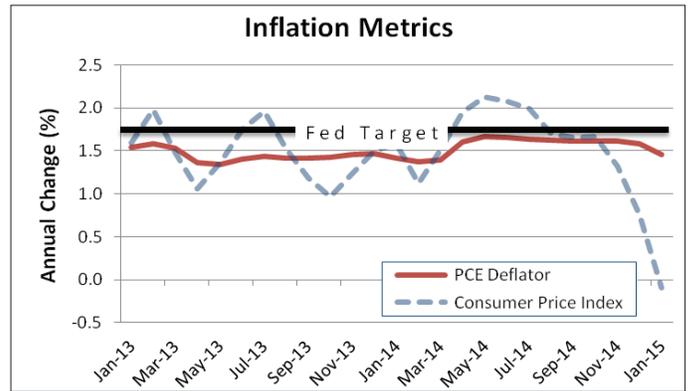
U.S. Department of Commerce



U.S. Department of Labor



U.S. Census Bureau/Nat'l Association of Realtors



U.S. Bureau of Labor/U.S. Federal Reserve

## Market Returns

	Feb 2015	YTD 2015
<b>Cash and Fixed Income</b>		
Barclays Aggregate Bond	-0.9%	1.1%
Barclays Municipal Bond	-1.0%	0.7%
Barclays Gbl Agg. ex. U.S.	-0.8%	-2.6%
<b>Alternatives</b>		
Bloomberg Commodity	2.6%	-0.8%
DJ US Real Estate	-2.5%	3.1%

Morningstar & Hedge Fund Research, Inc.

	Feb 2015	YTD 2015
<b>Domestic Equities</b>		
Wilshire 5000	5.8%	2.9%
S & P 500	5.7%	2.6%
Russell 2000	5.9%	2.5%
<b>International Equities</b>		
MSCI EAFE (Developed)	6.0%	6.5%
MSCI EM (Emerging)	3.1%	3.7%

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