

# MONTHLY ECONOMIC UPDATE

INVESTMENT NEWSLETTER / JANUARY 2015

## January Summary

On the heels of lower oil prices, increased employment, and an acceleration in domestic growth, U.S. consumers are more satisfied with the domestic economy than at any time in the past eight years. Consumer spending in the fourth quarter grew at an annualized rate of 4.3%, the fastest pace since early 2006, and consumer confidence spiked in January to a level last seen in 2007.

In contrast to consumer enthusiasm, however, stand an ever troubled outlook for global growth and cracks in the heretofore strength in U.S. corporate earnings. Weak international economies and falling worldwide inflation rates led a multitude of central banks to ease monetary policy in January. On the home front, fourth quarter earnings have come in soft and some economic indicators suggest a less sanguine outlook. Of particular note, durable goods orders have fallen each month since October, industrial production declined in December, and purchasing manager surveys suggest a slower pace of economic expansion ahead. Moreover, dollar strength is a headwind to both

U.S. economic growth and corporate earnings. On that note, net exports weighed heavily on fourth quarter GDP growth and management teams have reigned in profit expectations for 2015.

Consumer positives were insufficient to overcome a more troubled overarching backdrop in January. Domestic stocks were down and a material drop in interest rates drove bond prices higher.

## January's Economic Releases

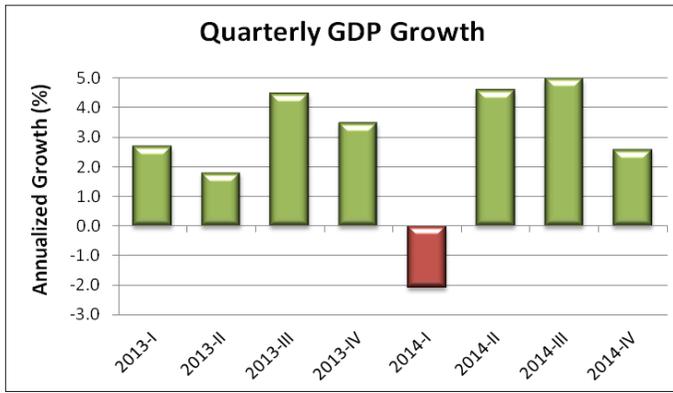
General	Prior	Current
GDP growth	5.0% (Q3)	2.6% (Q4)
Trade balance	-\$42.2 B (Oct)	-\$39.0 B (Nov)
<b>Employment</b>	<b>Prior</b>	<b>Current</b>
Initial jobless claims	308,000 (1/17)	265,000 (1/24)
Continuing claims	2.5 MM (1/10)	2.4 MM (1/17)
Change in nonfarm payrolls	353,000 (Nov)	252,000 (Dec)
Unemployment rate	5.8% (Nov)	5.6% (Dec)
Average weekly hours	34.6 (Nov)	34.6 (Dec)
<b>Consumer</b>	<b>Prior</b>	<b>Current</b>
Consumer confidence index (Conf. Board)	93.1 (Dec)	102.9 (Jan)
Retail sales growth (YoY)	3.0% (Nov)	4.6% (Dec)
Change in consumer credit	\$16.0 B (Oct)	\$14.1 B (Nov)
<b>Manufacturing &amp; Service</b>	<b>Prior</b>	<b>Current</b>
ISM manufacturing index	57.6 (Nov)	55.5 (Dec)
ISM non-manufacturing index	58.8 (Nov)	56.2 (Dec)
Durable goods orders growth	-2.1% (Nov)	-3.4% (Dec)
Industrial production growth	1.3% (Nov)	-0.1% (Dec)
Capacity utilization	80.0% (Nov)	79.7% (Dec)
<b>Real Estate</b>	<b>Prior</b>	<b>Current</b>
New home sales	431,000 (Nov)	481,000 (Dec)
Existing home sales	4.9 MM (Nov)	5.0 MM (Dec)
Case-Shiller home price index (YoY)	4.5% (Oct)	4.3% (Nov)
<b>Inflation</b>	<b>Prior</b>	<b>Current</b>
Consumer price index/Core (YoY growth)	1.3%/1.7% (Nov)	0.8%/1.6% (Dec)
Producer price index/Core (YoY growth)	1.4%/1.8% (Nov)	1.1%/2.1% (Dec)



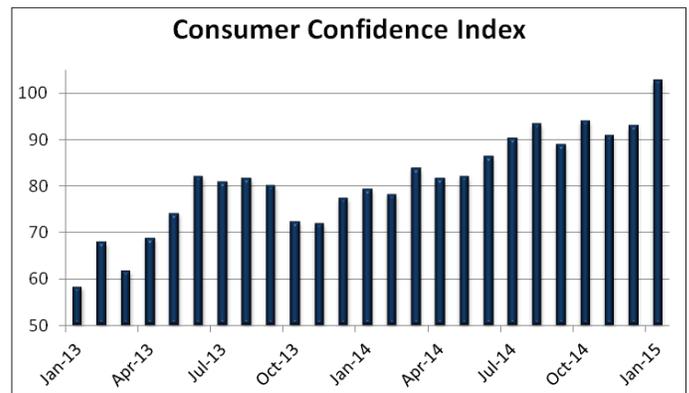
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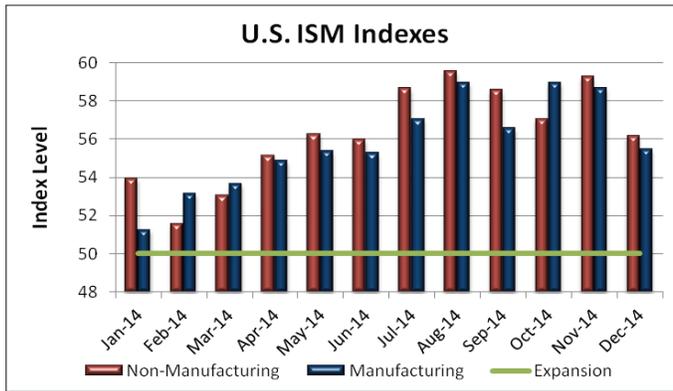
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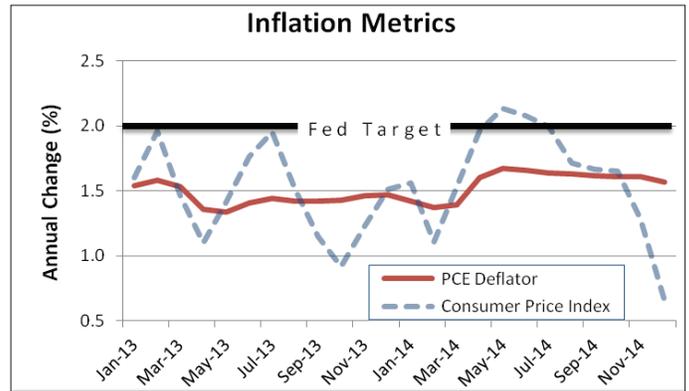
U.S. Department of Commerce



The Conference Board



Institute for Supply Management



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

## Market Returns

	January 2015
<b>Cash and Fixed Income</b>	
Barclays Aggregate Bond	2.1 %
Barclays Municipal Bond	1.8 %
Barclays Gbl Agg. ex. U.S.	-1.8 %
<b>Alternatives</b>	
Bloomberg Commodity	-3.3 %
DJ US Real Estate	5.7 %

Morningstar & Hedge Fund Research, Inc.

	January 2015
<b>Domestic Equities</b>	
Wilshire 5000	-2.8 %
S & P 500	-3.0 %
Russell 2000	-3.2 %
<b>International Equities</b>	
MSCI EAFE (Developed)	0.5 %
MSCI EM (Emerging)	0.6 %

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