

Economic Update

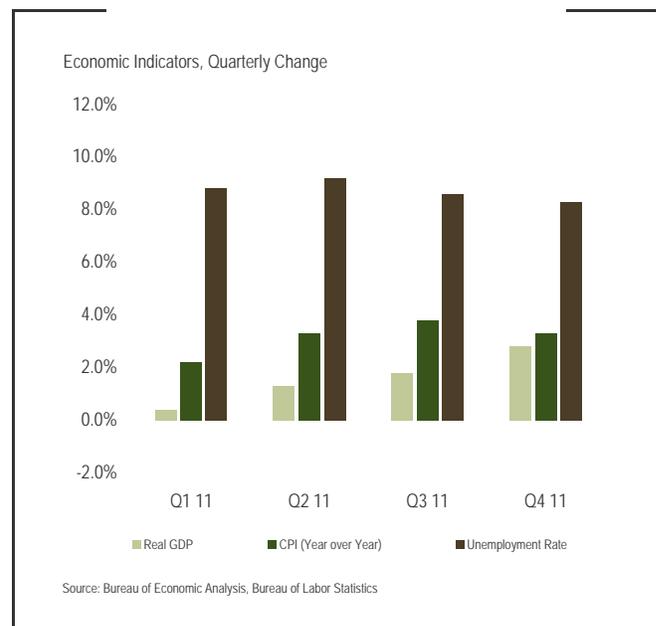
The FOMC left rates unchanged when they met this week but they did give the economy an upgrade over recent statements. The statement noted "Labor market conditions have improved further; the unemployment rate has declined notably in recent months but remains elevated." The committee expects moderate economic growth and a gradual improvement in the unemployment rate, and also believes inflation will remain at levels consistent with its dual mandate.

Inflation accelerated at the consumer level in February on higher energy costs. A report from the Labor Department showed the consumer price index was up 0.4% in January, following a 0.2% rise the previous month. Gasoline prices surged 6.0% but the Fed's statement this week indicated they believe energy's recent upward pressure on overall prices is temporary. Year-over-year CPI inflation held steady at 2.9%. Inflation at the producer level was also up 0.4% during the month after rebounding 0.1% in January. With inflation picking up again and the more upbeat outlook from the Fed, additional monetary easing seems unlikely at this point.

The consumer spent more money than analysts had been anticipating as retail sales posted a healthy gain in February. The data from the Census Bureau showed that retail sales were up a strong 1.1% during the month, following an upwardly revised 0.6% rise in January. Strength was seen in the automobile and gasoline components which explained nearly half of the rise, but robust sales were also seen in many other components. So while higher gasoline prices are costing consumers it has not curtailed their willingness to spend more in other areas.

China's General Administration of Customs reported a trade deficit – yes, deficit – for February that was the largest in 22 years. The world's second largest economy imported \$31.5 billion more in goods than it exported. The consumer slowdown in Europe, China's largest trading partner, resulted in a \$9 billion drop in exports to the region. The data is heavily clouded by the 15-day Chinese New year holiday which dampens production, so it is difficult to determine if this should be taken as a worrisome sign.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



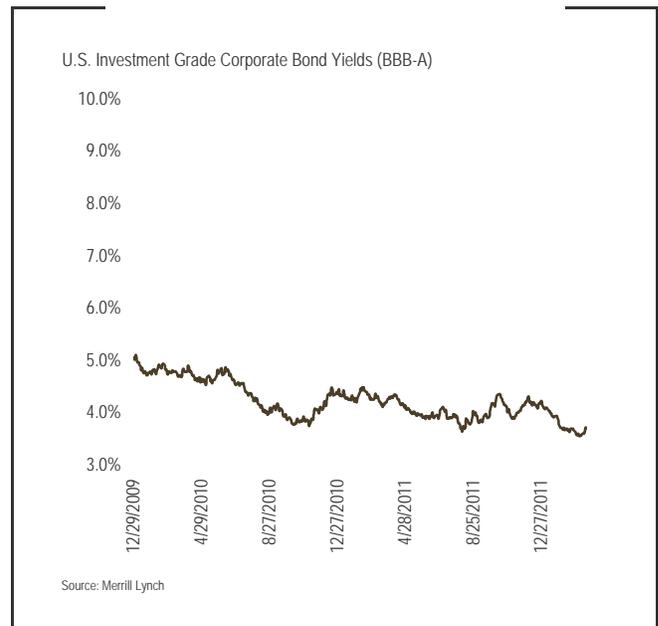
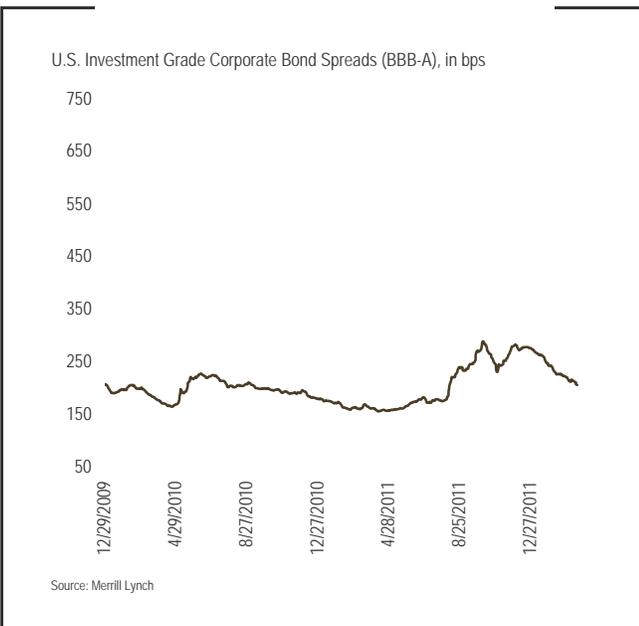
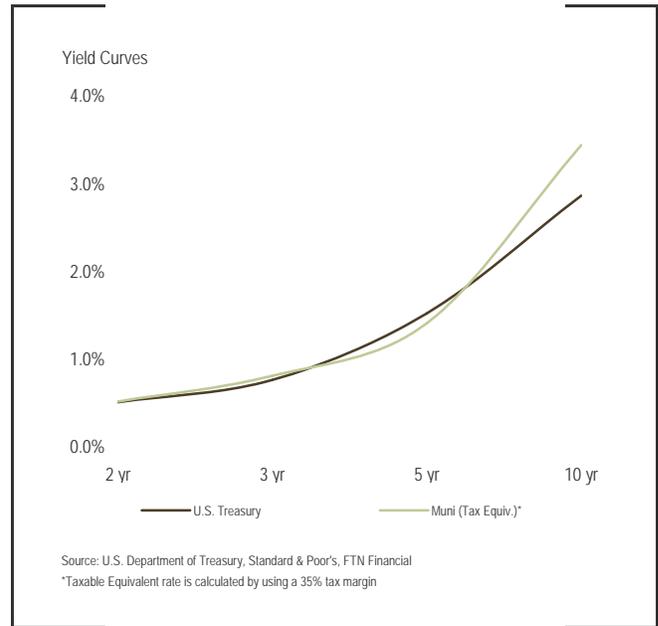
Mar. 13 th	ICSC-Goldman Same Store Sales, Wkly. Chg.	0.7%
Mar. 13 th	Retail Sales, February Monthly Chg.	1.1%
Mar. 13 th	Business Inventories, Jan. Monthly Chg.	0.7%
Mar. 14 th	MBA Purchase Applications Index, Wkly. Chg.	-2.4%
Mar. 14 th	Import Prices, Feb. Monthly Chg.	0.4%
Mar. 14 th	Export Prices, Feb. Monthly Chg.	0.4%
Mar. 14 th	EIA Petroleum Status Report, Wkly. Chg.	1.8M Barrels
Mar. 15 th	Initial Jobless Claims (week ending 3/10)	351,000
Mar. 15 th	Producer Price Index, February Monthly Chg.	0.4%
Mar. 15 th	Empire State Mfg Survey, March	20.2
Mar. 15 th	Philadelphia Fed Survey, March	12.5
Mar. 15 th	EIA Natural Gas Report, Wkly. Chg.	-64 bcf
Mar. 16 th	Consumer Price Index, February Monthly Chg.	0.4%
Mar. 16 th	Industrial Production, Feb. Monthly Chg.	0.0%
Mar. 16 th	Consumer Sentiment Index, March	74.3

Bond Market Update

After trading in a tight range for the first 10 weeks of 2012, U.S. Treasuries finally succumbed to consistently improving economic data out of the U.S. and easing tensions in Europe and sold off in dramatic fashion this week. The 10-year yield rose from last Friday's close of 2.04% to as high as 2.31% this week and the 30-year Treasury rose 24 basis points to 3.42% on rising inflation expectations due to a strengthening U.S. economy. Positive results from U.S. financial sector stress tests contributed to the investor exodus from Treasuries, but reduced demand for Treasuries as a safe haven asset due to continued positive indicators out of Europe was likely a larger influence. Not all investors left the fixed income markets as high-yield debt continued to receive strong bids as they have throughout 2012. High-yield spreads have now tightened to below 600 basis points after trading at 900 basis points as recently as last October. International fixed income investors followed investment trends of the U.S. Safe haven German Bunds were sold off while riskier peripheral debt maintained recent low yields. Unlike the U.S., which continues to post improving economic data, the move into riskier assets by European investors comes while economic conditions in both Spain and Italy continue to deteriorate. The divergence between U.S. and European economic trajectories has caused speculation that the European bond action this week is transitory.

Issue	3.9.12	3.16.12	Change
3 month T-Bill	0.09%	0.08%	-0.01%
2-Year Treasury	0.33%	0.37%	0.04%
5-Year Treasury	0.90%	1.11%	0.21%
10-Year Treasury	2.04%	2.29%	0.25%
30-Year Treasury	3.19%	3.41%	0.22%

Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



Stock Market Update

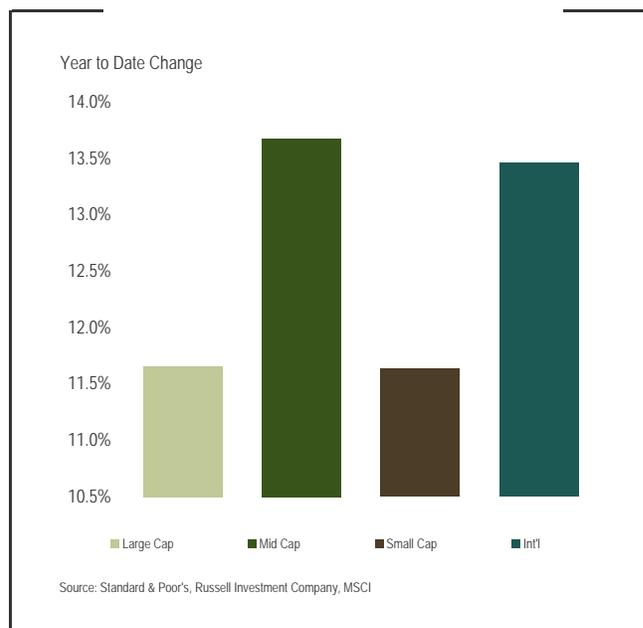
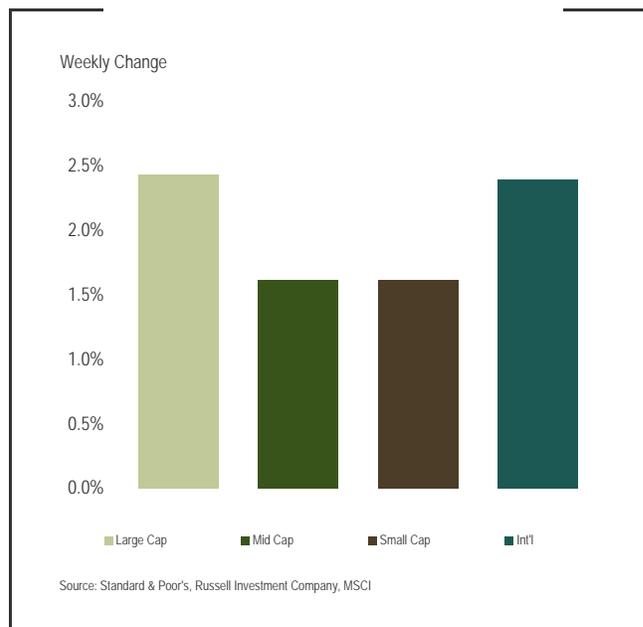
Major stock markets were mostly positive again this week as continued strong economic data fueled investors' interest in equities. The Dow Jones Industrial Average crossed the 13,000 mark and remained there the rest of the week to close at 13232.62, up 2.4% for the five-day trading period. The S&P 500 Index surpassed the 1400 level for the first time in nearly four years, finishing the week at 1404.17, up 2.4%. The NASDAQ Composite Index broke 3000 for the first time since 2000, closing the week out at 3055.26, up 2.3%.

International markets were mixed this week with increases in Europe and Japan but a slight decline in China. The Shanghai composite index fell 2.6% on Wednesday after comments from Premier Wen Jiabao about the housing market in China spooked investors. Jiabao implied that the government will not relax its regulation of the Chinese property market which some fear will continue to impede economic growth. The Japanese stock market recorded its sixth straight week of gains, up 2% for the week. Germany's DAX Index finished the week 4% higher, helped by a surge in a key investor sentiment reading to 22.3 from 5.4 last month, exceeding analyst expectations of 10.0.

Several large cap banks announced dividend increases after they passed a key stress test by the Fed known as the Comprehensive Capital Analysis and Review (CCAR). JP Morgan raised its dividend by 20% while BB&T hiked its quarterly payout by 25%. Cisco Systems announced its intent to acquire video software maker NDS Group Ltd. for \$5 billion. NDS also provides content security solutions that enable service providers and media companies to securely deliver and monetize new video entertainment experiences. In a press release, CEO John Chambers said "Our acquisition of NDS fits squarely into this strategy; enabling content and service providers to deliver new video solutions that leverage the cloud and drive new monetization opportunities and service differentiation."

Issue	3.9.12	3.16.12	Change
Dow Jones	12,922.02	13,232.62	2.40%
S&P 500	1,370.87	1,404.17	2.43%
NASDAQ	2,988.34	3,055.26	2.24%
Russell 1000 Growth	645.67	659.86	2.20%
S&P MidCap 400	984.81	1000.73	1.62%
Russell 2000	817	830.17	1.61%
MSCI EAFE	1,544.13	1,581.00	2.39%
MSCI Small Cap	1,052.69	1,065.45	1.65%

Prices reflect most recent data available at the time of publication
Source: Bloomberg, Russell Investment Company, Standard & Poor's, Morgan Stanley Capital International, The Wall Street Journal, MarketWatch.



Alternative Investments Market Update

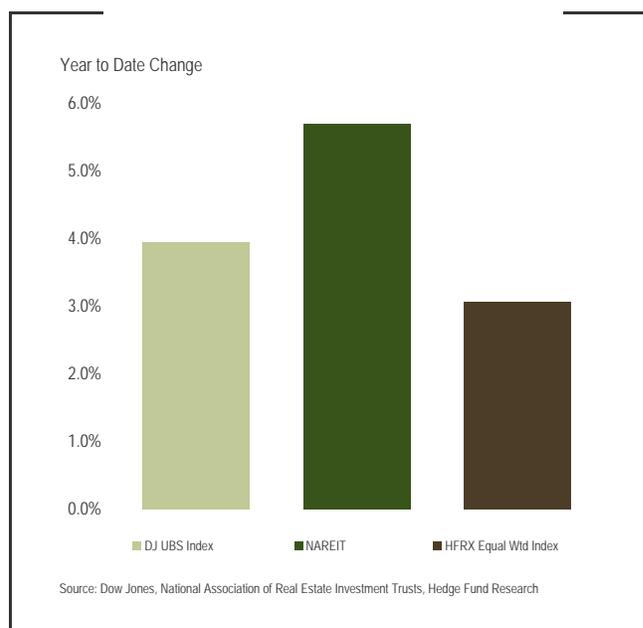
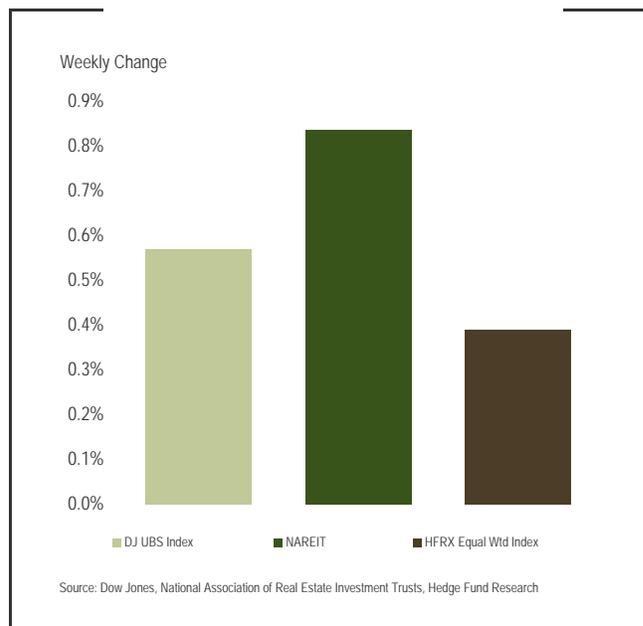
Crude oil ended flat after it pared its losses from earlier in the week with the ongoing tension over Iran's disputed nuclear program and the potential for supply disruptions in the region. This activity, on top of the dollar weakening, saw crude close the week around \$107 a barrel. Oil slipped on Thursday over news that the U.S. and Britain were preparing a release of their oil reserves later this year. In February, U.S. consumer prices showed the largest increase in 10 months, as the cost of gasoline spiked, but analysts claim there is little sign that underlying inflation pressures are building up. The average price of gasoline nationwide reached \$3.83 a gallon, up 17% on the year and 8% higher than a year ago. Gold ended the week down over 3% after India, the world's biggest bullion buyer, increased their tax on imports for the second time this year. Although the precious metal suffered its largest weekly decline in three months, at \$1,659.10 an ounce, gold is still up 5.9% on the year.

A volatile 2011 saw the most hedge fund startups in five years as investors sought alternatives to the traditional stock investments. According to a report from Hedge Fund Research (HFR), the number of new funds climbed to 1,113 last year from 935 in 2010, the most since 1,197 were recorded in 2007. Most startups last year were equity funds or those which followed a macro strategy, focusing their bets on global economic trends. Kenneth Heinz, president of HFR stated that investors continue to "maintain a strong commitment to hedge funds, and fund managers expanded the scope and breadth of strategies offered, making 2011 the strongest year for new launches since the global financial crisis." The report went on to note that after posting a record loss of 19% in 2008 during the financial crisis, hedge funds rebounded with two straight years of aggregate gains. Funds declined 5.3% in 2011 as the European debt crisis brought about declines in global stocks. The number of funds that closed last year rose to 775 from 743 in 2010. Investors allocated \$70.6 billion to hedge funds in 2011, contributing to total industry assets of \$2.01 trillion. The HFRX Equal Weighted Strategies Index is now up 2.83% on the year.

Issue	Previous Week	Current ¹	Change
Gold	1,713.50	1,659.10	-3.17%
Crude Oil Futures	107.43	107.30	-0.12%
Copper	385.00	388.10	0.81%
Sugar	23.66	25.41	7.40%
HFRX Equal Wtd. Strat. Index	1,126.70	1,131.10	0.39%
HFRX Equity Hedge Index	1,030.14	1,039.16	0.88%
HFRX Equity Market Neutral	974.88	974.57	-0.03%
HFRX Event Driven	1,369.39	1,379.49	0.74%
HFRX Merger Arbitrage	1,508.97	1,519.28	0.68%
Dow Jones UBS Commodity Index	145.40	146.23	0.57%
FTSE/NAREIT All REIT	144.90	146.11	0.84%

¹ Prices reflect most recent data available at the time of publication

Source: Dow Jones, National Association of Real Estate Investment Trusts, Hedge Fund Research, Bloomberg, The Wall Street Journal, The International Monetary Fund.



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