

Economic Update

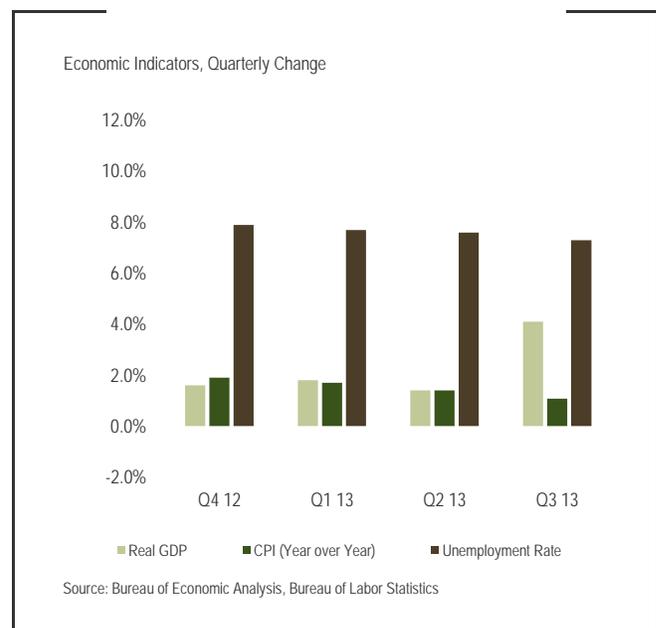
The headline this week was the Fed's decision to begin tapering back the QE3 stimulus in January of 2014. The Fed will cut back its bond purchases by \$10 billion reducing the purchases from \$85 billion to \$75 billion each month. This long-awaited move finally puts to bed the continuous conversation of when the inevitable tapering will begin. Investors and economists can now focus on the effects that this tapering will have on the American economy and investable markets. This tapering process will be gradual and rates will be kept low for quite some time, so policy remains very supportive of equity markets and will continue to be supportive well into 2014 and beyond. The important thing to remember is that this is not a tightening of policy but rather a reduction in the magnitude of easing, and the Fed has a very long way to go before any conversations about tightening will begin. Overall this announcement is positive for U.S. equity markets and for the economy, but the continued strength of employment in the U.S. and the rate of inflation will be important factors in Fed actions going forward.

In other news, U.S. housing starts showed strong gains in November after slow numbers in the previous two releases, which were delayed by the government shutdown. The November report marked a jump of 22.7% to an annualized figure of 1.091 million units, topping analyst estimates significantly. Furthermore, lumber sales, a housing indicator, have increased sharply over the past month during an already steady climb since 2011. This trend could translate into continued strength in the homebuilding market and more positive housing start reports in 2014 as housing starts and lumber orders are strongly correlated over the past 20 years.

Across the Atlantic, unemployment in the U.K. fell to 7.4%, the lowest level in 4 ½ years. Prime Minister David Cameron announced that while the plan seems to be effective, there is still much work to do, and Labour Leader Ed Miliband noted that many people are settling for part-time work because hours are difficult to find. Wages in the U.K. picked up as well, albeit at a rate of just 0.8%, which is significantly less than the 2.1% level of inflation.

SEE IMPORTANT DISCLOSURES ON BACK PAGE.

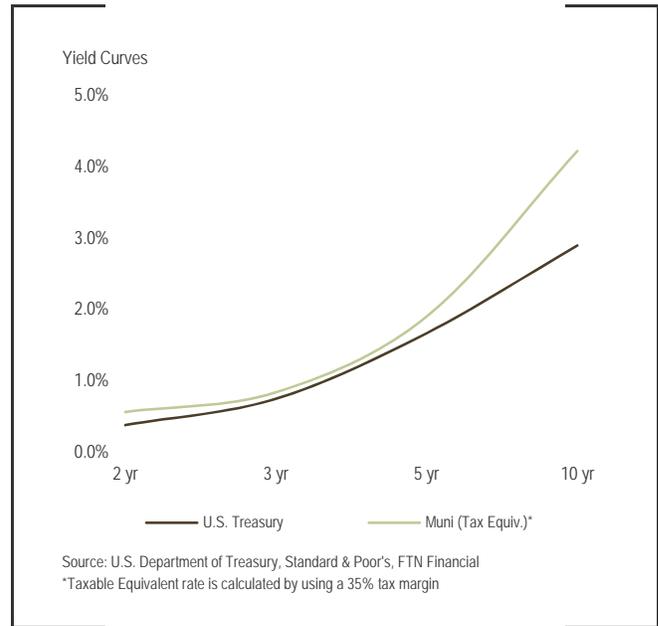
Source: Bureau of Economic Analysis, U.S. Department of Commerce, Federal Reserve Banks, U.S. Department of Labor, U.S. Department of Commerce, The Conference Board, the National Association of Realtors, the National Association of Home Builders, the European Central Bank.



Dec 2nd	ISM Mfg. Index - Level, Nov.	57.3
Dec 2nd	Construction Spending, Nov. Monthly Chg.	-0.30%
Dec 3rd	ICSC-Goldman Same Store Sales, Wkly. Chg.	-1.6%
Dec 4th	International Trade Balance Level, December	-40.6B
Dec 4th	New Home Sales, December	444,000
Dec 4th	ISM Non-Mfg. Index, December	53.9
Dec 4th	Non-farm Payrolls, Dec. Monthly Chg.	203,000
Dec 5th	Real GDP, Q3 Quarterly Change SAAR*	3.6%
Dec 5th	GDP Price Index, Q3 Quarterly Change SAAR*	2.0%
Dec 5th	Initial Jobless Claims (Week ending 12/6)	368,000
Dec 5th	Factory Orders, Nov. Monthly Chg.	-0.9%
Dec 5th	Unemployment Rate, November	7.0%
Dec 6th	Consumer Credit, March Monthly Change	18.2B
Dec 6th	Core PCE Price Index, Nov Monthly Chg.	0.1%
Dec 6th	Personal Income, March Monthly Chg.	-0.1%
Dec 6th	Consumer Sentiment Index, January	82.5

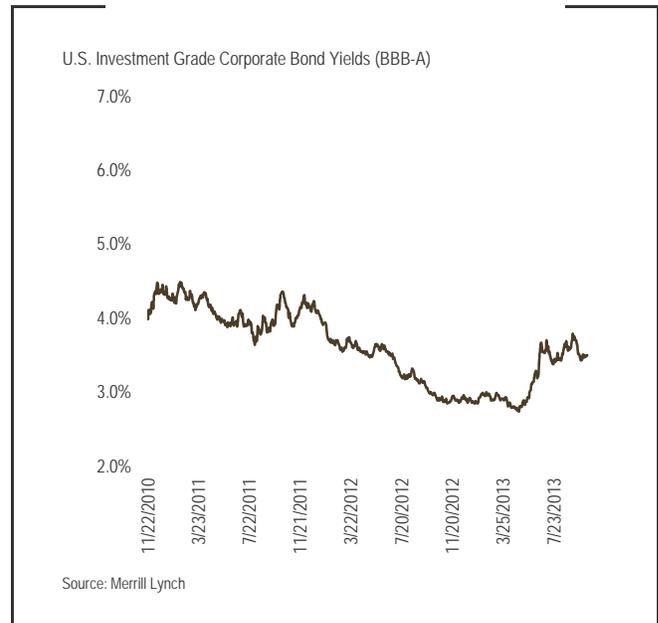
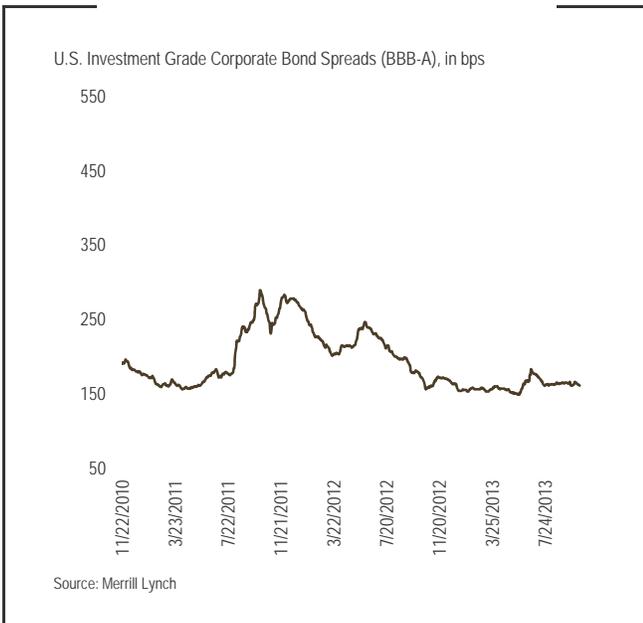
Bond Market Update

The U.S. Treasury market sold off for the week after the Federal Reserve voted to trim its bond-buying program, driving the yield on the 10-year note to its highest levels in three months. On Wednesday, the central bank announced a plan to wind down its quantitative easing policy, taking a step labeled "tapering" while ending months of discussions within the Fed and the financial markets. Starting in January, they will trim purchases of Treasuries and mortgage-backed securities by \$10 billion from its current \$85 billion monthly pace, a slightly slower level than previously expected. Looking forward, although some investors fear this move might spark market turmoil similar to the correction seen during May and June, most strategists agree that only an unexpected short-term interest rate hike would have a violent impact on the markets. Meanwhile, after widening earlier in the year, investment-grade corporate bond spreads have tightened to levels not seen since before the financial crisis of 2008, with strategists expecting some further tightening in the short-term. Against this backdrop, relative valuations in this sector of the bond market appear unattractive. However, most of the credit spread tightening phase has likely run its course, as credit analysts have a balanced view that corporate credit risk will remain stable or improve slightly. At the same time, portfolio managers will continue to focus on selling longer-term maturities to reduce duration risk in a rising rate environment. For this reason, we continue to recommend a focus on shorter duration securities in this asset class.



Issue	12.13.13	12.20.13	Change
3 month T-Bill	0.07%	0.07%	0.00%
2-Year Treasury	0.34%	0.37%	0.03%
5-Year Treasury	1.55%	1.66%	0.11%
10-Year Treasury	2.88%	2.89%	0.01%
30-Year Treasury	3.88%	3.82%	-0.06%

SEE IMPORTANT DISCLOSURES ON BACK PAGE. Source: Bloomberg, FTN Financial, The Wall Street Journal, U.S. Department of Treasury.



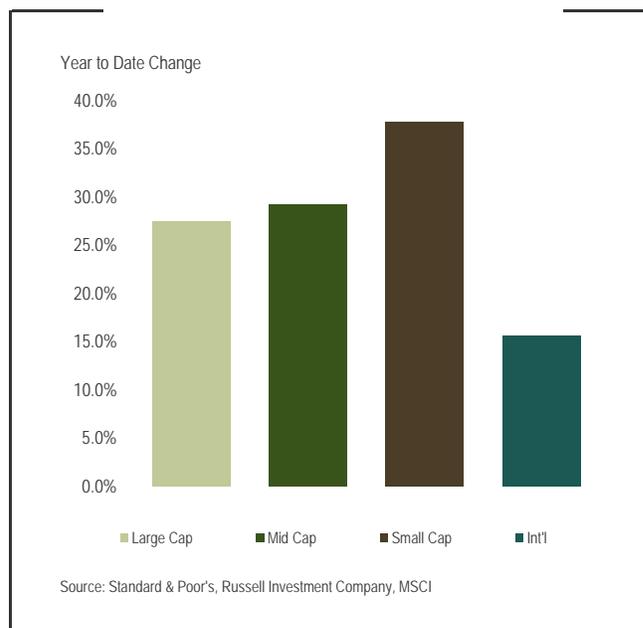
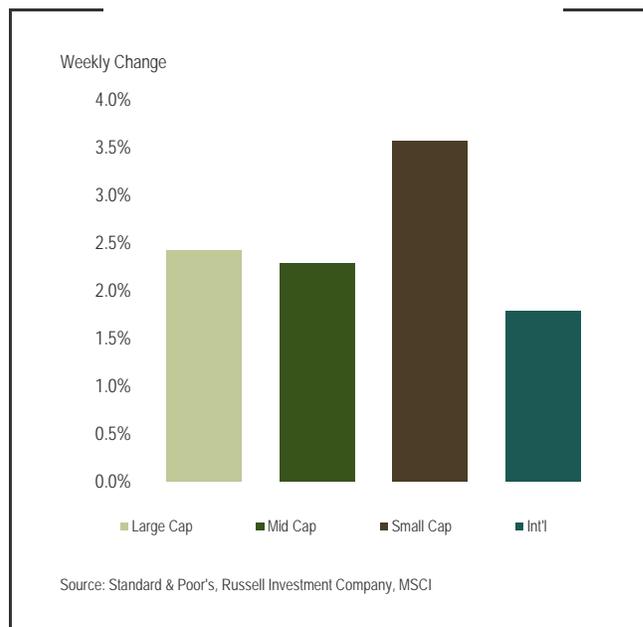
Stock Market Update

Most major stock market indices were strong this past week as positive economic data and the announcement of Fed tapering buoyed markets which had been down through mid-month. On Wednesday markets surged on the Fed news. Markets rallied again on Friday on reports the U.S. economy expanded at an annual rate of 4.1% in the third quarter. The Dow Jones Industrial Average closed at another record high, 16,221.14 increasing 3.0% for the week. The broader S&P 500 Index finished up 2.4%, to 1,818.32, also a record high close. The NASDAQ Index rose 2.6%, to finish at 4,104.74.

International markets were mostly positive for the week. The European STOXX 600 Index increased 3.7% from last Friday's close. In addition to the Fed news, markets reacted positively to preliminary data showing manufacturing in the euro zone in December grew at its fastest rate since May 2011. In Asia, the Nikkei Index increased 3.0% for the week helped by news Japanese exports in November rose 18.4% from a year earlier, ahead of expectations. This marked the ninth consecutive month of increases, as manufacturers benefited from a weaker yen resulting from Prime Minister Shinzo Abe's pro-growth strategies. The Shanghai Composite index fell 5.1% this week to its lowest level in four months as local money market rates hit a six-month high despite efforts by the People's Bank of China to engage in short-term liquidity operations.

A better-than-expected earnings report from Oracle (ORCL) helped boost the stock 10% this week. The company's hardware system sales increased 2% in constant currency terms compared to a 6% year-over-year decline last quarter. Software revenue rose 5%, demonstrating high customer switching costs and the resiliency of Oracle's software business in the face of cloud-based competition. Paychex (PAYX) also reported an earnings surprise as year-over-year payroll revenue growth at Paychex accelerated to 5%, up from 2% last quarter, and the operating margin expanded 40 basis points.

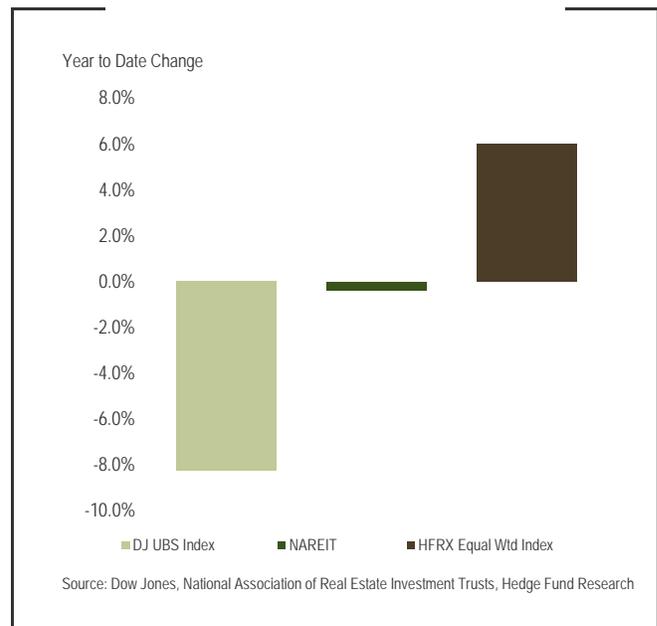
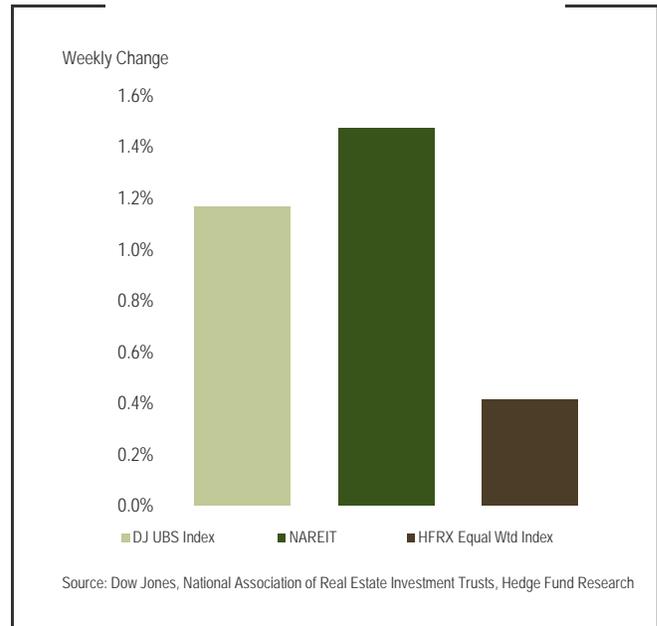
Issue	12.13.13	12.20.13	Change
Dow Jones	15,755.36	16,221.14	2.96%
S&P 500	1,775.32	1,818.32	2.42%
NASDAQ	4,000.00	4,104.74	2.62%
Russell 1000 Growth	828.04	848.93	2.52%
S&P MidCap 400	1289.42	1,318.85	2.28%
Russell 2000	1107.05	1,146.47	3.56%
MSCI EAFE	1,822.54	1,855.14	1.79%
MSCI Small Cap	196.75	198.92	1.10%



Alternative Investments Market Update

A strengthening U.S. currency and an improving U.S. economy provided conflicting pressures on commodity prices this week. Changes in Federal Reserve bond purchasing policy supported a stronger U.S. dollar which typically leads to softening in commodity prices. Investors, however, tended to look beyond dollar movements and focused on the growing U.S. economy and sent many commodities higher for the week. WTI crude ended the week higher by over \$2 as U.S. per day oil consumption rose to the highest levels since 2008. Gasoline followed crude higher as gasoline futures rose every day this week and finished up over 5%. The rally marked the longest since June and traders began speculating that the four month long slump in prices may be over. Natural gas prices remained at dizzying highs after U.S. inventories showed a record drop after last week's unseasonably cold temperatures.

Soybeans rose this week as bad weather threatens South American crops. A recent dry spell saw little rain fall across a wide swath of the soybean and corn producing areas and meteorologists are predicting things may get worse before they get better. Temperatures may exceed 100 degrees in some areas next week with little rain anticipated. The bout of bad weather comes as crops are developing and the loss of soil moisture risks damaging crop yields in January.



Issue	Previous Week	Current ¹	Change
Gold	1,237.30	1,201.66	-2.88%
Crude Oil Futures	96.47	99.14	2.77%
Copper	331.00	330.40	-0.18%
Sugar	16.27	16.45	1.11%
HFRX Equal Wtd. Strat. Index	1,186.78	1,191.70	0.41%
HFRX Equity Hedge Index	1,142.12	1,153.54	1.00%
HFRX Equity Market Neutral	952.22	957.14	0.52%
HFRX Event Driven	1,559.64	1,565.77	0.39%
HFRX Merger Arbitrage	1,564.62	1,565.00	0.02%
Dow Jones UBS Commodity Index	126.11	127.58	1.17%
FTSE/NAREIT All REIT	153.08	155.33	1.47%

SEE IMPORTANT DISCLOSURES ON BACK PAGE.

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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