



## THE WEEK IN REVIEW

It seems consumers are spending less on retail merchandise despite the fact that gasoline prices have continued to decline in the last couple of months. Thursday's retail sales report showed a decline for a second straight month, posting a seasonally adjusted reduction of 0.8%. The leading contributors to the decline were department stores, auto dealers and grocery chains, while gains were posted in internet stores and restaurants.

The trend in soft economic data was also seen in the release of the NFIB Small Business Optimism Survey on Tuesday. Although still in the 'normal zone', the figure missed analyst expectations, as it came in at 97.9, with seven of 10 index components falling from December. Business owners are most concerned about taxes and regulation interference. In the same vein, the University of Michigan Consumer Sentiment Index posted downbeat preliminary numbers for February on Friday, although this was likely influenced by harsh weather in the Northeast and Midwest.

Companies in the news this week included Coca-Cola and Pepsi, both of which reported fourth quarter earnings. Both companies are struggling against weaker overseas currencies, but managed to beat market expectations – in Pepsi's case, due to strength in the Frito-Lay snack foods division. American Express suffered a setback on Thursday, with its shares falling over 6%, as it announced that warehouse club retailer Costco will stop accepting AmEx cards at U.S. stores when their contract runs out in March, 2016. Shares in rival card issuers benefited, with MasterCard rising over 3% on positive speculation.

Domestic equity markets shrugged off the lukewarm economic reports. In a week without the volatility from earlier in 2015, shares crept higher, ending the week near new highs. International developed stock markets also nudged a bit higher in a week mostly devoid of major news. Ambivalence also marked bond trading, with the 10-year Treasury yield inching higher by a few basis points. Even oil took a breather this week, and traded flat to slightly higher.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18,019.35	1.09%	1.10%	12.43%
NASDAQ	4,893.84	3.15%	3.33%	15.40%
S&P 500 LargeCap	2,096.99	2.02%	1.85%	14.60%
S&P 400 MidCap	1,502.78	1.75%	3.47%	12.01%
S&P 600 SmallCap	705.45	0.73%	0.99%	8.41%
MSCI EAFE	1,822.82	0.59%	2.70%	-3.52%
MSCI Emerging Markets	9.71.19	-0.75%	1.56%	2.68%

Barclays Aggregate US	-0.10%	0.97%	5.65%
Bloomberg Non-US Govt Bond	-0.65%	0.78%	10.35%
Bloomberg US Treasury Index	-0.22%	1.04%	5.88%
Bloomberg High Yield Index	0.28%	1.65%	1.91%

FTSE/NAREIT All REIT Index	-0.15%	4.06%	19.95%
Bloomberg Commodity Index	1.78%	0.14%	-19.69%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.01%	0.03%	0.02%
2-Year Treasury	0.64%	0.54%	0.31%
5-Year Treasury	1.53%	1.37%	1.50%
10-Year Treasury	2.04%	1.90%	2.73%
30-Year Treasury	2.64%	2.50%	3.68%
Municipal Bond Yields (10 Yr)	2.06%	1.93%	2.65%

Price return as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

## UPCOMING WEEK

With a shortened week due to Presidents' Day, there will be scant financial data released in the period. On Wednesday, the Producer Price Index will be released, with a consensus forecast of -0.4%. The same day, January housing starts are expected to show an annualized rate of 1.08 million, and minutes of the Federal Open Market Committee's January meeting will be released. Bellwether companies reporting earnings next week include Medtronic and Waste Management, both on Tuesday.

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