



THE WEEK IN REVIEW

The Fed minutes from the January 27-28 Federal Open Market Committee meeting were released on Wednesday and indicated that most members were leaning towards "keeping the Federal funds rate at its effective lower bound for a longer time". There is concern about low inflation and a fear of hurting the recovery if they raise rates sooner than anticipated. The 10-year Treasury note had hit its highest level this year, 2.14%, on Tuesday, but backed off after the report from the Fed and ended the week relatively flat.

Economic reports this week gave some support to the Fed's stance of possibly waiting longer to begin raising rates. Housing starts fell 2% in January due to a sharp drop in single-family properties. Building permits were also down in January, indicating that the housing recovery may continue to stall at least in the near term. Industrial Production for January rose a less-than-expected 0.2% and December's reading was revised downward to a decline of 0.3%. The Labor Department reported that its Producer Price Index (PPI) fell 0.8 percent in January, after dropping 0.2 percent in December. It was the third straight monthly decline in the PPI. In the 12 months through January, producer prices were unchanged, the weakest reading since November 2010.

Companies with earnings reports this week included Priceline, which reported a very strong quarter, with both revenue and earnings topping analysts' expectations, reflecting the continued recovery in global travel spending. Priceline has also been steadily building a position in emerging markets by entering into strategic alliances and making acquisitions that could help growth in the future. Medtronic also reported better-than-expected results for its fiscal third quarter. The company, which recently completed its acquisition of Covidien, was helped by strength in its cardiac and vascular business. With over 82% of S&P 500 companies having reported earnings, results indicate a 3.1% increase in earnings, above the estimate of a 1.7% gain at the end of December according to FactSet.

Domestic equity markets were little changed on the holiday-shortened week, with the major indices rallying on Friday to end the week with slight gains. The markets have mostly ignored the drama being played out between Greece and the rest of the euro zone as they try to come to an agreement over Greece's bailout program. Germany, the region's biggest economy, had rejected Greece's request for a six-month loan extension, but late Friday the sides were able to come to an agreement to extend the financial rescue package by four months.

| INDEX | LEVEL | WEEK | YTD | 12 MO |
|-----------------------|-----------|--------|-------|--------|
| DJ Industrial Average | 18,140.44 | 0.67% | 1.78% | 12.44% |
| NASDAQ | 4,955.97 | 1.27% | 4.64% | 16.13% |
| S&P 500 LargeCap | 2,110.30 | 0.63% | 2.50% | 14.70% |
| S&P 400 MidCap | 1,516.84 | 0.94% | 4.43% | 11.90% |
| S&P 600 SmallCap | 708.67 | 0.45% | 1.75% | 7.94% |
| MSCI EAFE | 1,863.88 | 1.33% | 5.01% | -2.34% |
| MSCI Emerging Markets | 985.07 | -0.16% | 3.01% | 3.62% |

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|-----------------------------|--------|-------|-------|
| Barclays Aggregate US | -0.28% | 0.55% | 4.96% |
| Bloomberg Non-US Govt Bond | -0.16% | 0.83% | 9.99% |
| Bloomberg US Treasury Index | -0.33% | 0.44% | 4.98% |
| Bloomberg High Yield Index | 0.33% | 2.12% | 2.03% |

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|----------------------------|--------|--------|---------|
| FTSE/NAREIT All REIT Index | -0.33% | 3.71% | 18.65% |
| Bloomberg Commodity Index | -1.67% | -1.53% | -22.97% |

| KEY BOND RATES | WEEK | 1 MO AGO | 1 YR AGO |
|-------------------------------|-------|----------|----------|
| 3-Month T-Bill | 0.02% | 0.01% | 0.05% |
| 2-Year Treasury | 0.64% | 0.49% | 0.32% |
| 5-Year Treasury | 1.59% | 1.28% | 1.54% |
| 10-Year Treasury | 2.11% | 1.79% | 2.75% |
| 30-Year Treasury | 2.72% | 2.38% | 3.72% |
| Municipal Bond Yields (10 Yr) | 2.14% | 1.82% | 2.61% |

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

UPCOMING WEEK

Next week's economic calendar is filled with market-moving indicators including the consumer price index (CPI), durable goods and fourth quarter GDP. January CPI is scheduled to be released on Thursday and will be formed utilizing a new system of estimation by the Bureau of Labor Statistics. Also on Thursday, durable goods for January are expected to be released. On Friday, fourth quarter preliminary GDP is to be announced. The advance estimate reported last month showed an increase at an annual rate of 2.6% in the fourth quarter of 2014 and based on a recent surge in labor input, fourth quarter GDP is expected to be revised upward as well.

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