



## THE WEEK IN REVIEW

Federal Reserve Chairwoman Janet Yellen gave her semi-annual testimony before Congress this week. Yellen said the Fed is preparing to consider raising interest rates "on a meeting-by-meeting basis," if the economy continues to improve as anticipated, and inflation increases toward their 2% target. Her comments before the Senate Banking Committee signaled that the Fed may refine its language in the coming months to remove the word "patient" and replace it with phrasing that indicates a possible interest rate hike in future meetings. However, Yellen noted that removing the word "patient" merely gives the Fed flexibility to act and should not be interpreted as a sign that rates will be increased at any particular meeting.

Fourth quarter GDP was reported this week. It was revised down slightly from 2.6% to 2.2% due to lower inventories and a slightly larger trade gap than originally reported, but still ahead of analyst estimates. Consumer spending grew at its quickest pace since 2006. Despite low mortgage rates and a stronger job market, demand for previously-owned homes has not improved. Sales of existing homes fell 4.9% in January to the lowest rate in nine months. Declining supply of existing homes has limited the options for buyers, potentially shifting demand to new homes. New home sales were slightly lower in January, but the annual rate of sales is near its post-financial crisis high set in December.

Other economic data points this week were durable goods orders and CPI. Durable capital goods orders rose 2.8% in January, the first increase in five months, according to the Department of Commerce. Durable goods orders are a closely watched proxy for business spending intentions. Excluding autos and aircraft, orders rose a smaller 0.3%. Annualized core orders have declined recently as weaker international growth, coupled with a stronger dollar, are holding back investment plans. CPI fell 0.7% in January, the sharpest drop since December 2008, mainly due to the plunge in oil prices. Excluding food and energy, core prices rose 0.2%. It is believed that unless the inflationary data starts heating up soon, the Federal Reserve rate hike process may be delayed beyond the summer.

Though mostly unchanged this week, domestic and international stock markets posted positive returns for the month of February, marking the biggest monthly gains in three years. European stocks, as measured by the STOXX 600 Index, increased about 6% in February following a 7% increase in January. The benchmark 10-year Treasury yield, while lower for the week, increased nearly 35 basis points this month.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18,132.70	-0.04%	1.74%	11.43%
NASDAQ	4,963.53	0.15%	4.80%	14.93%
S&P 500 LargeCap	2,104.50	-0.27%	2.21%	13.49%
S&P 400 MidCap	1,506.53	-0.68%	3.72%	9.81%
S&P 600 SmallCap	709.98	0.18%	2.56%	6.79%
MSCI EAFE	1,880.83	0.76%	5.97%	-2.21%
MSCI Emerging Markets	993.82	0.95%	3.92%	3.18%

Barclays Aggregate US	0.55%	1.03%	5.06%
Bloomberg Non-US Govt Bond	0.59%	1.50%	10.25%
Bloomberg US Treasury Index	0.45%	0.86%	5.07%
Bloomberg High Yield Index	0.56%	2.75%	1.98%

FTSE/NAREIT All REIT Index	-1.14%	2.53%	16.76%
Bloomberg Commodity Index	0.69%	-0.85%	-22.42%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.01%	0.02%	0.04%
2-Year Treasury	0.62%	0.51%	0.32%
5-Year Treasury	1.50%	1.34%	1.48%
10-Year Treasury	1.99%	1.82%	2.64%
30-Year Treasury	2.59%	2.40%	3.59%
Municipal Bond Yields (10 Yr)	2.12%	1.89%	2.48%

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

## UPCOMING WEEK

Monthly reports on personal income and spending, PMI, construction spending, factory orders and the February Employment report are scheduled for next week. February's PMI is expected to be in line with January, at 53.2, indicating manufacturing activity expansion for the 21st consecutive month. Economists predict factory orders will be flat after a 3.4% decline in January. Surveys show non-farm payrolls will increase about 240,000, slightly behind January's 257,000 rise in new jobs.

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