



THE WEEK IN REVIEW

The unemployment rate fell to 5.5% this week from 5.7% following a February jobs report released Friday which indicated 295,000 jobs were created in the month, far exceeding the expected level of 230,000 jobs. Manufacturing and construction jobs are continuing to see modest improvement, while mining jobs continue to decline. Food service and healthcare also continue to see strong gains. The January jobs report was revised downward by about 18,000 to 239,000. Wage growth remained sluggish. Average hourly earnings grew only 0.1% versus the expected 0.2%, and 0.5% in January. The labor force participation rate retreated slightly. Despite the strong February jobs report, jobless claims for the month ending February 28 increased to 320,000, the highest level since May 2014, and well ahead of expectations of 301,000. The monthly average claims, which aim to smooth out any sharp variations, increased by over 10,000 to 304,750.

The European Central Bank also met this week and announced an increase in the euro zone growth outlook forecast for 2015 and outlined some of the details for its upcoming quantitative easing program. The ECB now expects euro zone growth to be 1.5% for 2015, up from 1% previously. Growth is expected to strengthen and reach 2.1% by 2017. ECB President Mario Draghi also noted inflation would be low to negative in the coming months, but positive by year end. Quantitative easing is set to start next Monday, with 1.1 trillion euro expected to be pumped into the economy through September 2016. Following the announcement, the euro fell to 1.10 against the dollar, the lowest level since September 2003.

In other economic news this week, personal income grew 0.3% in January, while consumer spending fell 0.2%. The fall in consumer spending was entirely related to the 18% decline in energy prices throughout the month of January. Adjusting for the impact the falling prices had on inflation, real consumer spending actually increased 0.3%, with consumers spending more on groceries and healthcare, among other things. Inflation for January edged up to 0.1% coming off of a flat December. The ISM Manufacturing Index fell to 52.9 in February from 53.5 in January, and came in just under expectations for 53.0. New orders, production, and employment components all fell, while the reading was also impacted by the port delays caused by the dock worker strikes on the West Coast.

Domestic markets fell this week after the positive jobs report stirred up speculation that the Fed is moving closer to raising interest rates, prompting a Friday sell-off. On Monday, the Nasdaq surpassed 5,000 for the first time since the tech bubble of 2000, and only the second time ever, but ended the week below the threshold.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,856.78	-1.52%	0.19%	8.74%
NASDAQ	4,927.37	-0.73%	4.04%	13.22%
S&P 500 LargeCap	2,071.26	-1.58%	0.60%	10.35%
S&P 400 MidCap	1,486.62	-1.32%	2.35%	7.22%
S&P 600 SmallCap	697.18	-1.84%	1.75%	3.90%
MSCI EAFE	1,865.56	-1.10%	5.11%	-3.85%
MSCI Emerging Markets	974.57	-1.59%	1.91%	0.44%

Barclays Aggregate US	-0.39%	0.74%	4.81%
Bloomberg Non-US Govt Bond	-0.77%	0.69%	8.50%
Bloomberg US Treasury Index	-0.55%	0.55%	4.81%
Bloomberg High Yield Index	0.06%	2.92%	1.85%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.01%	0.02%	0.05%
2-Year Treasury	0.72%	0.65%	0.34%
5-Year Treasury	1.70%	1.48%	1.57%
10-Year Treasury	2.25%	1.96%	2.74%
30-Year Treasury	2.84%	2.53%	3.69%
Municipal Bond Yields (10 Yr)	2.16%	1.92%	2.45%

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 will be slower in terms of economic data releases. The JOLTS job openings report, retail sales, and producer price index are the main releases due out next week. Retail sales for February are expected to show strength, with 0.5% growth coming off a decline of 0.8% in January. The producer price index for February is also expected to show strength, with 0.3% growth, also coming off a decline of 0.8% in January.

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