



THE WEEK IN REVIEW

The trend in weak retail sales continued in February with a third straight declining month, as consumers are still not eager to spend their disposable incomes, including gas savings. Retail sales fell a seasonally adjusted 0.6% last month, well below estimates of a 0.3% increase. Analysts suggested that part of the decline was due to poor weather on the East Coast, but data indicated that the decline was widespread. Some categories experiencing declines included car dealers (2.5% decline), home improvement stores (2.3%), and department stores (1.4%).

Other economic data this week also disappointed. Friday's producer price index release showed a seasonally adjusted decline of 0.5%, almost a full point below expectations. The measure has fallen by 0.6% over the last year, which marks the first 12-month drop in its history. While lack of inflation is generally a good thing, it also points to a lackluster recovery and weakens the Fed's standing to raise rates later this year. Also disappointing Friday was the University of Michigan Index of Consumer Sentiment, which dipped from 95.4 to 91.2. Digging deeper into this number, confidence actually increased for households with incomes in the top third, while declining for those in the middle and lower income tiers.

Also released this week were results of the Federal Reserve's 2015 stress tests, measuring how banks' balance sheets would perform under varying turbulent financial scenarios. The nation's six biggest banks passed, with most subsequently raising their dividends, including Goldman Sachs, J.P. Morgan Chase, Morgan Stanley, and Wells Fargo. However, Bank of America only received conditional approval to return capital to shareholders after the Fed found "certain weaknesses" in its internal controls, such as its ability to measure losses and revenue.

The week's rollercoaster ride for the domestic equities markets ended in a rout, with stocks ending lower for the week. As the U.S. dollar sets fresh highs against the euro and Japanese yen, investors fretted over the earnings impact on American multinational companies, as well as possible unintended repercussions for a fragile European recovery. Monday marked the beginning of Europe's quantitative easing. As oil posted new lows this week in the mid \$40's per barrel, energy stocks also pressured domestic equity results.

The weak series of economic releases, together with the European Central Bank's bond purchase program, put pressure throughout the week on U.S. interest rates. The benchmark 10-year U.S. Treasury yield gave back approximately 15 basis points of its recent rise.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,749.31	-0.60%	-0.41%	10.18%
NASDAQ	4,871.76	-1.13%	2.87%	14.35%
S&P 500 LargeCap	2,053.40	-0.86%	-0.27%	11.21%
S&P 400 MidCap	1,491.12	0.30%	2.66%	9.66%
S&P 600 SmallCap	707.24	1.44%	2.18%	6.54%
MSCI EAFE	1,821.87	-1.45%	2.65%	-3.58%
MSCI Emerging Markets	948.52	-2.34%	-0.81%	0.57%

Barclays Aggregate US	0.61%	0.76%	5.00%
Bloomberg Non-US Govt Bond	0.30%	0.03%	8.20%
Bloomberg US Treasury Index	0.85%	0.65%	5.13%
Bloomberg High Yield Index	-0.44%	2.33%	5.13%

FTSE/NAREIT All REIT Index	1.78%	0.92%	14.92%
Bloomberg Commodity Index	-3.17%	-6.47%	-27.50%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.03%	0.01%	0.05%
2-Year Treasury	0.66%	0.64%	0.34%
5-Year Treasury	1.59%	1.54%	1.52%
10-Year Treasury	2.12%	2.05%	2.65%
30-Year Treasury	2.71%	2.65%	3.59%
Municipal Bond Yields (10 Yr)	2.21%	2.06%	2.54%

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 begin with the release of February's industrial production figures. Analysts expect a rise of 0.3%, which would be a slight acceleration from January results. Tuesday and Wednesday see a series of reports on the health of the housing market, including the National Association of Home Builders' Housing Market Index, as well as housing start and building permit data from the U.S. Census Bureau. After meeting earlier in the week, on Wednesday the FOMC will release its statement, followed by a press conference with Chair Janet Yellen.

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