MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 3/27/15

THE WEEK IN REVIEW

The final revision to fourth quarter GDP was reported today, showing that the economy grew 2.2%. This is unchanged from an earlier estimate released last month, but below expectations for 2.4% growth, and well below the 4.6% growth and 5% growth reported in the second and third quarters, respectively. While exports and consumer spending growth were both revised up, these were offset by a reduction in the contribution from inventory investment. It is widely expected that colder temperatures and significant snowfall in many parts of the country will impact first quarter GDP, similar to last year. Consensus estimates currently call for 2.4% growth in the first quarter of 2015.

U.S consumer prices rose 0.2% in February after falling 0.7% in January, due in part to the first increase in gasoline prices since June. For the twelve month period, prices were unchanged. Core CPI, excluding food and energy costs, also increased 0.2%, similar to the prior month and 1.7% over the last year, the largest increase since November.

Sales of existing homes rebounded 1.2% in February after falling 4.9% in January. Low supply and higher prices continue to be headwinds for sales. The supply of previously owned homes increased 1.6% last month, below the typical 6% increase ahead of the spring selling season. Sales of new homes continue to benefit from increased demand which shifted away from existing homes, surging 7.8% last month to a seasonally adjusted rate of 539,000, with January revised up to 500,000 from 481,000.

Orders for durable goods continued their negative trend last month. February's decline of 1.4% was the third drop in the past four months. While transportation has been the largest detractor in recent months, core orders have also declined. Economists believe the unexpected weakness is a result of the cold weather and lower business investment.

Domestic and international equity markets declined this week. After strong gains last week, markets suffered four straight days of losses through Thursday, when military strikes in Yemen pushed oil prices up more than 4%. Most markets rebounded on Friday, but still finished the week in negative territory. Equity market volatility continues this year as investors try to weigh the improvements in the economy against the implications of the timing and magnitude of the proposed Federal Reserve rate hikes.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,712.66	-2.29%	-0.62%	8.91%
NASDAQ	4,891.22	-2.69%	3.28%	17.83%
S&P 500 LargeCap	2,061.02	-2.23%	0.10%	11.46%
S&P 400 MidCap	1,508.51	-2.02%	3.86%	11.66%
S&P 600 SmallCap	714.63	-2.25%	2.27%	8.09%
MSCI EAFE	1,874.56	-0.68%	5.62%	-0.97%
MSCI Emerging Markets	962.46	-0.73%	0.64%	-1.32%
Barclays Aggregate US		-0.31%	1.17%	5.20%
Bloomberg Non-US Govt Bond		0.35%	1.34%	9.21%
Bloomberg US Treasury Index		-0.37%	1.35%	5.69%
Bloomberg High Yield Index		0.39%	2.45%	1.28%
FTSE/NAREIT All REIT Index		-3.10%	2.80%	18.14%
Bloomberg Commodity Index		-0.18%	-4.76%	-26.18%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.04%	0.01%	0.03%
2-Year Treasury	0.59%	0.62%	0.45%
5-Year Treasury	1.43%	1.50%	1.72%
10-Year Treasury	1.95%	1.99%	2.68%
30-Year Treasury	2.53%	2.59%	3.53%
Municipal Bond Yields (10 Yr)	1.96%	2.12%	2.53%

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

UPCOMING WEEK

On the economic agenda for early next week are reports on personal income, home prices and consumer confidence. On Wednesday we will hear news regarding motor vehicle sales, PMI and construction spending. International trade data is set to be reported on Thursday, and the Bureau of Labor Statistics will release the March employment report on Friday. Consensus estimates call for an increase in non-farm payrolls of 250,000, slightly lower than the 295,000 reported for February, with no change to the reported unemployment rate of 5.5%. Economists are predicting a very slight uptick in average hourly earnings.