MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE

4/2/15

THE WEEK IN REVIEW

Data released this week suggest the economy got off to a slower start in 2015 than many had anticipated. As we saw in the first quarter of 2014, harsh weather conditions which impacted a large portion of the country played a part in slowing the economy, along with the West Coast dockyard strikes. Consumer spending for February rose only 0.1%, coming off of a 0.2% decline in January, below expectations for a 0.3% rise. A decline in durable goods led the departure from expectations, largely due to weakening auto sales. Personal incomes rose for the fourth time in five months, increasing 0.4% in February. Despite the increases in wages, consumers are still saving rather than spending, with the savings rate increasing to 5.8% from 5.5% in January. However, given the recent ramp up in hiring and the improving weather, analysts expect a surge in economic activity in the spring and summer quarters. Consumer expectations are similar, with consumer confidence rising to 101.3 for March, almost back in line with January's seven-year high. Inflation for February rose to 0.2% meeting expectations, and core inflation rose 0.1%.

Pending home sales in February showed surprising strength, increasing 3.1% compared to a 1.2% revised gain in January, well above expectations. The Midwest and West led the gain, while the Northeast and South regions both posted declines. In a positive sign for the housing market, first-time buyers increased as a percentage of total buyers as more opted to purchase rather than rent.

The ISM Index, a measure of domestic manufacturing strength, declined in March to 51.5 from 52.9 in February. Any reading over 50 for this index indicates expansion, although this month's figure represents the slowest pace seen since May 2013. U.S. factories have been impacted by weakening global economies, as well as oil producer cutbacks as of late. The trade deficit for February fell 17% as exports touched a two-and-a-half year low, and was also impacted by cheaper oil and global weakening.

One very positive data point was jobless claims falling to a nine-week low for the week ending March 28, dropping 20,000 to 268,000, near the lowest level in 15 years. The four-week average, which evens out any sharp fluctuations in the number, also dropped. Hiring remains strong, indicating employers are upbeat about future sales prospects.

Through Thursday markets were roughly even on the week, with the S&P 500 ending the week about flat. Positive data releases from the labor market offsetting otherwise lackluster economic readings. Note that the market is closed on Friday of this week due to the Good Friday holiday.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,763.24	0.29%	-0.34%	7.18%
NASDAQ	4,886.94	-0.09%	3.19%	14.28%
S&P 500 LargeCap	2,066.96	0.29%	0.39%	9.31%
S&P 400 MidCap	1,523.94	1.02%	4.92%	9.27%
S&P 600 SmallCap	721.27	0.93%	3.41%	5.35%
MSCI EAFE	1,851.87	-0.96%	4.34%	-3.85%
MSCI Emerging Markets	982.93	2.59%	2.78%	-2.19%
Barclays Aggregate US		0.42%	1.92%	6.16%
Bloomberg Non-US Govt Bond		0.54%	2.10%	9.23%
Bloomberg US Treasury Index		0.49%	2.15%	6.82%
Bloomberg High Yield Index		0.19%	2.68%	1.25%
FTSE/NAREIT All REIT Index		0.95%	3.78%	17.24%
Bloomberg Commodity Index		0.32%	-4.45%	-25.27%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.01%	0.01%	0.02%
2-Year Treasury	0.54%	0.66%	0.46%
5-Year Treasury	1.35%	1.58%	1.79%
10-Year Treasury	1.91%	2.08%	2.81%
30-Year Treasury	2.53%	2.68%	3.65%
Municipal Bond Yields (10 Yr)	1.98%	2.10%	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's economic releases include the JOLTS job openings report, consumer credit, FOMC minutes, and the federal budget. On Wednesday, expect analysts to scrutinize the FOMC minutes from the Fed meeting held in early March, to determine if there are any further clues in language regarding policy decisions to raise interest rates later this year.