MAINSTREET
ADVISORS

FINANCIAL MARKET UPDATE

5/8/15

THE WEEK IN REVIEW

Federal Reserve Chair Janet Yellen spoke on Wednesday regarding the current state of the financial sector. Yellen said that although equity market valuations seem high, she did not see any bubbles forming, and risks to financial stability were only moderate (rather than elevated). Yellen also commented on low, long-term interest rates, which she believes may spike once the Fed begins to raise rates, likely causing a disruption across the financial sector. As a result, Yellen said, the Fed is trying to communicate their monetary policy decisions clearly, so as not to catch the market by surprise.

The trade deficit increased 43% in March as the West Coast port strikes came to an end, allowing imported goods that had been stuck in the shipyards to make their way to consumers. Imports reached a record level, fueled by shipments of heavy machinery, apparel items, and electronics. Exports also increased, but at a slower rate as the stronger dollar continued to hamper U.S. demand overseas. The trade deficit now stands at $51.4 billion, higher than the $43.5 billion analysts expected. This wider-than-expected trade gap indicates the first quarter GDP number reported last week may need to be revised down to a loss, from nearly flat growth of 0.2%, upon the first revision due in late May. Full trade figures for the first quarter were not available when the number was initially reported.

U.S. factory orders for March rose 2.1%, in line with expectations, and ending seven straight months of declines, indicating the effect of a strengthening dollar on the manufacturing sector. Durable goods orders grew 4.4% in March, while nondurable goods orders offset that gain, falling 0.3%. February orders were revised down to a decline of 0.1% from a gain of 0.2%.

The U.S. job market rebounded from a weak start in the first quarter, adding 223,000 new jobs in April and pushing the unemployment rate down from 5.5% to 5.4%. Employment gains occurred across most major segments of the economy, with notable additions coming from the depressed construction sector. On a positive note, the labor force participation rate increased slightly from 62.7% to 62.8%, indicating some of the long-term unemployed are again searching for work. Wages ticked up 0.1%, slightly below expectations., and weekly jobless claims remained near a fifteen year low for the week ended May 2.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	18,191.11	0.93%	2.06%	9.91%
NASDAQ	5,003.55	-0.04%	5.65%	23.50%
S&P 500 LargeCap	2,116.10	0.37%	2.78%	12.82%
S&P 400 MidCap	1,518.77	0.35%	4.57%	12.46%
S&P 600 SmallCap	710.38	0.43%	1.60%	10.76%
MSCI EAFE	1,893.01	-1.05%	6.66%	-2.66%
MSCI Emerging Markets	1,024.91	-2.02%	7.17%	1.59%
Barclays Aggregate US		-0.29%	0.62%	3.43%
Bloomberg Non-US Govt Bond		-0.46%	0.74%	4.92%
Bloomberg US Treasury Index		-0.39%	0.33%	3.79%
Bloomberg High Yield Index		-0.04%	4.32%	2.04%
FTSE/NAREIT All REIT Index		0.53%	-0.74%	7.93%
Bloomberg Commodity Index		0.68%	-0.22%	-23.62%

KEY BOND RATES	WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill	0.01%	0.03%	0.03%
2-Year Treasury	0.57%	0.53%	0.39%
5-Year Treasury	1.49%	1.35%	1.63%
10-Year Treasury	2.14%	1.91%	2.62%
30-Year Treasury	2.89%	2.53%	3.44%
Municipal Bond Yields (10 Yr)	2.24%	1.99%	2.29%

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

UPCOMING WEEK

Retail sales for the month of April are due out Wednesday, a gauge for consumer spending. Expectations currently are for a 0.0% change, which would be down from 0.9% growth in March. The Producer Price Index for April will be released Thursday, with expectations for a drop of 0.1%. Industrial Production for April will be released Friday, with analysts expecting a fall of 0.3%. In a week heavy with releases, the JOLTs report, Consumer Sentiment, and Federal Budget will also be released next week, among others.