



THE WEEK IN REVIEW

Comments from European Central Bank president, Mario Draghi, and a recovery in oil prices shifted investor sentiment and triggered a rebound in global stocks Thursday and Friday. Earlier in the week, continued turmoil in China's stock market and oil prices falling to the lowest level since 2003 weighed heavily on stocks as Japan's Nikkei 225 Index and the U.K.'s FTSE 100 Index fell into bear market territory. On Thursday, Draghi said the ECB will need to review and reconsider its monetary policy at its March meeting as downside risks have increased in 2016. Speculation that Draghi's comments indicated the ECB could increase its stimulus measures helped spark a rally in stocks.

China's economic growth rate slowed to 6.8% in the fourth quarter and 6.9% for 2015, the slowest quarterly growth since the first quarter of 2009, and the slowest annual growth in 25 years. The slowdown in China and the impact of low commodity prices on export-oriented developing countries prompted the International Monetary Fund to cut its global growth forecast to 3.4% in 2016 and 3.6% in 2017. The IMF projects strong growth in India and some parts of emerging Asia, whereas the recessions in Brazil and Russia are projected to be deeper than previously forecasted.

The U.S. housing market wrapped up its best year since before the recession with a big rebound in sales. Existing-home sales rose 14.7% in December to a seasonally adjusted annual rate of 5.46 million, according to the National Association of Realtors. Inventory of existing homes for sale fell 12% to 1.79 million and at 3.9 months' worth of supply, inventories are at their lowest level in nearly a decade. For all of 2015, existing-home sales reached 5.26 million, the highest level since 2006, capping off a long but slow recovery following the housing bust. Despite the unexpected fall in December, housing starts also had their strongest year since 2007. New home construction declined 2.5% to a 1.15 million annualized rate, down from the revised 1.18 million in the month prior, according to a report from the Commerce Department. However, housing starts climbed 10.8% to 1.11 million for the year.

U.S. consumer prices fell unexpectedly in December as the cost of energy goods dropped and services rose moderately, a trend that if continued suggests inflation will be slow to rise, further diminishing expectations of a Fed interest rate hike in March. On Wednesday the Consumer Price Index slipped 0.1% after being unchanged in November, according to the Labor Department. Despite the drop last month, CPI increased 0.7% overall in 2015. The low rate was largely the result of the biggest drop in gasoline prices in more than a decade. The cost of food also tapered off toward the end of the year due to falling prices of agricultural goods. In December, energy prices dropped 2.4% and food costs retreated 0.2%.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	16,093.51	0.66%	-7.64%	-8.32%
NASDAQ	4,591.18	2.29%	-8.31%	-1.63%
S&P 500 LargeCap	1,906.90	1.39%	-6.70%	-6.16%
S&P 400 MidCap	1,287.77	1.39%	-7.92%	-10.30%
S&P 600 SmallCap	614.97	1.04%	-8.45%	-8.45%
MSCI EAFE	1,518.55	-2.98%	-11.52%	-14.69%
MSCI Emerging Markets	688.52	-2.91%	-13.30%	-30.00%
Barclays Aggregate US		-0.06%	0.91%	0.30%
Bloomberg Non-US Govt Bond		0.04%	-0.62%	-4.12%
Bloomberg US Treasury Index		0.14%	1.63%	0.61%
Bloomberg High Yield Index		-1.25%	-3.48%	-6.51%
FTSE/NAREIT All REIT Index		1.12%	-4.78%	-13.04%
Bloomberg Commodity Index		2.38%	-4.23%	-25.94%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.31%	0.21%	0.03%
2-Year Treasury		0.88%	0.99%	0.53%
5-Year Treasury		1.49%	1.71%	1.39%
10-Year Treasury		2.07%	2.24%	1.90%
30-Year Treasury		2.83%	2.96%	2.46%
Municipal Bond Yields (10 Yr)		1.76%	2.02%	1.86%

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

UPCOMING WEEK

Fourth quarter U.S. GDP will be released next Friday. Economists are expecting slower growth of 0.8% annualized rate compared to 2% growth in the third quarter. The other major news next week will be the Federal Open Market Committee meeting and its policy statement. FOMC officials are not expected to change policy, but investors are interested to see how the FOMC's language changes given the recent market turmoil. Other economic data released next week include the S&P Case-Shiller Housing Price Index, consumer confidence, new home sales, and durable goods orders.

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