



THE WEEK IN REVIEW

Global stocks rallied to end the week higher amid better-than-expected U.S. manufacturing data, comments from the European Central Bank President indicating the ECB is ready to increase stimulus if financial market turmoil or lower oil prices weigh further on inflation, and discussions about a tentative deal among major oil producers to cap production levels. U.S. stocks completed their first three-day rally this year on Wednesday, but the rally faded later in the week as mediocre earnings and lower oil prices weighed on stocks.

Minutes from the FOMC's January meeting showed concern among Fed officials about the potential drag on the U.S. economy from slower global growth and recent financial market turbulence. Many officials saw growing risks to the economy and said the impact of recent developments in financial markets may be equivalent to further monetary tightening, which complicates their view on appropriate timing for interest rate hikes. The policymakers discussed altering their previous view of the appropriate path for raising interest rates, but concluded it was premature to make big changes to their outlook.

Important in the Fed's outlook is inflation. The Producer Price Index (PPI) and Consumer Price Index (CPI) were released this week and provided additional evidence of improving price trends. While the headline figures are still relatively weak due to energy-related issues, the underlying core trends are positive. Year-over-year, the PPI fell 0.2% while core rose 0.4%. Both numbers came in ahead of expectations and may be a signal that significant headwinds which have buffeted U.S. inflationary trends may be abating. Meanwhile, the CPI report showed that the index for all items rose 1.4% year-over-year versus 0.7% for the 12-month period ending December 31. Core CPI advanced 2.2%, the strongest increase since mid-2012.

The Philadelphia Fed released its manufacturing report this week, indicating manufacturing in the Philadelphia region contracted again this month. While the number came in ahead of expectations, there is still some concern the weakness in manufacturing may signify trouble for the U.S. economy. However, alleviating some concerns was the industrial production release. The report indicated production rose after three months of declines, and capacity utilization increased as well.

Housing starts and building permits were weaker than expected in January. Housing starts fell 3.8% to a seasonally adjusted annual pace of 1.099 million units, the slowest pace in three months. Permits fell 0.2% to a 1.202 million annualized rate, indicating a low probability of a rebound in construction this month. The National Association of Home Builders/Wells Fargo sentiment index fell to 58, the lowest since May.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	16,391.99	2.62%	-5.93%	-8.86%
NASDAQ	4,504.43	3.85%	-10.04%	-8.53%
S&P 500 LargeCap	1,917.78	2.84%	-6.17%	-8.57%
S&P 400 MidCap	1,305.68	3.47%	-6.64%	-13.26%
S&P 600 SmallCap	620.28	3.64%	-7.66%	-12.30%
MSCI EAFE	1,568.71	5.11%	-8.60%	-15.84%
MSCI Emerging Markets	746.24	4.92%	-6.03%	-24.25%
Barclays Aggregate US		0.11%	1.90%	1.90%
Bloomberg Non-US Govt Bond		0.57%	1.52%	-1.68%
Bloomberg US Treasury Index		-0.07%	3.03%	3.28%
Bloomberg High Yield Index		1.58%	-2.61%	-7.94%
FTSE/NAREIT All REIT Index		4.04%	-6.16%	-10.46%
Bloomberg Commodity Index		-0.44%	-4.40%	-27.24%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.31%	0.26%	0.02%
2-Year Treasury		0.76%	0.88%	0.67%
5-Year Treasury		1.24%	1.49%	1.58%
10-Year Treasury		1.76%	2.06%	2.11%
30-Year Treasury		2.61%	2.82%	2.73%
Municipal Bond Yields (10 Yr)		1.68%	1.81%	2.10%

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

UPCOMING WEEK

The second reading of Q4 2015 GDP will be released next Friday, with economists expecting a reading of 0.4%, revised lower from the initial reading of 0.7%. Economists are projecting that existing home sales and new home sales declined in January after a strong December. Other notable economic data being released next week includes consumer confidence, durable goods orders, and personal income and outlays.

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