



THE WEEK IN REVIEW

Fourth quarter 2015 U.S. economic growth was revised up to 1%, ahead of the 0.7% GDP growth initially reported late last month. Businesses were less aggressive in their efforts to reduce unwanted inventory and imports increased less than previously thought. U.S. companies accumulated \$81.7 billion worth of inventory, more than the \$68.6 billion reported last month. The largest contributors to the upward revision to inventory investment were retail trade and mining, utilities, and construction. As a result, inventories subtracted only 0.14% from GDP growth instead of the previously reported 0.45%. The bigger inventory build may unfortunately be bad news for first quarter 2016 GDP growth as it means businesses will have little incentive to place new orders, potentially holding down production.

Consumer spending climbed in January by the most in eight months, fueled by faster earnings growth. The 0.5% advance followed a 0.1% gain in the prior month, according to a report from the Commerce Department on Friday. Steady hiring, cheap gasoline, and rising home values continue to power Americans' ability to boost spending, which accounts for nearly 70% of the economy. Households are broadening out purchases beyond big ticket items, such as cars and houses, which bodes well for weak manufacturing.

U.S. durable goods orders rose 4.9% in January, the largest gain in 10 months and far exceeding consensus expectations ranging from 2.0-3.5%. The report erases the revised 4.6% decline in December. While the volatile aircraft component was a strong contributor, even excluding transportation the reading came in at 1.8%, also ahead of expectations. Core capital goods, which had been weakening, advanced 3.9% in January. Drawbacks to the report included core orders almost 3% lower than one year ago, and shipments on core capital goods falling 0.4%. Nevertheless, it remains to be seen whether this strong report is due to the poor reading in December, or an indication of a strengthening economy.

Consumer confidence slowed considerably in February to 92.2, a seven month low, while January's level was lowered to 97.8. February's reading was disappointing relative to the consensus expectations in the 95-100 range. The drop in the index comes mostly from Americans' increasing pessimism about job prospects and business conditions. Component readings were broadly lower with nothing radically lower than last month.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	16,639.97	1.51%	-4.51%	-8.64%
NASDAQ	4,590.47	1.91%	-8.33%	-7.52%
S&P 500 LargeCap	1,948.05	1.58%	-4.69%	-7.43%
S&P 400 MidCap	1,340.28	2.65%	-4.17%	-11.04%
S&P 600 SmallCap	637.42	2.76%	-5.11%	-10.22%
MSCI EAFE	1,558.08	0.07%	-9.22%	-17.16%
MSCI Emerging Markets	735.35	-0.76%	-7.40%	-26.01%
Barclays Aggregate US		0.32%	2.26%	-1.78%
Bloomberg Non-US Govt Bond		0.66%	2.27%	-1.83%
Bloomberg US Treasury Index		0.30%	3.37%	2.90%
Bloomberg High Yield Index		0.68%	-1.92%	-7.73%
FTSE/NAREIT All REIT Index		2.31%	-3.99%	-7.55%
Bloomberg Commodity Index		0.47%	-3.94%	-26.09%
KEY BOND RATES		WEEK	1 MO AGO	1 YR AGO
3-Month T-Bill		0.33%	0.31%	0.03%
2-Year Treasury		0.80%	0.88%	0.66%
5-Year Treasury		1.23%	1.47%	1.54%
10-Year Treasury		1.76%	2.03%	2.03%
30-Year Treasury		2.63%	2.80%	2.63%
Municipal Bond Yields (10 Yr)		1.75%	1.78%	2.11%

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

UPCOMING WEEK

Next week will be a busier one for economic releases. On Monday the Chicago PMI Business Barometer Index will be reported along with Pending Home Sales for January; Tuesday the PMI Manufacturing Index, ISM Manufacturing Index, and construction spending report will be released; Factory orders and the ISM Non-Manufacturing Index are announced on Thursday; and Friday marks the release of nonfarm payrolls and unemployment rate data for February.

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