



## THE WEEK IN REVIEW

Stocks extended gains for a fourth consecutive week as oil prices appear to have stabilized and investors digest the European Central Bank's new stimulus measures. The price of crude oil rose 7.27% this week for its third consecutive week of gains. In its monthly report, the International Energy Agency (IEA) said that oil prices might have bottomed as OPEC production fell in February and Iran's post-sanctions return to the market was more gradual than expected. The IEA also said it expects OPEC production to fall more this year than initially expected.

The European Central Bank (ECB) unveiled a package of measures to stimulate the euro zone economy through lower interest rates and more quantitative easing. The ECB lowered interest rates further into negative territory by decreasing the deposit facility rate (the rate banks receive for placing money with the ECB) to -0.40% from -0.30%. The ECB also created a new series of targeted longer term refinancing operations (TLTRO) which provide banks with cheap loans with the intention that low-cost credit will flow through banks to businesses and boost investment and spending. Rates on TLTROs can be as low as the negative deposit rate, essentially paying banks to borrow from the ECB. The TLTROs are important because they reduce pressure that low interest rates put on a bank's net interest margin which drives their profits. In addition, the ECB also expanded its bond-buying program to €80 billion from €60 billion. The range of the bond-buying program was also expanded to include investment-grade corporate bonds.

U.S. household net worth hit a record \$86.8 trillion in 2015, and wealth rose \$1.6 trillion in the fourth quarter. According to the Federal Reserve, the largest categories of household net worth are approximately \$15 trillion in home equity, \$13 trillion in stocks, \$20.3 trillion in pension funds, and a record \$10.7 trillion in deposits. Home equity has steadily recovered in recent years as housing prices increased and mortgage debt grew slowly.

The fourth quarter earnings season is effectively over with results reported from 496 members of the S&P 500 Index. Earnings from those 496 companies were down 6.1% with revenue down 4.1%, according to Zacks Investment Research. Excluding the struggling energy sector, earnings were still weak with growth of just 0.3% and revenue up 0.1%. Analysts are expecting earnings growth to be negative in the first quarter of 2016, which would be the first time the S&P 500 Index's earnings declined for four consecutive quarters since Q4 2008 through Q3 2009. Analysts are now projecting first quarter earnings growth of -9.3%, significantly lower than projections made in January of -3.0% earnings growth. This quarter's revision to earnings growth was the largest percentage decline over the first two months of a quarter since Q1 2009.

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	17,213.31	1.21%	-1.22%	-3.81%
NASDAQ	4,748.47	0.67%	-5.17%	-2.96%
S&P 500 LargeCap	2,022.19	1.11%	-1.06%	-2.12%
S&P 400 MidCap	1,407.13	0.57%	0.61%	-6.24%
S&P 600 SmallCap	669.06	0.72%	-0.40%	-5.79%
MSCI EAFE	1,644.94	0.99%	-4.16%	-9.02%
MSCI Emerging Markets	790.74	-0.03%	-0.43%	-16.15%
Barclays Aggregate US		0.01%	1.74%	1.60%
Bloomberg Non-US Govt Bond		0.16%	3.34%	1.36%
Bloomberg US Treasury Index		-0.13%	2.15%	2.56%
Bloomberg High Yield Index		0.51%	2.10%	-3.66%
FTSE/NAREIT All REIT Index		1.62%	1.17%	-0.45%
Bloomberg Commodity Index		2.00%	1.77%	-19.55%
<b>KEY BOND RATES</b>		<b>WEEK</b>	<b>1 MO AGO</b>	<b>1 YR AGO</b>
3-Month T-Bill		0.33%	0.28%	0.03%
2-Year Treasury		0.97%	0.64%	0.70%
5-Year Treasury		1.49%	1.11%	1.60%
10-Year Treasury		1.98%	1.63%	2.11%
30-Year Treasury		2.75%	2.50%	2.69%
Municipal Bond Yields (10 Yr)		1.87%	1.57%	2.20%

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 FOMC's March meeting is next Tuesday and Wednesday. Most analysts surveyed by Bloomberg expect the federal funds rate to be unchanged. CPI and housing starts will also be released on Wednesday. Economists are expecting February's data to show a decline in inflation. Housing starts are projected to have rebounded in February after two months of declines. Other notable economic releases next week include retail sales, industrial production, JOLTS, and consumer sentiment.

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