

# WEEKLY MARKET SNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

May 8, 2015

## MARKET COMMENTARY BY SCOTT J. BROWN, PH.D., CHIEF ECONOMIST

The April employment report was in line with expectations. Details suggested: 1) a rebound from March weather effects; 2) some moderation in the underlying pace of job growth (relative to the very brisk pace of 4Q14); and 3) a very gradual pace of reduction in labor market slack. Nonfarm payrolls rose by 223,000, while the weather-restrained March increase was revised down to +85,000 (from +126,000) – leaving an average monthly gain of 154,000 for March and April. The unemployment rate was essentially unchanged at 5.4%. Average hourly earnings rose 0.1%, up 2.2% year-over-year (still lackluster). The trade deficit widened more than expected in March, implying (all else equal) a downward revision to the estimate of 1Q15 GDP growth (a 0.2% annual rate in the advance estimate, now seen as negative).

The financial press made far too much of comments from Janet Yellen. Asked about the consequences of an extended period of very low interest rates, the Fed chair noted that *"equity market valuations at this point are generally quite high."* A number of market metrics suggest that's true. Her comments may have worsened a stock market sell-off, but they didn't cause it.

The more pressing issue was a rise in long-term interest rates. The 10-year German bund yield had risen more than 50 basis points in two weeks, spiked sharply higher on Thursday, but then reversed, suggesting that the rise in global bond yields may have run its course (that set the markets up nicely before the as-expected April employment data). In addition, the U.K. election, which had appeared up for grabs, ended with a surprisingly decisive victory for the Conservative Party (helping to ease global market anxieties).

Next week, Greece may be a worry early on. Otherwise, the focus is expected to be on the retail sales figures (Wednesday). Unit auto sales were reported to have declined last month. Core retail sales are likely to have risen moderately.

### Indices

|        | Last     | Last Week | YTD return % |
|--------|----------|-----------|--------------|
| DJIA   | 17924.06 | 17840.52  | 0.57%        |
| NASDAQ | 4945.54  | 4941.42   | 4.42%        |
|        |          |           |              |

|              |         |         |       |
|--------------|---------|---------|-------|
| S&P 500      | 2088.00 | 2085.51 | 1.41% |
| MSCI EAFE    | 1893.01 | 1918.40 | 6.66% |
| Russell 2000 | 1225.54 | 1220.13 | 1.73% |

### Consumer Money Rates

|                  | Last | 1 year ago |
|------------------|------|------------|
| Prime Rate       | 3.25 | 3.25       |
| Fed Funds        | 0.13 | 0.05       |
| 30-year mortgage | 3.98 | 4.21       |

### Currencies

|                             | Last    | 1 year ago |
|-----------------------------|---------|------------|
| Dollars per British Pound   | 1.522   | 1.696      |
| Dollars per Euro            | 1.134   | 1.393      |
| Japanese Yen per Dollar     | 119.090 | 101.550    |
| Canadian Dollars per Dollar | 1.207   | 1.088      |
| Mexican Peso per Dollar     | 15.396  | 13.034     |

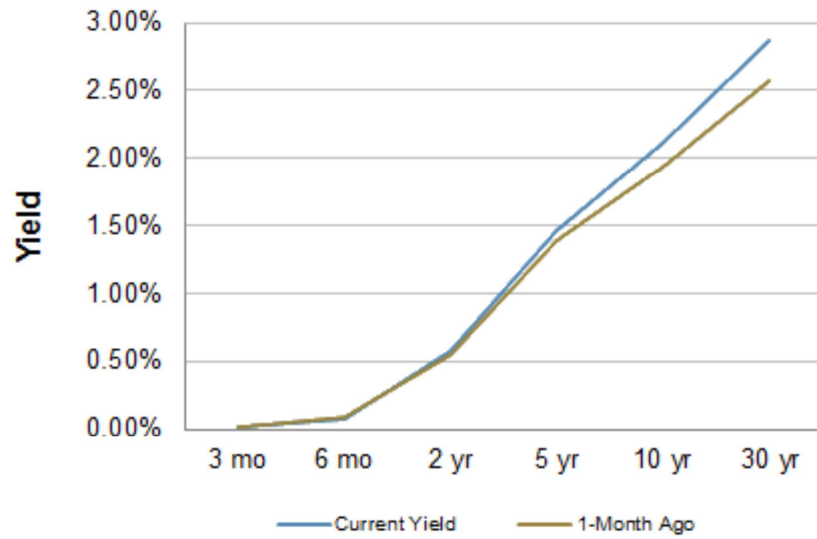
### Commodities

|           | Last    | 1 year ago |
|-----------|---------|------------|
| Crude Oil | 58.94   | 100.77     |
| Gold      | 1184.20 | 1311.28    |

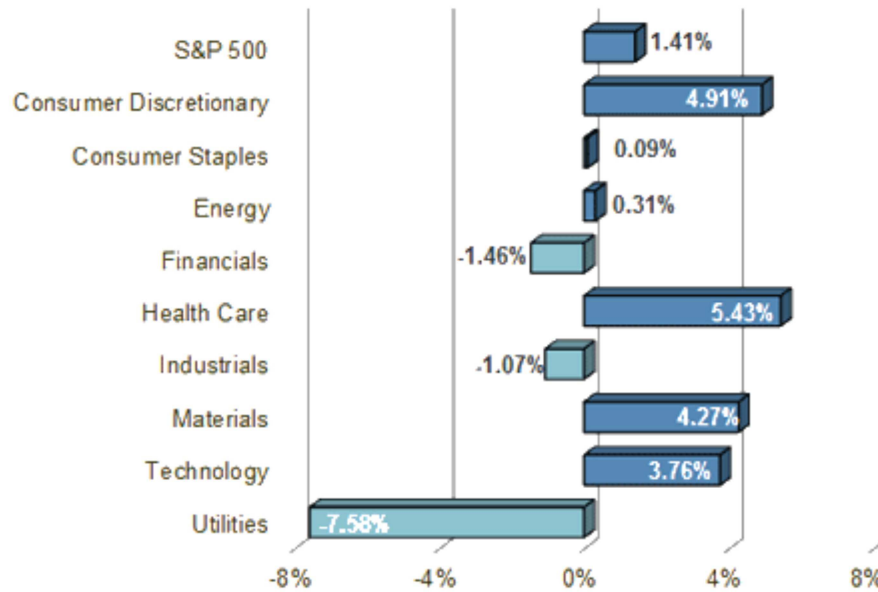
### Bond Rates

|                         | Last | 1 month ago |
|-------------------------|------|-------------|
| 2-year treasury         | 0.57 | 0.54        |
| 10-year treasury        | 2.13 | 1.94        |
| 10-year municipal (TEY) | 3.45 | 3.02        |

### Treasury Yield Curve – 05/08/2015



S&P Sector Performance (YTD) – 05/08/2015



Economic Calendar

|        |   |                                       |
|--------|---|---------------------------------------|
| May 13 | — | Retail Sales (April)                  |
| May 14 | — | Producer Price Index (April)          |
| May 15 | — | Industrial Production (April)         |
| May 25 | — | Memorial Day Holiday (markets closed) |

Past performance is not a guarantee of future results. There are special risks involved with global investing related to market and currency fluctuations, economic and political instability, and different financial accounting standards. There is no assurance that any trends mentioned will continue in the future. While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Also municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. Investing involves risk and investors may incur a profit or a loss.

US government bonds and treasury bills are guaranteed by the US government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. US government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term (less than one year) obligations of the US government.

Commodities trading is generally considered speculative because of the significant potential for investment loss. Markets for commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. Specific sector investing can be subject to different and greater risks than more diversified investments.

Tax Equiv Muni yields (TEY) assumes a 35% tax rate. Municipal securities may lose their tax-exempt status if certain legal requirements are not met, or if tax laws change.

Material prepared by Raymond James for use by its financial advisors.

Data source: Bloomberg, as of close of business May 7, 2015.

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