# WEEKLY MARKETSNAPSHOT

CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

February 20, 2015

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

The minutes of the January 27-28 Federal Open Market Committee meeting showed officials continuing to make preparations for policy normalization. There was some debate about the risks of moving either too late or too soon. "Several" Fed officials feared that waiting too long to raise rates would risk higher inflation, but "many" (which in Fedspeak, is more than "several") worried that a premature increase in rates could dampen the economic recovery and leave the Fed with limited options to correct course. Many wanted to see signs that the economic recovery remained well-grounded after the transitory effects of lower gasoline prices and other factors dissipate. Several wanted to see a pickup in labor compensation. There remained a lot of anxiety regarding possible changes to the language in the policy statement (specifically, the "patient" phrase), with worries that the financial markets might overreact to a shift in the wording.

Economic data were mixed, but in the case of residential construction and industrial production, it's hard to get excited about January figures (the bigger test of the economy's strength will come in the spring). The Producer Price Index surprised to the downside. Core inflation at the wholesale level fell, while the price gauges for the earlier stages of production exhibited disinflationary pipeline pressures.

Germany rejected Greece's proposal to extend its debt. There was hope that the other members of the Eurogroup of finance ministers would be more agreeable, but talks were extended into the weekend.

Next week, financial market participants will likely react to news on Greece (even if the result is to kick the can down the road awhile longer). The U.S. economic data calendar is heavy, but the focus is expected to be on Fed Chair Janet Yellen's monetary policy testimony to Congress. Yellen, who will be speaking on behalf of all Fed officials, not just herself, is likely to echo what was included in the FOMC minutes. Later in the week, the CPI is expected to be reported as roughly flat year-over-year and the 4Q14 GDP estimate is likely to be revised lower (that's not necessarily bad, as it should partly reflect slower inventory growth and a wider trade deficit).

### Indices

| | Last | Last Week | YTD return % |
|---|---|---|---|
| DJIA | 17985.77 | 17972.38 | 0.91% |

| | | | |
|---|---|---|---|
| NASDAQ | 4924.70 | 4857.61 | 3.98% |
| S&P 500 | 2097.45 | 2088.48 | 1.87% |
| MSCI EAFE | 1863.88 | 1822.82 | 5.01% |
| Russell 2000 | 1227.91 | 1216.25 | 1.93% |

### Consumer Money Rates

| | Last | 1 year ago |
|---|---|---|
| Prime Rate | 3.25 | 3.25 |
| Fed Funds | 0.12 | 0.07 |
| 30-year mortgage | 3.76 | 4.33 |

### Currencies

| | Last | 1 year ago |
|---|---|---|
| Dollars per British Pound | 1.544 | 1.668 |
| Dollars per Euro | 1.140 | 1.375 |
| Japanese Yen per Dollar | 118.890 | 102.020 |
| Canadian Dollars per Dollar | 1.248 | 1.092 |
| Mexican Peso per Dollar | 14.918 | 13.267 |

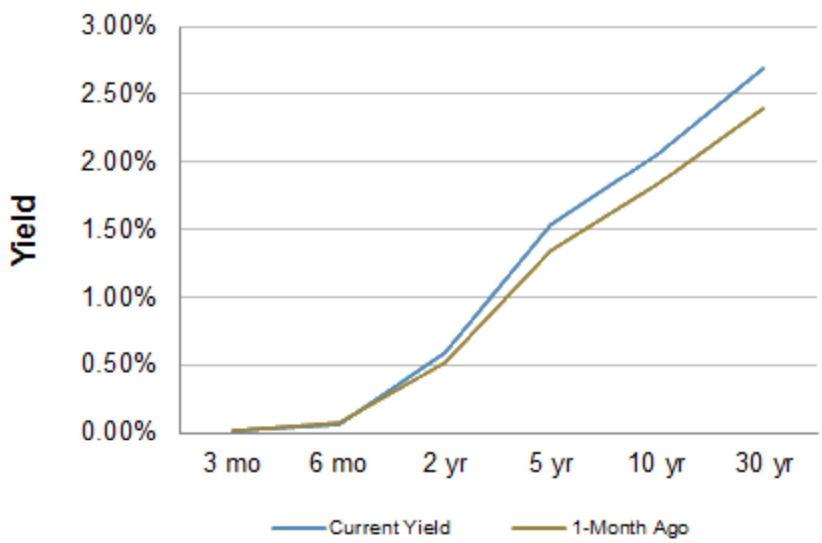
### Commodities

| | Last | 1 year ago |
|---|---|---|
| Crude Oil | 51.16 | 103.31 |
| Gold | 1219.39 | 1319.31 |

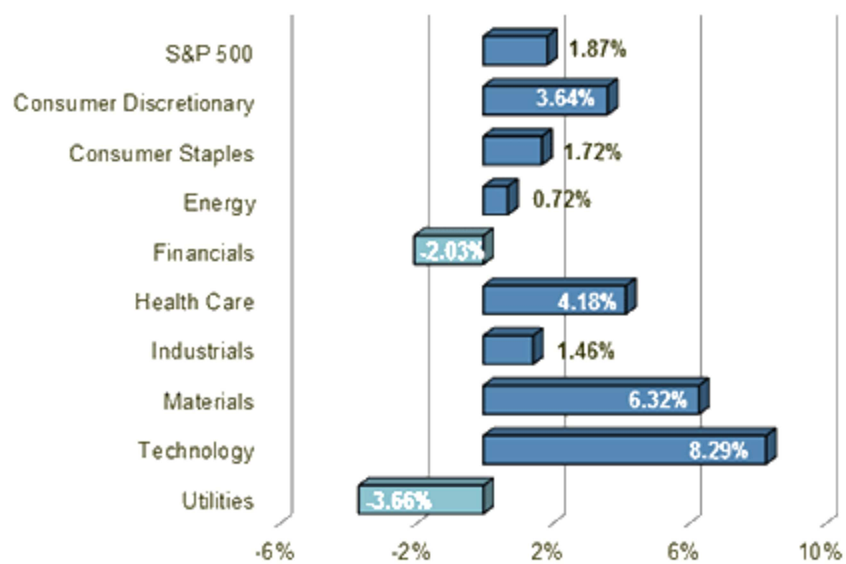
### Bond Rates

| | Last | 1 month ago |
|---|---|---|
| 2-year treasury | 0.59 | 0.51 |
| 10-year treasury | 2.06 | 1.83 |
| 10-year municipal (TEY) | 3.23 | 2.79 |

### **Treasury Yield Curve** – 02/20/2015




**S&P Sector Performance (YTD)** – 02/20/2015




## Economic Calendar

| | | |
|---|---|---|
| **February 23** | — | Existing Home Sales (January) |
| **February 24** | — | Consumer Confidence (February)<br>Yellen Monetary Policy Testimony (tentative) |
| **February 25** | — | New Home Sales (January)<br>Yellen Monetary Policy (House) |

| | | |
|---|---|---|
| **February 26** | — | Jobless Claims (week ending February 21)<br>Consumer Price Index (January)<br>Durable Goods Orders (January) |
| **March 2** | — | ISM Manufacturing Index (January) |
| **March 6** | — | Employment Report (February) |
| **March 18** | — | FOMC Policy Decision, Yellen Press Conference |



Data source: Bloomberg, as of close of business Feburary 19, 2015.

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