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# WEEKLY MARKETSNAPSHOT

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CURRENT ECONOMIC OUTLOOK FOR TIMELY FINANCIAL PLANNING

January 2, 2015

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

Two days before Christmas, the government revised its estimate of 3Q14 GDP growth sharply higher (to 5.0%, vs. +3.9% in the 2nd estimate). Most of the revision was in consumer spending (a 3.2% annual rate, vs. +2.2%), which accounts for 70% of the economy. Moreover, the monthly figures through November suggest an even stronger pace of consumer spending growth in 4Q14 (4.0% to 4.5%). It's not hard to do the consumer spending calculation (and the monthly figures are subject to revision), but the markets seemed not to fully reflect the improved consumer outlook.

As we begin the year, investors remain nervous about global growth and the eventual tightening of monetary policy. Many U.S. firms will feel an impact from soft global growth and a stronger dollar (weaker earnings from abroad), and we should see a significant contraction in energy exploration and production. However, lower oil prices will provide a net benefit to the economy as a whole. Consumer purchasing power is improving, which should help fuel strong spending gains in the first half of the year. The Fed's decision to begin raising short-term interest rates will be data-dependent, but with inflation running low, officials can afford to be patient.

Next week, the focus will be on the December Employment Report. Note that seasonal adjustment can be tricky (as we normally lose a lot of jobs in construction and education) and some of December's seasonal strength (retail, package delivery) may have been pulled forward into November. The minutes of the December 16-17 Open Market Committee are not expected to provide any new insight into the Fed's timing decision, but there's always a chance that the markets may take something out of context.

### Indices

	Last	Last Week	YTD return %
DJIA	17823.07	18053.71	7.52%
NASDAQ	4736.05	4806.86	13.40%
S&P 500	2058.90	2088.77	11.39%
MSCI EAFE	1774.89	1789.92	-7.35%
Russell 2000	1204.70	1215.21	3.53%

### Consumer Money Rates

	Last	1 year ago

Prime Rate	3.25	3.25
Fed Funds	0.13	0.10
30-year mortgage	3.86	4.53

### Currencies

	Last	1 year ago
Dollars per British Pound	1.559	1.650
Dollars per Euro	1.215	1.376
Japanese Yen per Dollar	119.440	104.990
Canadian Dollars per Dollar	1.159	1.065
Mexican Peso per Dollar	14.710	13.100

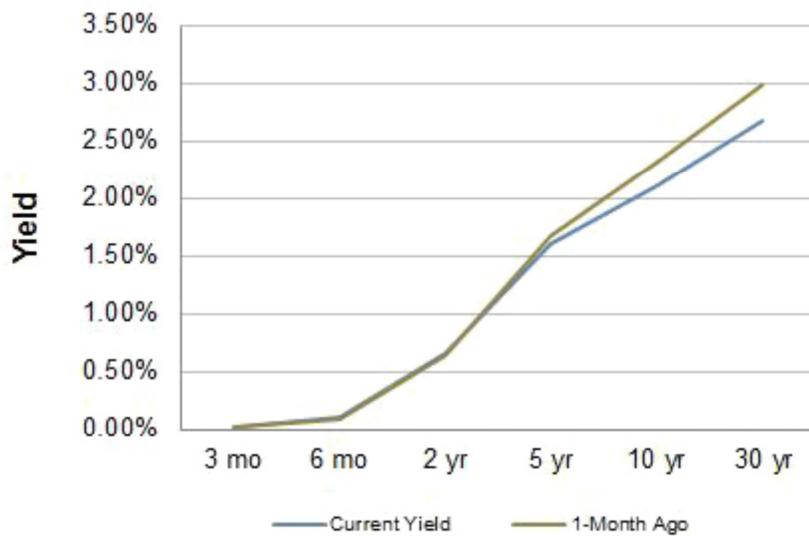
### Commodities

	Last	1 year ago
Crude Oil	53.27	98.42
Gold	1198.87	1202.74

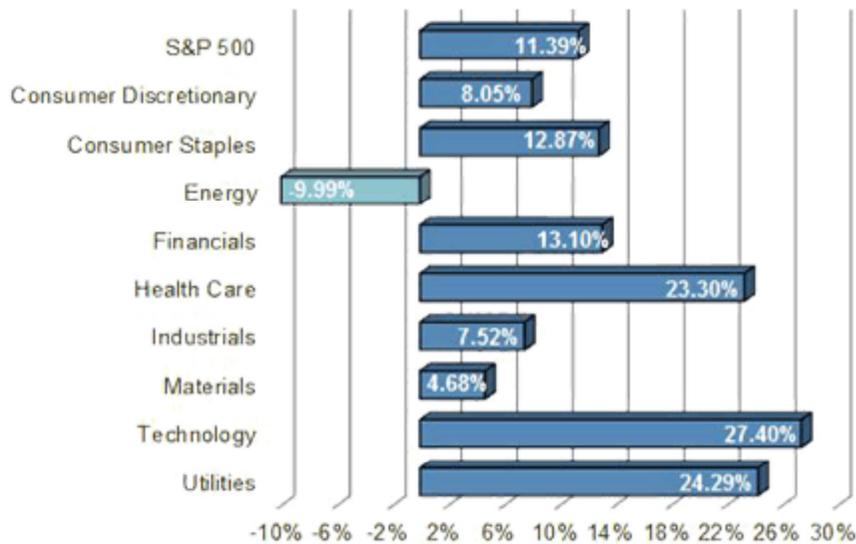
### Bond Rates

	Last	1 month ago
2-year treasury	0.49	0.63
10-year treasury	2.34	2.31
10-year municipal (TEY)	3.24	3.39

### Treasury Yield Curve – 01/02/2015



**S&P Sector Performance (YTD) – 01/02/2015**



**Economic Calendar**

January 5	—	Motor Vehicle Sales (December)
January 6	—	ISM Non-Manufacturing Index (December)
January 7	—	ADP Payroll Estimate, FOMC Minutes (December 16-17)
January 8	—	Jobless Claims (week ending January 3)
January 9	—	Employment Report (December)
January 14	—	Retail Sales (December) Fed Beige Book

<b>January 16</b>	—	Consumer Price Index (December) Industrial Production (December)
<b>January 19</b>	—	MLK, Jr. Holiday (markets closed)
<b>January 22</b>	—	ECB Policy Meeting
<b>January 28</b>	—	FOMC Policy Decision (no press conference)
<b>January 30</b>	—	Real GDP (4Q14, advance)
<b>February 6</b>	—	Employment Report (January)

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 January 01, 2015.



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