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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks suffered their steepest decline in two months as stronger than expected jobs data are forcing investors to face with the prospect that the Fed could hike rates sooner rather than later.

a) ***Dow Jones -1.50% MTD -1.50% YTD +0.68%*** b) ***S&P 500 -1.54% MTD -1.54% YTD +1.00%***
c) ***Russell 2000 -1.26% MTD -1.26% YTD +1.24%***

Drivers: I) ***The U.S. created a robust 295,000 jobs in February and the unemployment rate fell to 5.50% from 5.70%, but wage growth remained sluggish*** and more people dropped out of the labor force, the government said Friday. Economists polled by MarketWatch had expected a gain of 238,000 nonfarm jobs. Average hourly wages rose 3 cents to $24.78, but the 12-month increase was a lackluster 2.00%.

II) ***The steady stream of new jobs and falling unemployment rate are likely to put more pressure on the Federal Reserve to raise interest rates, perhaps as early as June, to prevent the economy from overheating.*** If the Fed were to wait too long, analysts warn, the central bank could be forced to raise rates so quickly that it could stifle the nearly six-year-old recovery.

III) ***Americans cut their spending in January for the second month in a row for the first time since 2009***, using some of the benefits from lower gasoline prices to ***boost their savings to the highest rate in three years. Consumer spending fell a seasonally adjusted -0.2% last month***, entirely because of cheaper energy prices, the Commerce Department reported last week. Outlays on energy sank a healthy -18.00% in January. The savings rate jumped to 5.50% from 5.00% in December, which marks the highest amount since the end of 2012.

IV) ***Inflation as expected continued to decelerate*** owing to the widespread effects on the economy of lower energy prices. ***The PCE inflation index fell -0.50% in January, lowering the increase over the past 12 months to a mere -0.20%.*** Just eight months ago, the rate of PCE inflation was running at a much higher 1.7%, though that was still below the Federal Reserve's preferred 2.00% target.

V) ***Equity prices for the month are higher, with Small Cap and Growth along with Technology, Consumer Cyclicals and Communication leading equity price performance. The laggards for the month are Large Cap and Value Stocks along Utilities.***

Capitalization: Large Caps -1.50% (YTD +1.01%), ***Mid Caps -1.29%*** (YTD +2.73%) and ***Small Caps -1.52%*** (YTD +1.51%). Style: ***Value -1.92%*** (YTD -1.11%) and ***Growth -0.67%*** (YTD +5.40%). Industry Groups (Leaders): Basic Materials -1.86% (YTD +2.75%), Technology -1.45% (YTD +3.01%), Consumer Cyclicals -1.05% (YTD +3.76%), Communication -1.25% (YTD +4.00%), Healthcare -0.79% (YTD +5.61%), and ***Industrials -1.74% (YTD +0.57%)***. (Laggards): ***Financial Services +0.12%*** (YTD -1.35***%), Energy -2.78% (YTD -2.96%) and Utilities -4.03%*** (YTD -7.79%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index climbed to a multiyear high last week as the European Central Bank further outlined its massive asset buying program, setting a time for the launch of the trillion-dollar program for next Monday. Year-to-date, the Stoxx Europe 600 is up +15.08% (MTD +0.50%).

Drivers: I) ***The ECB now expects the Eurozone economy to grow faster than previously expected*** as its aggressive easing program, lower oil prices and the weak euro help to boost the currency union. ***They now see annual gross domestic product rising by +1.50% in 2015 and +1.90% in 2016***, better than the +1.00% and +1.50%, respectively, expected in December, according to projections released last Thursday. In 2017, the central bank sees growth of +2.10%.

II) ***Inflation in the Eurozone is likely to remain critically low over the next few months, with consumer price growth set to average only 0.00% in 2015, according to the ECB's projections*** released last week. The outlook marks a sharp revision from the +0.70% forecast from December, reflecting the negative impact from lower prices. However, inflation should start to gradually pick up in the latter half of 2015, supported by the favorable impact of the central bank's recent monetary policy measures and a weak euro.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index rose by +0.60% for the week (MTD +0.60% YTD +15.08%).***

ASIAN EQUITIES

Asian equity markets were higher last week with investors looking ahead to the annual sessions of China's two key legislative bodies next week, with analysts expecting Communist Party leaders to unveil key policies to support the economy. The Dow Jones Asia/Pacific Index was up +0.76% for the week.

Drivers: I) ***China cut its growth target for 2015. The Chinese Premier Li Keqiang lowered China's gross domestic product growth target to around +7.00% for 2015*** from its level of "around +7.50%" for last year, as he presented the government work report at the opening of China's annual parliamentary session last Thursday.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +0.92% (MTD +0.92% YTD +8.71%), the Hang Seng Index was down by -2.26% (MTD -2.26% YTD +2.37%) and the Shanghai Composite declined by -2.09% (MTD -2.09% YTD +0.20%).***

FIXED INCOME

Treasury yields ended the week at their highest levels of 2015 after markets interpreted a stronger-than-expected jobs report as a sign that the Federal Reserve might be closer to an interest rate hike.

Performance: I) ***The 10-year Treasury yield was higher last week, ending at 2.245% up from 1.995%. The 30-year yield rose last week climbing from 2.592% to 2.844%.***

II) Performance for the week, month-to-date and year-to-date. ***Barclays US Agg Bond*** was down ***-0.98%*** last week, ***MTD -0.98% and YTD +0.15%***. The ***Barclays US MBS TR fell by -0.52%*** last week, MTD ***-0.52% and YTD +0.16%***. The ***BofAML US HY Master II was lower last week by -0.41%, MTD -0.41% and YTD +2.61%.***

COMMODITIES

The DJ Commodity Index weakened last week falling from 319.55 to 312.23 and is lower month-to-date -2.29% (YTD -3.53%) as the strong jobs number drove the USD higher, prompting commodities to decline.

Performance: I) ***Oil prices fell more than -2.00% last Friday and suffered their third straight weekly loss as a stronger-than-expected U.S. jobs report sent the dollar sharply higher.*** Spot Crude oil for the week was flat moving from $49.52 to $49.78 per barrel.

II) ***The ICE USD Index, a gauge of the greenback's movement against six other major currencies, was higher climbing from 95.25 to 97.72 for the week.*** The USD rose for the second straight week, after the Bureau of Labor Statistics' February nonfarm payrolls number exceeded expectations and ***the euro dropped to its lowest level versus the U.S. unit in more than 11 years.*** For the week the Yen was weaker falling from ¥119.64 to ¥120.84 and the Euro dropped from 1.1196 to 1.0842 against the USD.

III) ***Gold dropped approximately -4.00% last week, with a rally in the U.S. dollar following a strong February U.S. jobs report fueling a decline in the metal's prices*** to their lowest settlement since mid-November. For the week oil dropped from $1213.7 to $1168.2 .

HEDGE FUNDS

Hedge funds returns in March are mixed, with the core strategies, Event Driven, and Relative Value higher for the month, while Equity Hedge and Macro/CTA are lower.

Performance: I) ***The HFRX Global Hedge Fund Index is higher at +0.04% MTD and +1.76% YTD.***
II) ***Macro/CTA is flat at -0.03% MTD and +2.64% YTD.***
III) ***Event Driven has advanced MTD +0.18% and is lower +1.27% YTD.***
IV) ***Equity Hedge is lower at -0.05% MTD and has risen +1.54% YTD.***
V) ***Relative Value Arbitrage has climbed by +0.03% MTD and +1.87% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week investors are becoming more cognizant that markets will likely be more sensitive to economic data in the coming weeks and months. Last week, a better-than-expected jobs report ignited a sharp drop in the market. Investors sold down stocks after a positive jobs report hinted the Federal Reserve could begin hiking rates sooner than later.

This coming Monday will mark the sixth birthday for the S&P 500's bull market, and it will also be the launch date of the European Central Bank's quantitative easing program, which is planned to last until at least September 2016.

Next Tuesday the Labor department will release the Job Openings and Labor Turnover survey which may shed insight into the strong January payroll gain. Last month, December job openings reached their highest monthly level since 2001 at 5.03 million. Wall Street economists expect 5.00 million for January.

The Labor Department releases producer price data (expected to rise from -0.80% to 0.40%) Friday and import/export price numbers Thursday. Falling oil prices have caused the import price index to plunge in recent months, but economists surveyed by The Wall Street Journal expect that trend ended in February. Still, the price index (estimated to rise from -2.80% to +0.10%) in February will be well below the year-ago levels, which is a sign of temporary deflation.

Deflation in the U.S. is attributed to lower energy prices, the stronger dollar and the desire of foreign manufacturers to maintain market share in the U.S.

On Friday we will see the release of the Consumer Sentiment Index which is projected to improve from 95.4 to 95.9, driven by an improving jobs outlook and lower energy prices.