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GDP



Q4, 2013
2.6% down from
4.1 % in Q3, 2013

Existing Home Sales



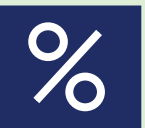
Thru Feb 2014
Down 0.4% from
previous month

Unemployment Rate



Thru March 2014
6.7% down from
7.5% in Mar 2013

Consumer Price Index



Up 0.1% for Feb
2014. 1.1% total
increase over the
last 12 months.

Economic News

After a volatile start to the year relating to world events, markets ticked slightly higher at the end of the first quarter of 2014. The S&P 500 and NASDAQ closed up 1.8% and 0.54% respectively, while the DJIA was down 0.15%. January had investors worried of where the market was headed, but stock prices began clawing their way back up in February. The Federal Reserve's sway over the markets remained apparent after Janet Yellen's comments on March 19 that the stimulus program currently in effect could end by fall, with rate hikes as early as 2015. Markets reacted immediately, with the DJIA, S&P and NASDAQ all driving lower while bond yields spiked. Yellen, who took over the top position at the Fed from Ben Bernanke in January, backtracked somewhat on those comments stating that the economy was considerably short of the Fed's goals and that accommodative policies would be available for some time. As the economy continues to improve, it will be important to keep an eye on how the Fed manages the market reaction to Federal Open Market Committee announcements. The legislative battle on retroactively extending unemployment benefits for two million people who remain perennially out of work continued throughout the first quarter. Proponents of the measure argue that not extending unemployment benefits would be counterproductive to the economic recovery. Opponents say it creates a disincentive to find new work. Overall, markets withstood negative pressure from both domestic and international events, and will look to monitor any noteworthy changes coming from Washington in the next quarter. The following table highlights the average annual returns for various indices:

Index	1st Qtr	1 Year	5 Year	10 Year
S&P 500 (Composite Total Return)	1.80%	21.86%	21.16%	7.41%
Russell 2000	1.12%	24.90%	24.31%	8.53%
MSCI EAFE (Price)	0.00%	14.40%	12.65%	3.66%
Barclays Aggregate Price Index	1.10%	-2.36%	1.17%	0.18%

The S&P 500 is a commonly used measure of common stock total return performance, the Russell 2000 is a commonly used measure of small capitalization stocks, the MSCI EAFE is a commonly used measure of common stock total return performance of international markets, and the Barclay's Aggregate Bond Index is a commonly used measure of the bond market. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results.

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Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future

Warren Buffett

January Barometer

The January Barometer, a well-known stock market theory, supposes that performance of the S&P 500 for the month of January predicts performance for the rest of the year. If the stock market rises in January, it is likely to end higher by year end. Conversely, if the market ends lower in January, it will also end the year lower. However, there is much debate surrounding the accuracy of this indicator. Direction is the only thing that is allegedly predicted by the January Barometer—it has nothing to do with actual numbers. Along with some other oddball indicators, such as the Super Bowl Indicator for example—a superstition that says that stock market performance in a given year can be predicted based on the outcome of the Super Bowl—the January Barometer should be taken with a grain of salt. According to Bloomberg, looking at 85 years of data on the S&P 500, January performance has a correlation of 0.30 to annual returns over that span; making the January Barometer a poor predictor of stock market performance for the year.

Theories and superstitions aside, domestic market indices posted positive returns for the first quarter with the S&P 500 rising 1.8%, recovering after ending the month of January down 3.6%. Market performance for the first quarter proved to be choppy as tensions rose between Russia and Ukraine, disruptive weather across the U.S. held back growth, and concerns grew over market valuations after the U.S. stock market posted strong returns in 2013.

Russian Roulette

Despite Russia hosting the 22nd Winter Olympics in Sochi, it was not all fun and games for the country in the first quarter of 2014. Russia stirred the political pot by sending soldiers to Crimea, an autonomous republic of Ukraine, following the removal of Ukrainian President Yanukovich. This provocation led to a disputed referendum on March 16 where a large majority of Crimean voters chose to rejoin Russia. While much of the world did not recognize the validity of this referendum, Russia announced Crimea a sovereign independent state on March 17. As diplomatic efforts failed to make progress in stabilizing the region, the United States and European Union placed sanctions on a number of individuals, largely targeting business associates and politicians close to Vladimir Putin. The U.S. and EU continue to consider further economic action as tensions escalate. Sanctions from the West could add insult to injury, as Russia's economy stagnated in 2013. Russia's top trading partner in 2012 was the EU, accounting for more foreign trade than the next ten largest partners combined. The potential damage to—or loss of—Russia's most significant trade relationship has caused fear in investors. According to Russia's Minister of Economic Development Alexei Ulyukayev, over \$60 billion dollars of capital outflows left the country in Q1, 2014, nearly reaching the total capital outflows for all of 2013 (\$63 billion). Currency markets also felt the impact as the Russian ruble fell 6.98% against the dollar for the quarter. If these trends continue, is there an impending recession in Russia's future?

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