











The Economy

While the monthly increase in U.S. nonfarm payrolls averaged around 195,000 in 2013, the pace of job growth slowed in December 2013 (+75,000) and January 2014 (+113,000), according to the Bureau of Labor Statistics. This could be a short-term dip. PricewaterhouseCoopers surveyed 1,300 CEOs worldwide and found that 44% expect the world economy to improve over the next 12 months, up from 18% in last year's survey, according to USA TODAY. More than 60% of the U.S. CEOs surveyed expect to hire more people in 2014, the highest percentage in five years. A survey by Aon Hewitt on compensation trends for 2014 revealed that companies intend to raise salaries by 3.0% this year, the most since 2008, according to USA TODAY.

Consumer Confidence 80.7 (Jan) 78.1 (Dec) 	Crude Oil (Mo.-End) \$97.49 (Jan)  \$98.42 (Dec)	Personal Spending +0.4% (Dec)  Nov was +0.5%	ISM Manufacturing 51.3 (Jan)  57.0 (Dec)	ISM Non-Manufacturing  54.0 (Jan) 53.0 (Dec)
Gold (Mo.-End) \$1240.10 (Jan)  \$1202.30 (Dec)	Natural Gas (Mo.-End) \$4.94 (Jan)  \$4.23 (Dec)	Factory Orders -1.5% (Dec)  Nov was +1.8%	New Home Sales  414,000 (Dec) 464,000 (Nov)	Existing Home Sales  4.87M (Dec) 4.90M (Nov)

The Stock Market

Indices (Source: Bloomberg)

	Jan	12-mo.
S&P 500	-3.5%	21.5%
DJIA	-5.2%	16.1%
NASDAQ 100	-1.9%	30.8%
S&P 400	-2.1%	21.8%
Russell 2000	-2.8%	27.0%
Russell 3000	-3.2%	22.6%
MSCI World (ex U.S.) (USD)	-4.0%	10.7%
MSCI Emerging Markets (USD)	-6.5%	-10.2%

Growth/Value (Source: Bloomberg)

	Jan	12-mo.
S&P 500 Growth	-3.0%	24.0%
S&P 500 Value	-4.0%	19.0%
S&P 400 Growth	-2.6%	20.8%
S&P 400 Value	-1.7%	22.9%
Russell 2000 Growth	-1.7%	32.1%
Russell 2000 Value	-3.9%	22.0%

Thirty-three out of the 133 subsectors (25%) that comprise the S&P 500 posted a gain in January, down from 111 (83%) last month, according to S&P Dow Jones Indices. Utilities was the best performing sector, up 3.00%. In January, the dividend-payers (420) in the S&P 500 (equal weight) posted a total return of -3.52%, vs. 0.40% for the non-payers (80), according to Standard & Poor's. For the 12-month period ended January 2014, payers were up 27.91%, vs. a gain of 36.05% for the non-payers. The number of dividend increases in January totaled 41, up from 30 at this point a year ago. One dividend was cut, compared to three at this point a year ago. Lipper data shows that investors funneled more than \$79 billion into dividend-paying stock mutual funds and ETFs over a three-year period through 2013, according to *The Wall Street Journal*. What is telling about January's 0.40% return for the non-payers in the S&P 500 (equal weight) is that it was positive at all. The 80 companies in the index that do not distribute a dividend distribution to shareholders weathered the sell-off far better than the 420 companies that do payout a dividend. Investors could be sending a signal that they are becoming a bit more optimistic about the prospects for growth in 2014, in our opinion. The International Monetary Fund is forecasting a 2014 GDP growth rate of 2.8% for the U.S., up from 2.2% in 2013.

U.S. Dollar Index (DXY) +1.6% (Jan)  +2.7% (12-mo.) \$ was up 0.3% in '13	CBOE Total Equity Options (# of contracts in millions)  Jan: 48.6 (+36.5%) Dec: 35.6 (-6.6%) Record 7/08: 67.2 million	Short Interest (NYSE) U Jan 14: 13.8B (0.0%) N Dec 13: 13.8B (-0.8%) C Record 7/08: 18.61 billion shares H.	VIX Volatility Index (S&P 500)  18.41 (1/31) 13.72 (12/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Jan	12-mo.	Yield
U.S. Treasury: Intermediate	0.85%	-0.09%	1.02%
GNMA 30 Year	1.83%	0.23%	3.13%
Municipal Bond (22+)	3.09%	-3.93%	4.52%
U.S. Aggregate	1.48%	0.12%	2.31%
Intermediate Corporate	1.21%	1.64%	2.37%
U.S. Corporate High Yield	0.70%	6.77%	5.64%
Global Aggregate	1.06%	-0.67%	1.94%
EM Hard Currency Agg.	-0.58%	-2.90%	5.11%

The yield on the benchmark 10-Year T-Note fell by 38 basis points to 2.65% in January, but was up 66 basis points from a year ago. TrimTabs Investment Research reported that investors liquidated a record \$86 billion from U.S. bond mutual funds and ETFs in 2013, according to *Barron's*. It topped the previous record of \$62 billion set in 1994. Bond funds endured seven consecutive months of net outflows (\$196 billion) to close 2013. The last time that bond funds experienced a year of net outflows was 2004. While substantial, the outflows represent just a sliver of the \$1.2 trillion of net inflows from 2009 through 2012. Citi Private Bank released its 2014 outlook calling for income investors to reduce duration exposure and favor credit risk over interest-rate risk, according to *Barron's*.

Key Rates as of January 31 Fed Funds 0-0.25% 2-Yr. T-Note 0.33% 10-Yr. T-Note 2.65% 30-Yr. Mortgage 4.26% Bond Buyer 40 4.90% (Source: Bloomberg)	Key Yield Spread The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 373 basis points on 1/31/14, up from 336 on 12/31/13. It was 457 on 1/31/13. (Source: Bloomberg)	2013 Debt Issuance (Source: Thomson Reuters) <table border="1"> <thead> <tr> <th>Debt Category</th> <th>\$ Amount</th> <th>% change over '12</th> </tr> </thead> <tbody> <tr> <td>Treasury</td> <td>\$2.14 Trillion</td> <td>-7.1%</td> </tr> <tr> <td>Corporate</td> <td>\$1.36 Trillion</td> <td>-0.4%</td> </tr> <tr> <td>Convertible</td> <td>\$36.5 Billion</td> <td>+82.8%</td> </tr> <tr> <td>Asset-Backed</td> <td>\$186.1 Billion</td> <td>-7.5%</td> </tr> <tr> <td>Municipal</td> <td>\$331.6 Billion</td> <td>-12.5%</td> </tr> </tbody> </table>	Debt Category	\$ Amount	% change over '12	Treasury	\$2.14 Trillion	-7.1%	Corporate	\$1.36 Trillion	-0.4%	Convertible	\$36.5 Billion	+82.8%	Asset-Backed	\$186.1 Billion	-7.5%	Municipal	\$331.6 Billion	-12.5%
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Equity funds reported net *outflows* totaling \$57.0 million in 12/13, vs. \$22.2 billion (revised down) of net *inflows* in 11/13, according to the Investment Company Institute. Bond funds reported net *outflows* totaling \$25.1 billion, vs. \$18.2 billion (revised up) of net *outflows* in 11/13. Money Market fund net *inflows* totaled \$44.1 billion, vs. \$5.1 billion (revised down) of net *inflows* in 11/13. In 2013, equity funds reported net *inflows* totaling \$161.0 billion, vs. \$83.4 billion of net *outflows* for bond funds (municipals had net *outflows* totaling \$58.4B) and \$15.1 billion of net *inflows* for MMFs.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	1848.38	01/15/14	676.53	03/09/09	1782.59	-3.56%	-3.46%	1.98%
S&P 500 Growth	996.86	01/22/14	363.99	03/09/09	962.59	-3.44%	-2.95%	1.59%
S&P 500 Value	846.60	12/31/13	307.16	03/09/09	811.49	-4.15%	-4.00%	2.43%
S&P 400	1359.40	01/22/14	404.62	03/09/09	1313.08	-3.41%	-2.12%	1.44%
S&P 400 Growth	615.58	01/22/14	174.44	11/20/08	593.10	-3.65%	-2.57%	0.94%
S&P 400 Value	471.91	01/22/14	144.98	03/09/09	457.05	-3.15%	-1.65%	1.96%
S&P 100	823.81	12/31/13	322.13	03/09/09	789.70	-4.14%	-4.01%	2.18%
DJIA	16576.66	12/31/13	6547.05	03/09/09	15698.85	-5.30%	-5.19%	2.21%
NASDAQ 100	3627.72	01/22/14	1036.51	11/20/08	3521.92	-2.92%	-1.91%	1.31%
Russell 2000	1181.29	01/22/14	343.26	03/09/09	1130.88	-4.27%	-2.77%	1.33%
Russell 2000 Growth	705.10	01/22/14	190.73	03/09/09	676.07	-4.12%	-1.73%	0.67%
Russell 2000 Value	1499.11	01/22/14	469.32	03/09/09	1432.71	-4.43%	-3.87%	2.03%
Russell 3000	1110.32	01/15/14	389.61	03/09/09	1072.28	-3.43%	-3.16%	1.88%
MSCI World x U.S. (USD)	5379.90	10/31/07	2131.84	03/09/09	4948.77	-8.01%	-4.04%	3.12%
MSCI Emerging Markets (USD)	473.36	10/29/07	128.72	05/17/04	383.85	-18.91%	-6.49%	2.80%
Bovespa/Brazil (USD)	44638.24	05/19/08	5634.22	05/10/04	19639.28	-56.00%	-10.70%	4.26%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1301.02	-47.71%	-9.82%	1.99%
Bombay SE 500/India (USD)	226.04	01/07/08	39.16	05/17/04	119.68	-47.05%	-5.37%	1.74%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	335.48	-58.60%	-4.01%	3.09%
KOSPI/South Korea (USD)	2.29	10/31/07	0.62	05/17/04	1.81	-20.86%	-4.80%	1.25%
Hang Seng (USD)	4082.25	10/30/07	1406.13	05/17/04	2836.98	-30.50%	-5.61%	3.52%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1301.22	-34.56%	-4.37%	3.32%
S&P Consumer Discretionary	530.10	12/31/13	125.72	03/09/09	498.48	-5.97%	-5.91%	1.37%
S&P Consumer Staples	446.03	11/15/13	199.80	03/09/09	419.15	-6.03%	-5.13%	2.77%
S&P Energy	668.81	05/20/08	223.74	02/05/04	610.44	-8.73%	-6.30%	2.24%
S&P Utilities	223.91	12/10/07	112.86	05/17/04	198.77	-11.23%	3.00%	3.92%
S&P Financials	509.55	02/20/07	81.74	03/06/09	283.73	-44.32%	-3.61%	1.73%
S&P Banks	414.38	02/20/07	49.02	03/05/09	208.10	-49.78%	-0.47%	2.27%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	526.52	-22.17%	3.31%	3.58%
S&P Health Care	664.45	01/22/14	252.84	03/05/09	647.90	-2.49%	0.93%	1.65%
S&P Pharmaceuticals	505.66	01/14/14	214.50	03/03/09	487.78	-3.54%	-0.26%	2.67%
NYSE Arca Biotechnology	2627.38	01/21/14	447.78	08/09/04	2536.01	-3.48%	8.82%	0.14%
S&P Information Technology	590.60	01/15/14	198.51	11/20/08	570.33	-3.43%	-2.52%	1.57%
Philadelphia Semiconductor	550.91	01/27/06	171.32	11/20/08	529.19	-3.94%	-1.03%	1.73%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	149.05	-17.68%	-3.14%	4.90%
S&P Industrials	452.46	12/31/13	132.83	03/09/09	431.97	-4.53%	-4.48%	1.97%
S&P Materials	291.64	12/31/13	108.33	03/02/09	278.04	-4.66%	-4.57%	2.35%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	90.71	-60.38%	7.92%	2.54%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	283.31	-40.17%	1.12%	N/A
Merrill Lynch Perpetual Preferred	197.97	05/08/13	51.79	03/09/09	188.43	-4.82%	2.76%	5.90%
Merrill Lynch High Yield Constrained	342.24	01/22/14	130.37	12/12/08	340.75	-0.44%	0.74%	6.37%