

The Economy

Nonfarm payrolls grew by 175,000 in February, despite another month of punishing weather. We would like to see nonfarm payrolls accelerate to at least the 250,000 per month mark, which is the number cited by economists for being sufficient enough to make a dent in the unemployment rate. We have touched that level before. Payrolls averaged 255,000 as recently as Oct.-Nov. of 2013. The Federal Reserve reported that U.S. household net worth reached an all-time high of \$80.66 trillion at the close of 2013, according to Reuters. Net worth rose 14% in the full year, fueled by a \$5.6 trillion rise in the value of stock shares and a \$2.3 trillion increase in the value of real estate. U.S. businesses held \$1.98 trillion in liquid assets in Q4'13, up from \$1.91 trillion in Q3'13.

Consumer Confidence 78.1 (Feb) 80.7 (Jan)	Crude Oil (Mo.-End) \$102.73 (Feb) \$97.49 (Jan)	Personal Spending +0.4% (Jan) Dec was +0.4%	ISM Manufacturing 53.2 (Feb) 51.3 (Jan)	ISM Non-Manufacturing 51.6 (Feb) 54.0 (Jan)
Gold (Mo.-End) \$1328.60 (Feb) \$1240.10 (Jan)	Natural Gas (Mo.-End) \$4.61 (Feb) \$4.94 (Jan)	Factory Orders -0.7% (Jan) Dec was -1.5%	New Home Sales 468,000 (Jan) 414,000 (Dec)	Existing Home Sales 4.62M (Jan) 4.87M (Dec)

The Stock Market

Indices (Source: Bloomberg)

	Feb	12-mo.
S&P 500	4.6%	25.3%
DJIA	4.3%	19.0%
NASDAQ 100	5.2%	36.9%
S&P 400	4.9%	26.5%
Russell 2000	4.7%	31.5%
Russell 3000	4.7%	26.7%
MSCI World (ex U.S.) (USD)	5.5%	17.9%
MSCI Emerging Markets (USD)	3.3%	-6.0%

Growth/Value (Source: Bloomberg)

	Feb	12-mo.
S&P 500 Growth	5.2%	28.7%
S&P 500 Value	3.8%	21.9%
S&P 400 Growth	5.3%	26.8%
S&P 400 Value	4.4%	26.2%
Russell 2000 Growth	4.8%	37.1%
Russell 2000 Value	4.6%	26.2%

One hundred and twenty-four out of the 133 subsectors (93%) that comprise the S&P 500 posted a gain in February, up from 33 (25%) last month, according to S&P Dow Jones Indices. Materials was the best performing sector, up 6.91%. In Feb., the dividend-payers (420) in the S&P 500 (equal weight) posted a total return of 4.95%, vs. 7.56% for the non-payers (80), according to S&P Dow Jones Indices. Y-T-D, the payers were up 1.26%, vs. a gain of 7.99% for the non-payers. For the 12-mo. period ended 2/14, payers were up 32.31%, vs. a gain of 45.83% for the non-payers. The number of dividend increases y-t-d totaled 66, down from 77 at this point a year ago. Two dividends were cut, compared to three at this point a year ago. The economic recovery in Europe is looking more intriguing. Purchasing Manager's Index (PMI) data from Markit showed that seasonally adjusted PMI in the euro zone stood at 53.2 in Feb., topping an earlier estimate of 53.0, according to the *International Business Times*. It marked the 8th consecutive month in which the index reading surpassed 50. A reading above 50 indicates that manufacturing activity is expanding. February was the first month in nearly three years where output rose in all four of the largest euro nations, according to Chris Williamson, Markit's chief economist. The MSCI Europe Index stood 17.0% below its 10-year high (6/1/07) on 3/4/14.

U.S. Dollar Index (DXY) -2.0% (Feb) -0.4% (YTD) \$ was up 0.3% in '13	CBOE Total Equity Options (# of contracts in millions) Feb: 40.4 (-16.9%) Jan: 48.6 (+36.5%) Record 7/08: 67.2 million	Short Interest (NYSE) Feb 14: 14.3B (3.6%) Jan 14: 13.8B (0.0%) Record 7/08: 18.61 billion shares	VIX Volatility Index (S&P 500) 14.00 (2/28) 18.41 (1/31) Record 11/20/08: 80.86
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The Bond Market

Index (Source: Barclays)

	Feb	12-mo.	Yield
U.S. Treasury: Intermediate	0.20%	-0.31%	1.02%
GNMA 30 Year	0.35%	0.31%	3.11%
Municipal Bond (22+)	1.79%	-2.48%	4.26%
U.S. Aggregate	0.53%	0.15%	2.28%
Intermediate Corporate	0.67%	1.61%	2.29%
U.S. Corporate High Yield	2.02%	8.38%	5.14%
Global Aggregate	1.40%	1.69%	1.91%
EM Hard Currency Agg.	2.57%	0.23%	4.80%

The yield on the benchmark 10-Year T-Note stood at 2.65% in February, no change from the end of January, but up 77 basis points from a year ago. The most recent mutual fund cash flow data (week ended 3/5/14) from Lipper showed that investors were favoring riskier assets, according to Reuters. High yield corporate bond and emerging market bond funds posted total returns above 2.00% in Feb. Lipper noted that funds that primarily invest in U.S. Treasuries experienced \$7.0 billion in net outflows, the biggest weekly liquidation since Lipper began keeping records in 1992. Some investors appear to be interpreting the Fed's continued cuts to its monthly bond buying stimulus program as a sign the U.S. economy is strengthening, according to Lipper. As a result, it believes that some investors are prepping for the potential for higher inflation.

Key Rates as of February 28		Key Yield Spread		2014 Debt Issuance Through January		
		The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 346 basis points on 2/28/14, down from 373 on 1/31/14. It was 467 on 2/28/13.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '13
Fed Funds	0-0.25%			Treasury	\$190.0 Billion	+5.6%
2-Yr. T-Note	0.32%			Corporate	\$127.5 Billion	-15.4%
10-Yr. T-Note	2.65%			Convertible	\$600.0 Million	-53.6%
30-Yr. Mortgage	4.31%			Asset-Backed	\$13.8 Billion	+1.1%
Bond Buyer 40	4.80%			Municipal	\$18.9 Billion	-30.1%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net *inflows* totaling \$24.0 billion in 1/14, vs. \$167 million (revised up) of net *outflows* in 12/13, according to the Investment Company Institute. Bond funds reported net *outflows* totaling \$1.2 billion, vs. \$25.1 billion of net *outflows* in 12/13. Money Market fund net *outflows* totaled \$9.8 billion, vs. \$44.1 billion of net *inflows* in 12/13. 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	1859.45	02/28/14	676.53	03/09/09	1859.45	0.00%	0.96%	1.94%
S&P 500 Growth	1010.95	02/28/14	363.99	03/09/09	1010.95	0.00%	2.14%	1.55%
S&P 500 Value	846.60	12/31/13	307.16	03/09/09	840.17	-0.76%	-0.31%	2.38%
S&P 400	1375.33	02/28/14	404.62	03/09/09	1375.33	0.00%	2.66%	1.40%
S&P 400 Growth	623.96	02/28/14	174.44	11/20/08	623.96	0.00%	2.61%	0.95%
S&P 400 Value	476.49	02/28/14	144.98	03/09/09	476.49	0.00%	2.71%	1.88%
S&P 100	823.81	12/31/13	322.13	03/09/09	818.24	-0.68%	-0.25%	2.15%
DJIA	16576.66	12/31/13	6547.05	03/09/09	16321.71	-1.54%	-1.07%	2.17%
NASDAQ 100	3699.80	02/27/14	1036.51	11/20/08	3696.10	-0.10%	3.16%	1.33%
Russell 2000	1187.94	02/27/14	343.26	03/09/09	1183.03	-0.41%	1.81%	1.29%
Russell 2000 Growth	715.23	02/27/14	190.73	03/09/09	708.40	-0.96%	3.02%	0.67%
Russell 2000 Value	1499.11	01/22/14	469.32	03/09/09	1496.12	-0.20%	0.53%	1.96%
Russell 3000	1120.66	02/28/14	389.61	03/09/09	1120.66	0.00%	1.43%	1.82%
MSCI World x U.S. (USD)	5379.90	10/31/07	2131.84	03/09/09	5218.83	-2.99%	1.20%	3.11%
MSCI Emerging Markets (USD)	473.36	10/29/07	128.72	05/17/04	396.56	-16.22%	-3.40%	2.75%
Bovespa/Brazil (USD)	44638.24	05/19/08	5634.22	05/10/04	20188.79	-54.77%	-8.20%	4.50%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	1267.27	-49.06%	-12.16%	3.96%
Bombay SE 500/India (USD)	226.04	01/07/08	39.16	05/17/04	124.84	-44.77%	-1.20%	1.72%
Shanghai Composite/China (USD)	810.24	10/16/07	122.21	07/11/05	334.62	-58.70%	-4.25%	3.03%
KOSPI/South Korea (USD)	2.29	10/31/07	0.62	05/17/04	1.85	-19.10%	-2.67%	1.05%
Hang Seng (USD)	4082.25	10/30/07	1406.13	05/17/04	2942.83	-27.91%	-2.04%	3.42%
MSCI Euro (USD)	1988.53	10/31/07	680.91	03/09/09	1390.77	-30.06%	2.25%	3.18%
S&P Consumer Discretionary	530.10	12/31/13	125.72	03/09/09	528.83	-0.24%	-0.04%	1.31%
S&P Consumer Staples	446.03	11/15/13	199.80	03/09/09	433.77	-2.75%	-1.75%	2.68%
S&P Energy	668.81	05/20/08	225.27	03/25/04	638.36	-4.55%	-1.55%	2.20%
S&P Utilities	223.91	12/10/07	112.86	05/17/04	204.33	-8.74%	6.50%	3.83%
S&P Financials	509.55	02/20/07	81.74	03/06/09	292.07	-42.68%	-0.59%	1.71%
S&P Banks	414.38	02/20/07	49.02	03/05/09	213.95	-48.37%	2.74%	2.26%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	549.55	-18.77%	8.13%	3.50%
S&P Health Care	686.45	02/28/14	252.84	03/05/09	686.45	0.00%	7.17%	1.57%
S&P Pharmaceuticals	523.28	02/27/14	214.50	03/03/09	523.14	-0.03%	7.41%	2.52%
NYSE Arca Biotechnology	2946.23	02/25/14	447.78	08/09/04	2814.71	-4.46%	20.83%	0.14%
S&P Information Technology	595.78	02/27/14	198.51	11/20/08	595.09	-0.12%	2.00%	1.53%
Philadelphia Semiconductor	564.29	02/26/14	171.32	11/20/08	563.83	-0.08%	5.75%	1.64%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	147.50	-18.54%	-4.15%	4.89%
S&P Industrials	452.46	12/31/13	132.83	03/09/09	447.16	-1.17%	-0.73%	1.96%
S&P Materials	296.64	02/28/14	108.33	03/02/09	296.64	0.00%	2.03%	2.27%
Philadelphia Gold & Silver	228.95	04/08/11	64.36	10/27/08	99.55	-56.52%	18.53%	2.15%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	302.43	-36.13%	7.95%	N/A
Merrill Lynch Perpetual Preferred	197.97	05/08/13	51.79	03/09/09	193.18	-2.42%	5.35%	5.79%
Merrill Lynch High Yield Constrained	347.56	02/28/14	130.37	12/12/08	347.56	0.00%	2.75%	6.11%