











## The Economy

Nonfarm payrolls averaged 231,380 per month for the 12-month period ended November 2014, according to data from the Bureau of Labor Statistics. That figure is closing in on the 250,000 monthly target that many economists cited at the start of the recovery as the minimal amount required to make a serious dent in unemployment. The number of new jobs created did exceed 250,000 in four of the 12 months. The labor market has improved to such a degree that workers are voluntarily quitting their jobs at the fastest pace in over six years. The Labor Department announced that close to 2.8 million U.S. workers left their jobs under their own volition in September, an indication that workers believe that their options are growing, according to Reuters.

<b>Consumer Confidence</b> <b>92.6</b> (Dec) 88.7 (Nov) 	<b>Crude Oil (Mo.-End)</b> <b>\$53.27</b> (Dec)  \$66.15 (Nov)	<b>Personal Spending</b> <b>+0.6%</b> (Nov)  Oct was +0.2%	<b>ISM Manufacturing</b> <b>55.5</b> (Dec)  58.7 (Nov)	<b>ISM Non-Manufacturing</b> <b>56.2</b> (Dec)  59.3 (Nov)
<b>Gold (Mo.-End)</b> <b>\$1,184.10</b> (Dec)  \$1,175.20 (Nov)	<b>Natural Gas (Mo.-End)</b> <b>\$2.89</b> (Dec)  \$4.09 (Nov)	<b>Factory Orders</b> <b>-0.7%</b> (Nov)  Oct was -0.7%	<b>New Home Sales</b> <b>438,000</b> (Nov)  458,000 (Oct)	<b>Existing Home Sales</b> <b>4.93M</b> (Nov)  5.26M (Oct)

## The Stock Market

### Indices (Source: Bloomberg)

	Dec	2014
S&P 500	-0.3%	13.7%
DJIA	0.1%	10.0%
NASDAQ 100	-2.3%	19.5%
S&P 400	0.8%	9.7%
Russell 2000	2.8%	4.9%
Russell 3000	0.0%	12.5%
MSCI World (ex U.S.) (USD)	-3.3%	-4.3%
MSCI Emerging Markets (USD)	-4.6%	-2.2%

### Growth/Value (Source: Bloomberg)

	Dec	2014
S&P 500 Growth	-1.0%	14.9%
S&P 500 Value	0.5%	12.4%
S&P 400 Growth	0.2%	7.6%
S&P 400 Value	1.4%	12.0%
Russell 2000 Growth	3.0%	5.6%
Russell 2000 Value	2.7%	4.2%

Seventy-three out of the 131 subsectors (56%) that comprise the S&P 500 posted a gain in December, down from 107 (82%) last month, according to S&P Dow Jones Indices. Utilities was the best performing sector, up 3.52%. In December, the dividend-payers (423) in the S&P 500 (equal weight) posted a total return of 0.37%, vs. -0.12% for the non-payers (79), according to Standard & Poor's. There are currently 502 stocks in the index. In 2014, the payers were up 14.99%, vs. a gain of 15.44% for the non-payers. It was the third consecutive year in which the non-payers outperformed the payers. From 2000-2014, however, payers outperformed the non-payers in 10 of those 15 years. In 2014, the number of dividend increases totaled 375, up from 366 in 2013. Eight dividends were cut, compared to 12 in 2013. The S&P 500 just posted its third consecutive annual double-digit gain. This is the first time it has happened since the late 1990s (1995-1999). On a total return basis, the S&P 500 was up 13.7% in 2014, up 32.4% in 2013 and up 16.0% in 2012. The all-time closing high for the S&P 500 was 2090.57 on 12/29/14. USA TODAY polled 15 Wall Street firms to get their S&P 500 year-end price targets for 2015 and it produced an average of 2230. Bloomberg's consensus 2015 and 2016 earnings growth rate estimates for the S&P 500 were 9.60% and 12.06%, respectively, as of 1/6/15.

<b>U.S. Dollar Index (DXY)</b> <b>+2.2%</b> (Dec)  +12.8% (2014) \$ was up 0.3% in '13	<b>CBOE Total Equity Options</b> (# of contracts in millions)  Dec: <b>37.6</b> (+9.6%) Nov: 34.3 (-28.8%) Record 7/08: 67.2 million	<b>Short Interest (NYSE)</b> <b>U</b> Mid-Dec: <b>15.3B</b> (0.0%) <b>N</b> Mid-Nov: 15.3B (-3.2%) <b>C</b> Record 7/08: 18.61 billion shares <b>H.</b>	<b>VIX Volatility Index (S&amp;P 500)</b>  <b>19.20</b> (12/31) 13.33 (11/30) Record 11/20/08: 80.86
--	---	--	--

## The Bond Market

### Index (Source: Barclays)

	Dec	2014	Yield
U.S. Treasury: Intermediate	-0.27%	2.57%	1.24%
GNMA 30 Year	0.09%	6.03%	2.74%
Municipal Bond (22+)	1.03%	15.39%	3.00%
U.S. Aggregate	0.09%	5.97%	2.25%
Intermediate Corporate	-0.38%	4.35%	2.53%
U.S. Corporate High Yield	-1.45%	2.45%	6.61%
Global Aggregate	-0.69%	0.59%	1.62%
EM Hard Currency Agg.	-2.75%	3.13%	5.27%

The yield on the benchmark 10-Year T-Note stood at 2.17% on 12/31, no change from 11/28. It was down 86 basis points from 3.03% on 12/31/13. The drop in the yield on the 10-Year T-Note was a boon for investors holding investment grade bonds. In 2013, the yield on the 10-Year T-Note rose by 127 basis points, which negatively impacted the performance of investment grade bonds. While the Federal Reserve did end its quantitative easing-related bond purchases in December, it has yet to tighten monetary policy. Many economists believe that the Fed will begin to do so at some point in 2015. Low interest rates abroad, a strengthening U.S. dollar and the lack of any significant inflationary pressures have enabled interest rates to stay low, in our opinion. As of Nov., Moody's expected the default rate on speculative-grade bonds to remain below 3% in 2015.

Key Rates as of December 31		Key Yield Spread		2014 Debt Issuance Through November		
		The spread between the Merrill Lynch U.S. High Yield Constrained Index and the 10-Yr. T-Note was 478 basis points on 12/31/14, up from 438 on 11/28/14. It was 336 on 12/31/13.		(Source: Thomson Reuters)		
				Debt Category	\$ Amount	% change over '13
Fed Funds	0-0.25%			Treasury	\$1.94 Trillion	+4.1%
2-Yr. T-Note	0.67%			Corporate	\$1.39 Trillion	+3.1%
10-Yr. T-Note	2.17%			Convertible	\$36.3 Billion	+11.6%
30-Yr. Mortgage	3.99%			Asset-Backed	\$216.8 Billion	+18.3%
Bond Buyer 40	4.27%			Municipal	\$295.8 Billion	-4.0%
(Source: Bloomberg)		(Source: Bloomberg)				

Equity funds reported net *outflows* totaling \$2.2 billion in 11/14, vs. \$5.2 billion of net *inflows* in 10/14, according to the Investment Company Institute. Bond funds reported net *inflows* totaling \$14.9 billion, vs. \$6.2 billion of net *outflows* in 10/14. Money Market fund net *inflows* totaled \$21.1 billion, vs. \$19.2 billion of net *inflows* in 10/14. Y-T-D through November, equity funds reported net *inflows* totaling \$49.2 billion, vs. \$62.6 billion of net *inflows* for bond funds (municipals had net *inflows* totaling \$23.6B) and \$74.6 billion of net *outflows* 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	2090.57	12/29/14	676.53	03/09/09	2058.90	-1.51%	13.68%	1.95%
S&P 500 Growth	1140.15	12/29/14	363.99	03/09/09	1121.62	-1.63%	14.89%	1.55%
S&P 500 Value	941.10	12/29/14	307.16	03/09/09	927.97	-1.40%	12.35%	2.34%
S&P 400	1474.40	12/29/14	404.62	3/9/2009	1452.44	-1.49%	9.74%	1.52%
S&P 400 Growth	657.93	12/29/14	174.44	11/20/08	648.42	-1.44%	7.57%	1.21%
S&P 400 Value	519.72	12/29/14	144.98	03/09/09	511.71	-1.54%	12.04%	1.87%
S&P 100	922.48	12/26/14	322.13	03/09/09	908.38	-1.53%	12.74%	2.09%
DJIA	18053.71	12/26/14	6547.05	3/9/2009	17823.07	-1.28%	10.04%	2.18%
NASDAQ 100	4337.78	11/28/14	1036.51	11/20/08	4236.28	-2.34%	19.49%	1.28%
Russell 2000	1219.11	12/29/14	343.26	3/9/2009	1204.70	-1.18%	4.90%	1.34%
Russell 2000 Growth	730.07	12/29/14	190.73	03/09/09	722.13	-1.09%	5.60%	0.68%
Russell 2000 Value	1554.11	7/3/2014	469.32	3/9/2009	1523.45	-1.97%	4.21%	1.99%
Russell 3000	1242.10	12/29/14	389.61	03/09/09	1224.11	-1.45%	12.55%	1.83%
MSCI World x U.S. (USD)	5496.51	07/03/14	2131.84	03/09/09	4934.01	-10.23%	-4.32%	3.30%
MSCI Emerging Markets (USD)	473.36	10/29/07	164.51	10/27/08	401.52	-15.18%	-2.19%	2.78%
Ibovespa/Brazil (USD)	44638.24	05/19/08	8674.40	01/20/05	18830.93	-57.81%	-14.38%	4.68%
RTS/Russia (USD)	2487.92	05/19/08	498.20	01/23/09	790.71	-68.22%	-42.40%	5.38%
S&P BSE 500/India (USD)	226.04	01/07/08	57.52	3/9/2009	169.58	-24.98%	36.09%	1.33%
Shanghai Composite/China (USD)	810.67	10/16/07	122.21	07/11/05	521.10	-35.72%	54.01%	2.05%
KOSPI/South Korea (USD)	2.29	10/31/07	0.63	11/20/08	1.75	-23.58%	-8.30%	1.11%
Hang Seng (USD)	4082.25	10/30/07	1420.72	10/27/08	3044.28	-25.43%	5.31%	3.83%
MSCI Euro (USD)	1985.51	10/31/07	682.47	3/9/2009	1227.69	-38.17%	-7.18%	3.44%
S&P Consumer Discretionary	576.97	12/29/14	125.72	03/09/09	572.75	-0.73%	9.68%	1.45%
S&P Consumer Staples	509.71	12/26/14	199.80	3/9/2009	499.58	-1.99%	15.98%	2.52%
S&P Energy	737.09	06/23/14	276.71	01/05/05	586.59	-20.42%	-7.79%	2.75%
S&P Utilities	249.87	12/29/14	113.81	3/9/2009	240.14	-3.89%	28.98%	3.32%
S&P Financials	509.55	02/20/07	81.74	03/06/09	333.32	-34.59%	15.18%	1.74%
S&P Banks	414.38	02/20/07	49.02	3/5/2009	236.95	-42.82%	15.51%	1.72%
FTSE NAREIT Equity REITs	676.54	02/07/07	163.57	03/06/09	629.96	-6.89%	28.02%	3.63%
S&P Health Care	820.02	12/08/14	252.84	3/5/2009	791.97	-3.42%	25.34%	1.46%
S&P Pharmaceuticals	606.11	12/08/14	214.50	03/03/09	583.11	-3.79%	22.22%	2.33%
NYSE Arca Biotechnology	3545.58	12/19/14	484.48	4/4/2005	3439.11	-3.00%	47.91%	0.36%
S&P Information Technology	708.74	12/26/14	198.51	11/20/08	691.95	-2.37%	20.12%	1.53%
Philadelphia Semiconductor	703.12	12/05/14	171.32	11/20/08	686.87	-2.31%	31.45%	2.20%
S&P Telecom Services	181.06	05/31/07	88.10	03/09/09	152.55	-15.75%	2.99%	4.96%
S&P Industrials	493.85	12/29/14	132.83	3/9/2009	486.47	-1.49%	9.80%	2.02%
S&P Materials	319.68	09/24/14	108.33	03/02/09	305.28	-4.50%	6.91%	2.12%
Philadelphia Gold & Silver	228.95	04/08/11	61.63	11/05/14	68.78	-69.96%	-17.29%	1.51%
Reuters/Jefferies CRB	473.52	07/02/08	200.34	03/02/09	229.96	-51.44%	-17.92%	N/A
Merrill Lynch Perpetual Preferred	209.69	11/30/14	51.79	03/09/09	209.38	-0.15%	14.18%	5.44%
Merrill Lynch High Yield Constrained	358.03	09/01/14	130.37	12/12/08	346.73	-3.16%	2.51%	6.95%