

**MARKET COMMENTARY**

After a strong year in 2014, U.S. stocks experienced a sharp decline in January, as both large and small company stocks lost over 3%. Lower oil prices were not enough to overcome a Q4 GDP print that was below expectations and the negative impact of a strong dollar on earnings of U.S. multinationals. International stocks proved to be more resilient, with both developed and emerging market companies responding favorably to the announcement by the European Central Bank of a bond-buying stimulus plan. Treasury yields fell further, defying general expectations and providing a market backdrop that allowed intermediate bonds to return over 2%.

**MARKET NEWS**

- With Q4 earnings season nearly complete, companies have begun lowering 2015 guidance and are on track for revenue growth of 6%; revenues are lower than recent quarters due to the impact of a strong U.S. dollar and lower oil prices
- The advance estimate for Q4 GDP shows the economy expanded by 2.6%, which is below survey expectations of 3.0%; lower exports and a deceleration in nonresidential fixed investments were cited as main detractors
- The Swiss National Bank's removal of the franc's peg to the euro caused the franc to rally against other currencies, making everything from shares of Nestle to Rolex watches relatively more expensive for international consumers

**INDEX RETURNS & MARKET LEVELS<sup>1, 2</sup>**

	Description	Month	3 Months	YTD	1yr
<b>Equities</b>					
S&P 500	<i>U.S. large cap</i>	-3.00%	-0.64%	-3.00%	14.22%
Russell 2000	<i>U.S. small cap</i>	-3.22%	-0.37%	-3.22%	4.41%
MSCI EAFE	<i>Non-U.S. developed</i>	0.49%	-1.67%	0.49%	-0.43%
MSCI EM	<i>Emerging markets</i>	0.60%	-5.05%	0.60%	5.23%

**Fixed Income**

Barclays U.S. Aggregate	<i>U.S. core inv. grade</i>	2.10%	2.92%	2.10%	6.61%
Barclays Municipal	<i>U.S. municipal</i>	1.77%	2.46%	1.77%	8.86%
BofAML High Yield Master II	<i>U.S. sub inv. grade</i>	0.69%	-1.50%	0.69%	2.45%
JPMorgan EMBI Global TR	<i>Emerging markets</i>	0.34%	-2.91%	0.34%	6.98%

**Alternatives**

HFRX Global Hedge Fund	<i>Hedge funds</i>	-0.29%	-0.71%	-0.29%	-0.62%
Alerian MLP	<i>MLPs</i>	-3.05%	-10.86%	-3.05%	1.01%
S&P U.S. REIT	<i>REITs</i>	6.70%	10.96%	6.70%	33.47%
Bloomberg Commodity TR	<i>Commodities</i>	-3.34%	-14.34%	-3.34%	-20.02%

**U.S. Economic Measures**

U.S. GDP <sup>3</sup>		2.6%	<i>(Q4 2014, advance est.)</i>
CPI-U ex Food & Energy <sup>4</sup>	<i>"Core" inflation</i>	1.6%	<i>(12/31/2014)</i>
Unemployment Rate		5.6%	<i>(12/31/2014)</i>

	Levels		
	1/30/2015	12/31/2014	1/30/2014
<b>Rates</b>			
2yr U.S. Treasury	0.66%	0.67%	0.36%
10yr U.S. Treasury	1.68%	2.17%	2.72%
3mo LIBOR	0.25%	0.26%	0.24%
Prime Rate	3.25%	3.25%	3.25%
30yr Mortgage Fixed	3.83%	4.04%	4.52%

**Commodities**

Gold (\$/oz.)	1,260	1,206	1,243
Copper (\$/MT)	5,505	6,359	7,155
Oil-WTI (\$/barrel)	48.24	53.27	98.23
Corn (\$/bushel)	3.63	3.80	4.24

**Currencies**

Euro (\$/€)	1.13	1.21	1.36
Pound (\$/£)	1.50	1.56	1.65
Jap. Yen (¥/\$)	117.47	119.90	102.72

*Notes:* 1) Sources: Bloomberg, J.P. Morgan Asset Management, Morningstar, Hedge Fund Research, Bureau of Labor Statistics, Bureau of Economic Analysis. 2) Data as of the date of this report unless otherwise noted. 3) U.S. GDP measures the percentage change during the referenced quarter as published by BEA. 4) Consumer Price Index for All Urban Consumers: U.S. City Average, All Items Less Food and Energy is based on 12-month percent change as published by BLS.

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