Stock Index Performance

Index	Week	YTD	12-mo.	2013	5-yr.
Dow Jones Industrial Avg. (16,154)	2.45%	-2.19%	18.33%	29.65%	18.70%
S&P 500 (1,839)	2.39%	-0.26%	23.47%	32.38%	19.86%
NASDAQ 100 (3,664)	2.89%	2.18%	33.92%	36.94%	25.65%
S&P 500 Growth	2.50%	0.76%	26.73%	32.75%	20.13%
S&P 500 Value	2.28%	-1.36%	20.06%	31.97%	19.67%
S&P MidCap 400 Growth	3.01%	0.31%	22.53%	32.68%	24.13%
S&P MidCap 400 Value	2.95%	0.63%	22.49%	34.25%	22.74%
S&P SmallCap 600 Growth	2.51%	-2.76%	27.71%	42.68%	24.65%
S&P SmallCap 600 Value	2.89%	-2.15%	26.72%	39.98%	23.34%
MSCI EAFE	2.48%	-0.90%	16.01%	22.78%	14.74%
MSCI World (ex US)	2.40%	-1.56%	9.38%	15.29%	14.49%
MSCI World	2.43%	-0.51%	19.12%	26.68%	17.05%
MSCI Emerging Markets	2.18%	-4.36%	-7.81%	-2.60%	14.25%

Source: Bloomberg. Returns are total returns. The ***5-yr. return is an average annual.*** One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 2/14/14.

S&P Sector Performance

Index	Week	YTD	12-mo.	2013	5-yr.
Consumer Discretionary	1.77%	-2.39%	30.13%	43.08%	30.20%
Consumer Staples	2.06%	-2.82%	14.07%	26.14%	17.41%
Energy	2.54%	-3.30%	10.88%	25.05%	13.44%
Financials	1.62%	-0.94%	23.80%	35.59%	21.76%
Health Care	3.32%	4.98%	36.98%	41.46%	19.22%
Industrials	1.88%	-1.88%	27.47%	40.64%	22.91%
Information Technology	2.92%	1.48%	26.43%	28.43%	21.49%
Materials	3.14%	-0.10%	19.25%	25.60%	19.96%
Telecom Services	1.79%	-3.82%	2.07%	11.47%	14.35%
Utilities	3.64%	6.14%	13.58%	13.21%	12.00%

Source: Bloomberg. Returns are total returns. The ***5-yr. return is an average annual.*** One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 2/14/14.

Bond Index Performance

Index	Week	YTD	12-mo.	2013	5-yr.
U.S. Treasury: Intermediate	-0.13%	0.85%	-0.16%	1.71%	2.59%
GNMA 30 Year	-0.37%	1.62%	0.01%	2.44%	4.23%
U.S. Aggregate	-0.16%	1.45%	0.02%	4.21%	4.86%
U.S. Corporate High Yield	0.55%	1.50%	7.64%	15.81%	17.70%
U.S. Corporate Investment Grade	0.07%	1.99%	1.17%	9.82%	8.84%
Municipal Bond: Long Bond (22+)	0.04%	3.35%	-3.67%	11.26%	7.45%
Global Aggregate	0.31%	1.78%	0.95%	4.32%	4.92%

Source: Barclays Capital. Returns are total returns. The ***5-yr. return is an average annual.*** One-week, YTD, 12-mo. and 5-yr. performance returns calculated through 2/14/14.

Key Rates

As of 2/14/14

Fed Funds	0.00-0.25%	5-yr CD	1.32%
LIBOR (1-month)	0.15%	2-yr T-Note	0.31%
CPI - Headline	1.50%	5-yr T-Note	1.53%
CPI - Core	1.70%	10-yr T-Note	2.74%
Money Market Accts.	0.45%	30-yr T-Bond	3.70%
Money Market Funds	0.01%	30-yr Mortgage	4.33%
6-mo CD	0.40%	Prime Rate	3.25%
1-yr CD	0.67%	Bond Buyer 40	4.89%

Sources: Bankrate.com, iMoneyNet.com and Bloomberg.

Market Indicators

As of 2/14/14

TED Spread	22 bps
Investment Grade Spread (A2)	154 bps
ML High Yield Master II Index Spread	403 bps

Sources: Bloomberg and Merrill Lynch via Bloomberg.

Weekly Fund Flows

Estimated Flows to Long-Term Mutual Funds for the Week Ended 2/5/14

	Current Week		Previous	
Domestic Equity	-$1.564	Billion	$1.879	Billion
Foreign Equity	$3.450	Billion	$3.598	Billion
Taxable Bond	-$3.006	Billion	-$1.416	Billion
Municipal Bond	$146	Million	$520	Million

Change in Money Market Fund Assets for the Week Ended 2/12/14

	Current Week		Previous	
Retail	-$0.11	Billion	$4.93	Billion
Institutional	$8.11	Billion	-$5.98	Billion

Source: Investment Company Institute.

Factoids for the week of February 10 - 14, 2014

Monday, February 10, 2014

Bank of America Merrill Lynch reported that U.S. investors have pulled money out of emerging market stock funds for 13 consecutive weeks, the longest stretch since 2002, according to MarketWatch.com. The MSCI Emerging Markets Index posted a total return of -9.28% (USD) over the past 12 months, compared to 21.60% for the S&P 500. Emerging market equities have not been this cheap relative to U.S. stocks since 2005, according to Brett Arends at MarketWatch.com. Arends notes that emerging market equities would need to rally by 20% (USD) to get back to their "modern-day" average relative level. The estimated price-to-earnings ratio on the MSCI Emerging Markets Index for 2014 is 9.32, well below its 10-year average of 13.29, according to Bloomberg. Bloomberg puts the index's estimated earnings growth rate for 2014 at 18.04%.

Tuesday, February 11, 2014

Moody's reported that the global speculative-grade default rate stood at 2.5% in January, down from 2.8% (revised up) in December, according to its own release. Moody's is forecasting a default rate of 2.5% for January 2015. The historical average for the default rate on speculative-grade debt has been approximately 4.7% since 1983. The U.S. speculative-grade default rate stood at 1.8% in January, down from 2.2% in December. The default rate on senior loans stood at a 16-month low of 1.17% in January, down from 1.61% in December, according to Standard & Poor's LCD. Leveraged loan portfolio managers expect the default rate to be in the vicinity of 2.0% by the end of 2014 and 2.5% around the close of 2015, remaining below the historical average of 3.2%.

Wednesday, February 12, 2014

Analysis of census data by the Pew Research Center found that the earnings gap between young adults with and without bachelor's degrees is at its widest margin in 48 years, according to Yahoo Finance. Young adults possessing just a high school diploma earned 62% of the typical salary of college graduates in 2013, down from 81% in 1965 (earliest data). College graduates, ages 25 to 32, who worked full-time in 2013 earned around $17,500 more, on average, than those with just a high school diploma ($45,500 vs. $28,000). Pew noted that young adults with only a high school diploma are now more likely to live in poverty. In 1979, 7% lived in poverty, compared to 22% today.

Thursday, February 13, 2014

Fidelity Investments reported that the average 401(k) balance stood at $89,300 at the close of 2013, up 15.5% from $77,300 in 2012, according to CNNMoney.com. It noted that the majority of the gains came from strong stock market returns. Participants closing in on their retirement years (ages 55 to 64) saw their 401(k) account balances grow by 15.3%, on average, from $143,300 in 2012 to $165,200 in 2013. But the news isn't all good. A 2013 study by the Employee Benefit Research Institute found that nearly 50% of all workers had saved less than $10,000 for retirement. Many young and low-income workers are opting to cash out of their 401(k) plans when switching jobs, as opposed to rolling over their savings to another 401(k) plan or IRA. Fidelity said that of the roughly 800,000 workers with Fidelity accounts who left a job in the first nine months of 2013, 35% cashed out their balances (average of $15,500).

Friday, February 14, 2014

Year-to-date through 2/13, the price of natural gas rose 23.4% to $5.22 per million British thermal units (BTUs). The price has more than doubled over the past two years. The natural gas rig count in the U.S. declined by more than half over that two-year period, according to Baker Hughes. The current active rig count stands at 351, far below the 14-year peak of 1,606 on 8/29/08. Natural gas production in the U.S. is so efficient and strong now that even after cutting the number of rigs in half production is actually up slightly. Week-to-week changes in the weather this winter has boosted volatility. Natural gas futures have moved more than 5% in either direction in 9 out of the 30 trading sessions so far this year, according to MarketWatch.com.