



February 2015: Market Review

Global equity markets rose sharply in February, even as U.S. growth was revised downward and many countries continued to deal with deflationary pressures. The Dow Jones Industrial Average added 6.01% during the month, moving it into positive territory for the year, up 2.22%. In its best month since October 2011, the S&P 500 Index gained 5.75% in February and has added 2.57% year-to-date. Both indexes hit record highs during the month. The NASDAQ Index was also particularly strong during the month, up 7.08% in February and 4.80% so far in 2015.

In U.S. economic news, the second reading of fourth quarter 2014 real gross domestic product showed annualized growth of 2.2%, reduced from the initial reading of 2.6%. In testimony to Congress, Janet Yellen reiterated the Federal Reserve's patient approach to raising interest rates, making note of the U.S. economy's below-target inflation and slow wage growth. Consumer prices dipped (0.1%) on a year-over-year basis in January for the first time in over five years, driven by falling oil prices; however, excluding oil and food, prices have risen 1.6% in the last year. Lower oil prices have led to increased consumer spending, which hit its highest level in nearly nine years. The most recent S&P/Case-Shiller Home Price Index report showed that on a month-over-month basis, home prices rose 0.9% in December, while on a year-over-year basis, prices were 4.5% higher than a year ago, both up slightly from previous periods. Pending home sales rose to their highest level in one-and-a-half years in January. Among commodities, oil prices were volatile but closed near where they started, as barrels of WTI crude oil ended the month at \$50, up from \$48 in January. Gold closed at \$1213 per troy ounce, down from \$1279 the previous month.

Growth-style equities, aided by strong performance in the information technology sector, outperformed value-style equities across all capitalizations in February. Among large cap stocks, the Russell 1000 Growth Index added 6.67% during the month and is up 5.03% in 2015, while the Russell 1000 Value Index grew 4.84% and has gained 0.65% this year. In small cap stocks, the Russell 2000 Growth Index rose 7.20%, moving its year-to-date gain to 4.75%, while the Russell 2000 Value Index added 4.64% and has grown 0.29% this year. The Russell Midcap Index closed the month with a gain of 5.54%, lifting its year-to-date return to 3.89%.

International equity markets were also positive in February. The MSCI EAFE Index ended the month up 5.98%, pushing its year-to-date gain to 6.50%. The MSCI Europe Index rose 6.28% for the month, giving the index a return of 6.27% thus far in 2015. The MSCI Pacific Index added 5.50%, lifting the index's year-to-date performance to 7.06%. The MSCI Emerging Markets Index gained 3.10% in February, after a tense ceasefire between Ukraine and pro-Russian rebels was declared. Additionally, euro zone finance ministers authorized a four-month extension of Greece's bailout in return for additional reforms, pending parliamentary approval from several European nations. The EM index has added 3.71% for the year.

In U.S. fixed income markets, the yield on the 10-Year Treasury closed February at 2.00%, up from 1.68% at the end of January. The Barclays U.S. Aggregate Bond Index lost (0.94%) in February, but is up 1.14% for the year. The Barclays U.S. Treasury Index was down (1.54%) during the month, but has added 1.00% year-to-date. The Barclays Treasury 20+ Year Index dropped (5.80%), although it has added 2.95% in 2015 and was up 27.48% in 2014. The Barclays Corporate High Yield Index closed the month up 2.41%, pushing its year-to-date gain to 3.09%.

Global equity markets in February saw a reversal of fortune from January. While a number of challenges still exist for markets (high equity valuations, volatile oil prices, and deflationary pressures worldwide), investors are wary of being left behind if stocks continue to rise.