
What Are These Central Banks Doing?

Weekly Update – January 26, 2015

Markets ended the week in the black for the first time in 2015 on the back of major moves by multiple central banks. For the week, the S&P 500 gained 1.60%, the Dow grew 0.92%, and the Nasdaq added 2.66%.¹

Central banks ruled market headlines last week with the European Central Bank, Bank of Canada, People's Bank of China, and Bank of Japan all making key announcements. The ECB led the pack by announcing its first round of quantitative easing, promising EUR 60 billion in monthly asset purchases. The move is designed to boost the Eurozone economy and fight deflationary pressures, though some experts are dubious about the potential for success.² In an effort to stem outflows of cash from the Chinese economy, the Chinese central bank used short-term monetary tools to inject more liquidity into the financial system ahead of the Lunar New Year Holiday.³ The Bank of Canada joined the party by announcing a surprise interest rate cut to spur growth in the face of falling oil prices.⁴

Markets reacted positively to the news that central banks are making an effort to boost the global economy, helping the major indexes post gains for the first time this year. However, the news last week wasn't all good.

The Eurozone faces another major challenge in Greece; voters went to the polls Sunday and elected the radical left Syriza party, which wants to end austerity measures and refuse European debt inspections. Though it's unclear if the party has enough parliament seats to form a government, the election result highlights Greek voters' frustration with austerity and increases the risk of a so-called "Grexit," a Greek exit from the Eurozone.⁵

The U.S. is also facing new foreign policy challenges. The death of Saudi Arabia's King Abdullah bin Abdulaziz Al Saud may change America's relationship with its largest ally in the Middle East and affect global oil markets.⁶ Yemen, a major Saudi supporter and U.S. ally, also experienced leadership turmoil with the resignation of its president after being besieged by rebel fighters.⁷ If the political vacuum causes Yemen to splinter along ethnic and religious lines, it could spark civil war, also threatening U.S. policies in the Middle East.

Looking ahead, we see a lot of uncertainty this week. Though the U.S. continues to do well, we see markets driven by energy prices, worries about Europe, and concern that new central bank policies may not be enough to stoke economic activity in the rest of the world. Next week's Federal Reserve Open Market Committee meeting will be key in setting the tone for the year's monetary policies. Although the Fed has indicated that it may raise rates this year, the increased stimulus measures from its counterparts overseas may make it harder for the Fed to move ahead with rate hikes. Even if global economic policy isn't part of the Fed's mandate, the interconnectedness of the world's

economy and the importance of the U.S. dollar in global trade mean our central bankers must take into account global risks when making policy decisions.⁸ The week ahead is also filled with important earnings reports, which could make or break the Q4 earnings season. Thus far, earnings have been uninspiring, though overall earnings growth is expected to be positive.⁹

When markets turn volatile, it's important to remain disciplined by sticking to your own financial strategies while staying flexible enough to take advantage of opportunities as they arise. We're keeping a close eye on market events as they develop and will keep you updated.

ECONOMIC CALENDAR:

Monday: Dallas Fed Mfg. Survey

Tuesday: Durable Goods Orders, S&P Case-Shiller HPI, New Home Sales, Consumer Confidence

Wednesday: EIA Petroleum Status Report, FOMC Meeting Announcement

Thursday: Jobless Claims, Pending Home Sales Index

Friday: GDP, Employment Cost Index, Chicago PMI, Consumer Sentiment

Data as of 1/23/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	1.60%	-0.34%	12.22%	17.59%	7.57%
DOW	0.92%	-0.84%	9.11%	14.74%	7.00%
NASDAQ	2.66%	0.46%	12.78%	23.15%	13.39%
U.S. Corporate Bond Index	-0.17%	1.10%	4.10%	2.27%	1.04%
International	2.63%	0.72%	-6.71%	2.68%	2.01%
Data as 1/23/2015	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.02%	0.07%	0.17%	1.33%	1.81%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

HEADLINES:

Jobless claims fall from 7-month high. Weekly claims for new unemployment benefits dropped last week, erasing the previous week's increase, which pushed weekly claims to the highest level seen since June. Seasonal factors around holiday hiring are likely to blame for the volatility.¹⁰

U.S. factory activity slows. The manufacturing sector continued to grow in January, but the pace of activity slowed as new orders weakened. Though some seasonal factors may be affecting data, job creation in the sector remains steady, indicating underlying demand may not have dropped.¹¹

Single-family housing starts to reach multi-year high. Groundbreaking on new single-family homes reached the highest level in 6-1/2 years in December. Though housing activity has lagged in the last year, the new construction trend could indicate greater demand for housing as the economy improves.¹²

Mortgage applications surge. The volume of mortgage applications increased dramatically last week, pushing total volume 41% higher than the same period last week, in another hopeful sign for the housing sector. Economists cite low mortgage rates and a reduction in Federal Housing Administration mortgage insurance premiums as factors.¹³



“You have to accept whatever comes, and the only important thing is that you meet it with the best you have to give.”

– Eleanor Roosevelt



Miso and Potsticker Soup with Crispy Snap Peas



This light soup comes together quickly for a busy weeknight meal.

Serves 6

Ingredients:

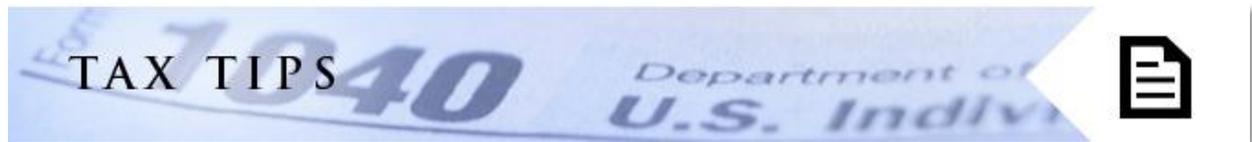
2 tablespoons vegetable oil
2 scallions, thinly sliced, whites and dark green parts separated
2 teaspoons fresh ginger, peeled and finely grated
Kosher salt and black pepper

½ cup white miso (an Asian soybean paste; often found in the refrigerated section of your supermarket)
7 cups chicken or vegetable broth (or water)
1 16-ounce package pork, shrimp, or vegetable potstickers or dumplings (often found in the frozen section of your supermarket)
6 ounces snap peas, thinly sliced
3 radishes, thinly sliced
½ cup cilantro

Directions:

1. Heat a large heavy-bottomed pot over medium heat. When warm, add 1 tablespoon of vegetable oil, then add the white parts of the scallion, a pinch of salt, and a pinch of pepper. Cook until the scallions wilt. Add ½ cup water and the miso paste, stirring to incorporate. Add the broth and cover to bring to a boil.
2. While the broth is coming to a boil, heat 1 tablespoon of oil in a skillet over medium-high heat. When the oil is hot – but not smoking – add the frozen potstickers in a single layer and cook until browned. Cook them in batches, if necessary.
3. Add the potstickers to the hot soup and cook for 2-3 minutes until warmed.
4. Serve the soup in bowls topped with the snap peas, radish slices, scallions, and cilantro.

Recipe adapted from Charlyne Mattox | RealSimple.com¹⁴



Health Insurance Marketplace Premium Tax Credit

If you bought health insurance through the Affordable Care Act’s Health Insurance Marketplace in 2014, you may be eligible for the new Premium Tax Credit. If you elected to have advance payments of the tax credit sent directly to your insurer during the year, you will need to file a federal tax return to reconcile those payments. You should receive a Form 1095-A (Health Insurance Marketplace Statement) by early February, which will have information to help you file your taxes correctly.

For more information about the Premium Tax Credit, please see Publication 5120 “Your Credit, Your Choice” or speak with a qualified tax professional.

Tip courtesy of IRS.gov¹⁵



Look Behind The Ball For Power

For longer drives, don't keep your eye on the ball. Instead, focus your gaze several inches behind the ball to promote a stronger, more athletic turn during the swing. A powerful drive starts with a full turn of the upper body and a good weight shift. When you keep your eyes locked on the ball, you may change your spine angle or you fall into a reverse pivot (a torturous position in which your head is tilted toward the target and most of your weight is on your left side). These maladaptive moves can rob your drive of power and cause you to hit thin shots.

Instead of keeping your eyes fixed, focus your eyes behind the ball and use your peripheral vision to see the ball, improving your ability to turn fully and swing athletically.

Tip courtesy of Art Sellinger, Long Drivers of America | Golf Tips Mag¹⁶



New Research Says Salt's Not So Bad

Though seniors have been told for years to avoid consuming more than 1,500 milligrams of sodium (or about 1 teaspoon of salt), new research suggests that salt isn't quite as dangerous as once believed. Researchers found that upping the daily limit to 2,000 milligrams didn't increase the risk of death, heart disease, or stroke in adults 71 to 80. Though you probably shouldn't drastically increase your salt consumption, the study may suggest that recommended salt intake is unnecessarily low for adults without a history of heart disease.

Tip courtesy of AARP¹⁷



Protect Your Family From Radon

January is National Radon Action Month and the EPA warns that winter is a particularly dangerous time for radon levels. In the colder months, residents often keep windows closed and spend more time indoors, increasing their potential radon exposure. The

EPA estimates that approximately one in 15 homes has dangerously high levels of radon. If you haven't had your home tested for radon levels, call the EPA's hotline at 1-800-SOS-RADON for more information on how to test or fix your home.

Tip courtesy of EPA.gov¹⁸

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We love being introduced!

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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¹ <http://www.briefing.com/investor/markets/weekly-wrap/weekly-wrap-for-january-20-2015.htm>

² <http://www.briefing.com/investor/markets/weekly-wrap/weekly-wrap-for-january-20-2015.htm#ixzz3PsFXY9rJ>

³ <http://www.bloomberg.com/news/2015-01-22/pboc-conducts-first-reverse-repos-in-a-year-to-ease-cash-squeeze.html>

⁴ <http://business.financialpost.com/2015/01/22/how-the-bank-of-canadas-rate-cut-may-spur-growth-faster-than-expected/>

⁵ <http://bigstory.ap.org/article/9b1816988138404e924c96a12f14bc6f/greeks-go-polls-critical-snap-general-election>

⁶ <http://www.cnbc.com/id/102361930>

⁷ <http://www.reuters.com/article/2015/01/25/us-yemen-security-fragmentation-analysis-idUSKBN0KY0BR20150125>

⁸ <http://www.reuters.com/article/2015/01/25/us-markets-stocks-usa-weekahead-idUSKBN0KY0XG20150125>

⁹ <http://www.zacks.com/commentary/37517/make-or-break-week-for-q4-earnings-season>

¹⁰ <http://www.cnbc.com/id/102356246>

¹¹ <http://www.cnbc.com/id/102358956>

¹² <http://www.cnbc.com/id/102352190>

¹³ <http://www.cnbc.com/id/102353506>

¹⁴ <http://www.realsimple.com/food-recipes/browse-all-recipes/miso-potsticker-soup-crispy-snap-peas>

¹⁵ <http://www.irs.gov/uac/Six-Tips-on-Who-Should-File-a-2014-Tax-Return>

¹⁶ <http://www.golftipsmag.com/component/zine/article/40-alter-your-focus.html#.VMVg5mTF-pw>

¹⁷ <http://blog.aarp.org/2015/01/21/a-little-more-salt-is-not-so-bad-for-us/>

¹⁸ <http://www.epa.gov/epahome/hi-winter.htm#radon>