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March 2013 Express

MARKET DATA				
	February	**3 Mo.**	**YTD**	**1 Year**
S&P 500	1.11%	6.96%	6.20%	10.91%
Russell 2000	1.00%	10.85%	7.27%	12.35%
NASDAQ	0.57%	4.98%	4.66%	6.52%
MSCI EAFE	-1.16%	7.20%	3.98%	6.39%
UK (FTSE)	1.34%	8.42%	7.85%	8.33%
Germany (DAX)	-0.44%	4.54%	1.70%	12.92%
Japan (NIKKEI)	3.78%	22.37%	11.98%	18.88%
MSCI Emerging Markets	-1.35%	4.73%	-0.06%	-2.30%
Barclays Aggregate	0.59%	-0.28%	-0.03%	2.99%

All market data as of the end of February 2013. Quoted index returns are based on month end index prices (in local currency) and do not include dividends.

U.S. ECONOMIC DATA				
	February	**Prior Month**	**Beginning of Year**	**Prior Year**
10 year Treasury Yield	1.89%	1.99%	1.76%	1.98%
Gold (London pm fixing per ounce in dollars)	1579	1669	1675	1770
Oil ($ per barrel)	91.93	97.86	91.82	107.07
VIX Index	15.51	14.38	18.02	18.43

All economic and market data as of the end of February 2013.

Eye on The Market Express

Following a strong January, global markets continued their upward momentum in February, but at a much slower rate. Despite concerns over the budget sequestration facing the economy, US markets had a respectable showing as the S&P 500 added a little over 1% in February. Japan maintained its position as the leading developed market and is up almost 12% through the first two months of 2013. Meanwhile, European markets experienced increased volatility due to the surprising results of the Italian elections, which raised doubts about Italy's commitment to economic reforms.

As February drew to a close, the most prominent headline was news of the automatic spending cuts, which were implemented on March 1st. Referred to as the "sequester," automatic spending cuts will amount to $85 billion in 2013. The cuts are distributed evenly (by dollar amounts) among defense and non-defense categories, while some major programs like Social Security, Medicaid, federal pay (including military pay and pensions) and veterans' benefits remain exempt. Medicare spending will be reduced by 2% per year versus planned levels. The Congressional Budget Office estimates that the sequester will reduce economic growth in 2013 by about 0.6 percentage points (from 2.0% to 1.4%) and affect the creation or retention of about 750,000 jobs by the end of the year. After ten years, the sequester would reduce planned spending by more than $1.2 trillion through a series of automatic spending cuts, all split evenly among defense and non-defense programs.

Consumer health was also a focus in February, as it was the first month fully impacted by the expiration of the payroll tax holiday. The payroll tax holiday, which expired on January 1, 2013, was a temporary reduction in the social security tax rate from 6.2% to 4.2%. According to The Bureau of Economic Analysis (BEA), personal disposable income fell 4.0% in January due to the increase in payroll tax. The BEA also estimates that the tax increase reduced personal and disposable income by about $114.1 billion (on an annual rate). Despite the impact, consumer confidence readings improved in February, according to recent data from The Conference Board.

Internationally, markets were surprised by the results of the Italian elections at the end of the month. Nearly complete results showed no clear winner and raised the possibility of a hung parliament, questioning the nation's efforts to pass tough economic reforms. Following the results, the Dow Jones Industrial average dropped more than 200 points and the Tokyo Nikkei index declined 2%.

Emerging markets continue to struggle in 2013, most significantly Eastern Europe and India. Concerns over global growth, particularly in China, led to a general sell-off of oil. Oil finished the month at $91.93 per barrel, more than 6% lower than in January. Gold prices also struggled in February, closing at $1579 per ounce, 5.4% lower than the previous month. Following the Italian elections, the VIX briefly spiked to just below 19 before retreating to close the month at 15.5.

There was no lack of uncertainty in the bond market as investors and market pundits continued to debate the role of central bank stimulus programs. In February however, buyers returned to the fixed income markets, as the Barclay's Aggregate Index was up 0.59% and the yield on the 10-year treasury declined 10 basis points to 1.89%. High yield corporate bonds also had a positive month as the Barclays High Yield Bond index posted a 0.71% gain.

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