

MARKET COMMENTARY

Questions about the health of the global economy continued to weigh on markets during the quarter. Oil prices retrenched further while the Bank of Japan surprised investors by lowering short-term interest rates below zero. With this as backdrop, equities continued their global sell-off, with U.S. large caps returning -5.0% and international returning -7.2%. The tech-dominated Nasdaq, dominated by growth stocks, returned -7.9% and domestic small caps returned -8.8%. Bonds functioned as a safe haven during the month, with intermediate core bonds returning 1.4% and municipals 1.2%. Investors effectively drove down yields on 2yr and 10yr Treasuries to levels not seen since April 2015.

MARKET NEWS

- After raising short-term interest rates in December, the Federal Reserve revealed in its meeting minutes that they remain concerned that inflation could remain sub-2% for longer than expected, which could impact the timing and amount of future rate hikes
- The European Central Bank (ECB) and Bank of Japan (BOJ) continue to pursue diverging monetary policy from the Federal Reserve, as the two central banks reaffirmed their low-rate policy to address low inflation and stagnant economic activity
- WTI crude oil briefly traded below \$30/bbl mid-month as weakening manufacturing data in the U.S. and China and increased exports from Iran further exasperated the global supply/demand imbalance

INDEX RETURNS & MARKET LEVELS^{1,2}

	Description	Month	3 Months	YTD	1yr
Equities					
S&P 500	<i>U.S. large cap</i>	-4.96%	-6.18%	-4.96%	-0.67%
Russell 2000	<i>U.S. small cap</i>	-8.79%	-10.56%	-8.79%	-9.92%
MSCI EAFE	<i>Non-U.S. developed</i>	-7.23%	-9.91%	-7.23%	-8.43%
MSCI EM	<i>Emerging markets</i>	-6.49%	-12.14%	-6.49%	-20.91%
Fixed Income					
Barclays U.S. Aggregate	<i>U.S. core inv. grade</i>	1.38%	0.78%	1.38%	-0.16%
Barclays Municipal	<i>U.S. municipal</i>	1.19%	2.31%	1.19%	2.71%
BofAML High Yield Master II	<i>U.S. sub inv. grade</i>	-1.58%	-6.27%	-1.58%	-6.79%
JPMorgan EMBI Global TR	<i>Emerging markets</i>	-0.20%	-1.76%	-0.20%	0.68%
Alternatives					
HFRX Global Hedge Fund	<i>Hedge funds</i>	-2.76%	-4.74%	-2.76%	-6.03%
Alerian MLP	<i>MLPs</i>	-11.10%	-21.20%	-11.10%	-38.19%
S&P U.S. REIT	<i>REITs</i>	-3.46%	-2.25%	-3.46%	-7.22%
Bloomberg Commodity TR	<i>Commodities</i>	-1.68%	-11.63%	-1.68%	-23.36%

U.S. Economic Measures

U.S. GDP ³		0.7%	<i>(Q4 2015, advance est.)</i>
CPI-U ex Food & Energy ⁴	<i>"Core" inflation</i>	2.1%	<i>(11/30/2015)</i>
Unemployment Rate		5.0%	<i>(12/31/2015)</i>

	Levels		
	1/29/2016	12/31/2015	1/29/2015
Rates			
2yr U.S. Treasury	0.76%	1.06%	0.51%
10yr U.S. Treasury	1.94%	2.27%	1.77%
3mo LIBOR	0.61%	0.61%	0.25%
Prime Rate	3.50%	3.50%	3.25%
30yr Mortgage Fixed	4.02%	4.19%	3.83%

Commodities

Gold (\$/oz.)	1,112	1,060	1,276
Copper (\$/MT)	4,542	4,702	5,391
Oil-WTI (\$/barrel)	33.67	37.13	44.12
Nat. Gas (\$/mcf)	2.25	2.28	2.88
Corn (\$/bushel)	3.62	3.49	3.64

Currencies

Euro (\$/€)	1.08	1.09	1.13
Pound (\$/£)	1.42	1.47	1.51
Jap. Yen (¥/\$)	121.07	120.30	118.07

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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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