



# WEEKLY MARKET WRAP

## REVIEW & PREVIEW

January 13, 2015

VOLUME 22, ISSUE 2

Stocks declined last week ahead of initial 4<sup>th</sup> quarter earnings releases and ongoing oil price declines. Falling oil has dampened inflation across the globe, making it easier for global central banks to keep lower interest rates in place. This week's batch of initial earnings starts with Alcoa, with some big banks and investment firms later in the week.

- Economic Update:** The economy added another 252,000 jobs in December, finishing 2014 as the largest year of job gains since 1999. The unemployment rate fell to 5.6%, but wage gains and labor participation rates remain well below norms at this point in the business cycle. Motor vehicle sales are running at 16.9 million annually, but factory orders dipped slightly last month.
- All Work and No Pay:** Payroll growth has clearly been picking up steam but wage growth is up just 1.6%, barely keeping up with inflation. Credit Suisse expects this to change later in the year, and will key to the Fed lift off in interest rates. Wage gains typically lag hiring trends by six months.
- 4<sup>th</sup> Quarter Earnings Preview:** 4Q corporate profits are expected so show 4.6% y/y growth-half the growth rate of 3<sup>rd</sup> quarter reports. Energy stocks are expected to show sharp declines (20%), while Health Care and Telecom stocks are expected to notch top sector gains.
- Eating His Own Cooking:** According to the Wall Street Journal, about \$700 million of the \$1.4 billion Janus Unconstrained Bond Fund recent inflows came from Morgan Stanley's La Jolla office, home of Bill Gross's personal advisor.
- Fun with Forecasts:** Economists forecast the yield for the 10-year Treasury to be 3.52% at year-end, actual: 2.17%, currently at 1.91%. In March 2009, the CBO forecast the cost of the TARP bailouts at \$356 billion, actual: \$15 billion profit. The Department of Energy forecast gas prices to average \$3.48 in second half of 2014, actual: \$3.17, currently at \$2.13.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	0.64	0.87	0.87
Barclays High Yield	0.21	0.23	0.23
Barclays Glb Agg Bond	0.09	-0.04	-0.04
JPM Emerging Mkts Bond	-0.51	-0.56	-0.56
S&P 500 Index	-0.61	-0.63	-0.63
Russell 3000	-0.64	-0.69	-0.69
Russell 2000	-1.09	-1.57	-1.57
NASDAQ Composite	-0.47	-0.65	-0.65
S&P Global BMI	-0.96	-1.23	-1.23
MSCI EAFE Index	-1.86	-2.55	-2.55
MSCI EAFE Small Cap	-1.23	-1.61	-1.61
MSCI Emerging Markets	0.81	0.55	0.55

Robert Klefsaas, CFP<sup>®</sup>, AIF<sup>®</sup>, CFDS  
 Bruce Bonner, CFA<sup>®</sup>  
 Kristie M. Brenner AIF<sup>®</sup>  
 David Osterberg, CPA  
 Carl Ermisch  
 Trisha Downing  
 Dawn Knudson

President  
 Portfolio Manager  
 VP & Business Leader  
 Tax Advisor  
 Analyst & Paraplanner  
 Executive Assistant  
 Operations Manager

Phone: 952-896-3820 · Fax: 952-896-3819 · Toll Free: 888-809-7901

Email: [asf@allstarfinancial.com](mailto:asf@allstarfinancial.com) · Website: [www.allstarfinancial.com](http://www.allstarfinancial.com)

