RBF Weekly Market Commentary
February 2, 2015

The Markets

It's true. January did not turn out to be the best month for U.S. stock markets. At the end of the month, the Standard & Poor's 500 Index (S&P 500) was down about 3.1 percent. Before you start listening to pithy observations – the saying 'as goes January, so goes the year' has been making the rounds – think back to January 2014. The S&P 500 finished the month down 3.6 percent and still managed to deliver positive performance (up 11.4 percent) for the year.

That said, there is a lot going on around the world and it's making markets as feisty as a broody hen. Some of the issues include:

- **Low, low oil prices:** Oil prices are a boon to consumers at the pump and a detriment to the oil industry which has suffered layoffs and cancelled projects, according to *Barron's*.
- **Greek elections:** The Syriza party won the Greek election on promises to reduce austerity measures and restructure Greek debt. *Forbes* reported there is uncertainty about how this will affect the Greek economy and the euro.
- **Currency issues:** The Federal Reserve is tightening monetary policy while other central banks are easing. With the value of the euro dropping from $1.45 to about $1.15, U.S. exports are getting more expensive overseas, but it has become a lot cheaper for Americans to travel to most parts of Europe.
- **Deflationary pressures:** *CNBC.com* reported prices in the Eurozone fell 0.6 percent year-to-year in January. That was after a 0.2 percent decline in December. Some folks are worried inflation in the U.S. could be headed south, too, if the Federal Reserve raises interest rates too much, too soon.

While stock markets have been struggling (the Dow and the S&P 500 are down but still within 5 percent of their December record highs, according to *Barron's*), the government bond market has been thriving. Experts cited by *Barron's* estimated about 16 percent of the government bonds they track, about $3.6 trillion worth, traded at negative yields last week. *MarketWatch.com* reported, for just the fourth time in more than 50 years, the dividend yield on the S&P 500 Index was higher than the yield on benchmark 10-year Treasury bonds last week.

Data as of 1/30/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.8%	-3.1%	11.2%	15.0%	12.9%	5.4%
10-year Treasury Note (Yield Only)	1.7	NA	2.7	1.8	3.7	4.1
Gold (per ounce)	-2.7	5.1	1.4	-10.0	3.0	11.6
Bloomberg Commodity Index	-0.3	-3.4	-20.2	-11.4	-5.1	-3.7
DJ Equity All REIT Total Return Index	-1.6	6.2	32.0	16.4	18.9	9.9

S&P 500, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

ITS VALUE IS ESTIMATED AT MORE THAN $1 TRILLION…

Is it the 2014 U.S. government-spending bill?
Is it the 282 billion Big Macs?
Is it 3.1 million Ferrari 599 GTBs?
Is it the amount of U.S. currency currently in circulation?

All of the above are estimated to be worth more than $1 trillion and so is student loan debt in the United States. Outstanding student loans are roughly equal to all of the greenbacks circulating the world. According to *The Wall Street Journal*:

> "Ever-escalating tuitions, especially in the past dozen years, have produced an explosion of associated debt as students and their families resorted to borrowing to cover college prices that are the only major expense item in the economy that is growing faster than health care. According to the Federal Reserve, educational debt has shot past every other category – credit cards, auto loans, refinancings – except home mortgages, reaching some $1.3 trillion this year."

The *Journal* said about 70 percent of 2014 graduates borrowed to pay for college, and they left school with an average debt of $33,000. The amount owed varies significantly by state, according to *U.S. News & World Report*. In 2013, students in New Hampshire, Delaware, Pennsylvania, Rhode Island, and Minnesota graduated with debt exceeding $30,000 on average, while those in New Mexico, California, Nevada, the District of Columbia, and Oklahoma had debt of less than $20,000 on average.

While there may be some attractive alternatives for student borrowers – including income-based repayment loans and crowd funding for college – the Journal cited statistics showing America's student debt could be negatively affecting our country's economic dynamism. The percentage of younger Americans who own part of a business dropped from 6.1 percent to 3.6 percent between 2010 and 2013. Also, during the past decade, the percentage of new businesses started by people younger than age 34 fell from 26.4 percent to 22.7 percent.

Weekly Focus – Think About It

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader."

--John Quincy Adams, Sixth U.S. President

Best regards,

Tony Kalinowski

* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
*Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* 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.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
* Stock investing involves risk including loss of principal.

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