RBF Weekly Market Commentary
March 30, 2015

The Markets

So, when is the Federal Reserve going to increase the rate for overnight borrowing?

It's a question that has plagued bond investors throughout the first quarter of 2015. In January, 10-year Treasury yields fell as low as 1.6 percent. Early in March, they rose to about 2.2 percent before falling back below 2.0 percent. The *Financial Times* reported:

> "Higher volatility is typical when markets are on the cusp of a major turning point, and that has been the story so far this year for U.S. Treasury debt… The year has already been characterized by big swings in bond yields, which move inversely with prices… The lack of a clear signal over when policy shifts towards a tightening phase may provide the central bank with greater flexibility but does not quell the uncertainty facing investors."

In recent weeks, Fed Chairwoman Janet Yellen indicated the timing and pace of a rate change would be determined by economic data. In general, the Fed considers a variety of employment and inflation measures when determining policy. The *Times* suggested bond markets have priced out the possibility of a June rate hike, although several Federal Reserve officials recently said a June increase is still under consideration.

U.S. stock markets reflected investor uncertainty last week, too. Turmoil in the Middle East sparked concern an oil price reversal could occur if supply is disrupted. In addition, investors worried weaker-than-expected economic data might indicate U.S. economic growth was slowing. The Commerce Department reported business investment spending plans fell for the sixth straight month. That could result in reduced expectations for first quarter growth, as well as delay a Fed rate increase. Stock markets showed signs of life late in the week but finished lower.

Data as of 3/27/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.2%	0.1%	11.5%	13.4%	11.9%	5.8%
10-year Treasury Note (Yield Only)	2.0	NA	2.7	2.2	3.9	4.6
Gold (per ounce)	1.1	-0.3	-7.7	-10.9	1.6	10.9
Bloomberg Commodity Index	-0.2	-4.8	-26.2	-11.6	-5.5	-4.6
DJ Equity All REIT Total Return Index	-2.9	3.7	23.9	14.1	15.0	9.6

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.

YOUR GRANDPARENTS AND GREAT-GRANDPARENTS SAW A LOT OF THINGS CHANGE DURING THEIR LIFETIMES… During the 20th century, the first Nobel prizes were awarded. The first license plates were issued. The first World Series was played. Americans lived through McCarthyism, the Great Depression, and Orson Welles' 'The War of the Worlds' broadcast. Rock and roll became popular. The first theme parks opened, NASA was formed, and

Earth Day was introduced. Two World Wars were fought as well as the Vietnam, Korean, and Gulf Wars. The Gold Standard ended and the tech revolution arrived.

Many of these events had immediate or eventual implications for industries – automobiles, sports, communications, entertainment, defense, technology, and others – as well as financial markets. The last decade has seen some significant changes, too. Here are a few milestones we've witnessed:

2006: The United States population passed 300 million. (100 million in 1915; 200 million in 1967)
2007: More babies were born in the United States than in any other year in American history.
2008: Nielsen reported texting had become more popular than calling.
2009: More people lived in urban areas than in rural areas across the globe.
2010: This was the hottest year since 1880 – until the record was broken again in 2014.
2011: Digital music sales overtook physical music sales for the first time ever.
2012: China became the world's biggest trading nation and largest pork producer.
2013: The United States overtook the Saudis to become the world's biggest oil producer.
2014: China's economy surpassed that of the United States.
2015: Millennials (born 1980 to late 1990s) became our nation's largest living generation.

When considering investment opportunities, it can be helpful to ponder the ways in which demographic and economic shifts may affect the future and what types of businesses may benefit (or not benefit) from the changes.

Weekly Focus – Think About It

"Friendship is always a sweet responsibility, never an opportunity."

--Khalil Gibran, Lebanese poet and writer

* 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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