RBF Weekly Market Commentary
March 31, 2014

The Markets

Whether it's good news or bad news, it is often surprising how investors and markets react. Last week, Russia annexed Crimea and the Standard & Poor's 500 Index gained about 1.4 percent.

This week, U.S. investors had the chance to bask in the glow of some good news: jobs growth was healthy, consumer spending improved modestly, consumer confidence numbers were better than expected, and fourth quarter's U.S. gross domestic product (GDP) growth number was revised upward. How did U.S. markets respond? Only the Dow Jones Industrial Average finished the week in positive territory.

What offset the good domestic news?

First, there was some not-so-good domestic news. Several banks, including a leading global bank, failed the Federal Reserve's stress test causing share prices in the banking sector to fall.

Next, there was some global news that proved to be unsettling for American investors. According to *Barron's*, U.S. markets had a strong negative response to comments made by President Obama after a summit meeting with top European Union (EU) officials. *Reuters* quoted the President as saying, "If Russia continues on its current course, however, the isolation will deepen, sanctions will increase, and there will be more consequences for the Russian economy."

The President also said NATO would increase its presence in Eastern European member states that share borders with Russia and Ukraine. The upcoming Group of Eight summit meeting was cancelled and a G-7 meeting – excluding Russia – was scheduled for June in Brussels.

Investors and stock markets in other countries were far more sanguine about world events, and most finished the week higher. As reported by Econoday, "Investors were cheered by talk of Chinese stimulus and encouraging U.S. economic data… Equities advanced thanks to renewed chatter about monetary stimulus from the European Central Bank."

Data as of 3/28/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.5%	0.5%	18.4%	12.3%	18.7%	5.2%
10-year Treasury Note (Yield Only)	2.7	NA	1.9	3.5	2.7	3.5
Gold (per ounce)	-3.1	7.8	-19.0	-3.0	6.9	11.9
DJ-UBS Commodity Index	1.4	7.2	-2.0	-6.8	4.7	-0.9
DJ Equity All REIT TR Index	0.4	8.1	2.7	11.1	29.8	8.4

S&P 500, Gold, DJ-UBS 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 TR 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.

WHAT DOES THE FUTURE HOLD? If you're wondering about reality television, *National Public Radio* says it may be virtual reality goggles that let viewers feel as though they are part of a show or let them interact with shows. If you're asking about astronomy, it could be finding a planet that's ten times larger than earth orbiting our sun. Of course, if you're curious about global economic growth, it's almost as exciting – experts indicate we can expect relatively steady growth.

The Economist asked a group of economists to predict GDP growth for 2015. GDP is "the monetary value of all the finished goods and services produced within a country's borders in a specific time period." For the most part, they predicted 2015 will be better for developed nations than 2014.

"Only the economies of Britain and Japan are expected to expand at slower rates in 2015. But for those European countries that have suffered deep recessions, notably Italy and Spain, growth is likely to remain sluggish over the two year period."

The story in emerging countries is improving, too. According to *Price Waterhouse Coopers*, economic fundamentals (such as labor force growth and potential for capital investment and productivity improvement) in emerging countries look good over the longer term.

The *International Monetary Fund*, which has more robust projections for growth than *The Economist's* economists, expects to see improvement in emerging markets. Growth is projected to increase to 5.1 percent this year and 5.4 percent in 2015. Eastern Europe and Latin America aren't expected to grow much faster than the United States in 2015. However, growth in developing Asia is expected to reach 6.8 percent. One exception to the rule is China where growth is forecast to slow from 7.5 percent in 2014 to 7.3 percent in 2015. Even for an economy with slowing growth, those are some pretty good numbers.

Weekly Focus – Think About It

"The fact that an opinion has been widely held is no evidence whatever that it is not utterly absurd."

--*Bertrand Russell, British philosopher*

Best regards,

Tony Kalinowski

* 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 London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ 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 TR 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.
*The economic forecasts set forth in the presentation 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.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

Sources:
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