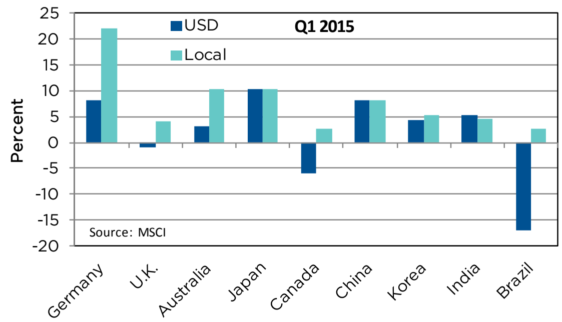
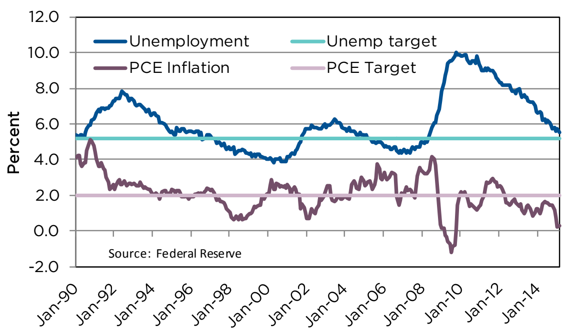
ECONOMIC REVIEW MARCH 2015

Equity markets generally were lower during March, with select emerging markets falling the most. A stronger U.S. dollar contributed significantly to negative emerging markets performance, led by losses in Latin America as investors reacted to a surge in political and corporate corruption, coupled with weak commodity prices. China, Korea, Hungary, Denmark, Germany and Japan were international equity markets standouts, all having relatively stable leadership and banking systems. Although the euro partially rebounded mid-month, the upturn did not hold and the currency fell further. The euro fell below $1.05/€ mid-month, a level last seen in 2003. USD strength reduced the local currency return of international equities from 10.9% to 4.9% for the quarter. Fixed income returns were positive in March, in accordance with quality as investors valued safety above yield. The yield curve flattened slightly, showing little conviction to an imminent Federal Reserve rate hike. Mideast tension remained at the forefront of world conflicts. An overthrow of the Yemeni government sent the country into chaos, prompting Saudi Arabia to attack rebel strongholds within Yemen. The U.S. has assumed a more passive military stance than in years' past, preferring to limit engagement and let the region handle its own political and sectarian disagreements. The U.S. led negotiations with Iran to ease sanctions in exchange for a slowing of Iran's nuclear energy and weapons research. Most leaders agree that a nuclear weapons-free Mideast is a preferred outcome, though many also believe the opposite is inevitable.

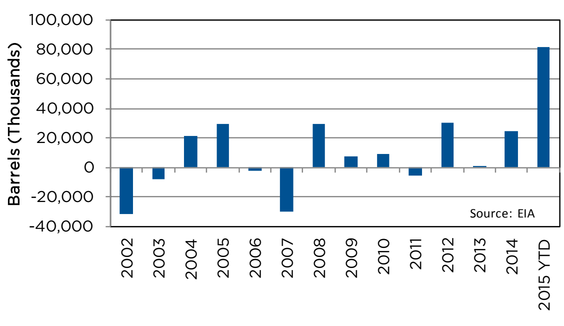
USD vs Local Currency Equity Returns



Fed's Rate Hike Decision Targets



U.S. Crude Oil Storage Changes



Market Returns

As of March 31, 2015

	March	YTD	1 Year
S&P 500	-1.6%	1.0%	12.7%
Russell 1000 Value	-1.4%	-0.7%	9.3%
Russell 1000 Growth	-1.1%	3.8%	16.1%
Russell 2000	1.7%	4.3%	8.2%
MSCI EAFE	-1.5%	4.9%	-0.9%
Emerging Markets	-1.4%	2.2%	0.4%
Barclays Agg	0.5%	1.6%	5.7%
3-Month T-Bills	0.0%	0.0%	0.0%

The Federal Reserve nudged its policy statement slightly closer toward tightening. In one instance, the FOMC removed the word "patient" from its March release, in reference to its ability to wait for economic conditions to improve and justify interest rate hikes. On the other hand, the Fed lowered its benchmark for unemployment from 5.5% to 5.0%-5.2%, providing breathing room before interest rates would need to rise. Janet Yellen added that labor force participation is lower than expected, exports have weakened and the economic recovery has depended on monetary easing. While Yellen expects consumer spending to increase and employment to improve, the economy is underperforming its potential. Investors looking for clarity regarding a change in interest rates were pushed in the opposite direction, and Yellen's comments appear to indicate that it is still too early to begin tightening.

The Chinese Central Bank raised the possibility of monetary easing in response to a pullback in manufacturing since the start of 2015. A bank official cited the need to diminish deflationary pressures, which sparked a global equity rebound as investors relished the thought of further stimulus. An index of Chinese consumer confidence fell to 144.3, down from 155.5 at the end of 2014. China's construction output, measured by floor space, is down by half from the preceding period a year ago. Slack demand and huge overcapacities have left Chinese industries struggling to find buyers. U.S. steel companies asked Congress for protection from Chinese steel producers, who are accused of dumping steel into the U.S. markets at prices below the cost of domestic production.

Russia cut interest rates to 14%, citing optimism that inflation had been corralled. Sweden's Riksbank cut rates to -0.25%, down 15 bps, and will buy $3.5 billion in bonds as it aims to preserve inflation gains amidst forces strengthening the kronor.

U.S. crude oil prices fell to levels last seen in March 2009. Although crude prices were little changed to end March, prices rapidly fell mid-month as worries about storage capacity escalated. Cushing, OK, the main central U.S. storage hub, reported record volumes of oil in storage. A reluctance by domestic producers to cut production, combined with a seasonal drop in refiners' demand, added to the capacity stress. Within days after Saudi officials commented that oil prices had likely bottomed, prices rose 25%. The rise was furthered by turmoil in Yemen, which threatened a key oil route into the Red Sea. With President Obama's push to open dialogue with and ease sanctions on Iran, oil markets may see further price easing. Iran, whose oil exports have dropped significantly, has built up a significant store of crude oil that is ready to hit the market if sanctions are eased. Energy analysts are not certain of the timetable for this oil to hit the market, but with the inflexibility of OPEC members to cut production, any more oil added to the market will depress prices.

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