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Market Month: February 2014

The Markets

Equities recovered from January's losses in fine style. The Nasdaq continued to lead the pack year-to-date, but by the end of the month the S&P 500 had set a fresh all-time closing high. The small caps of the Russell 2000 also had a strong month, leaving the Dow industrials the only one of these four domestic indices down for the year despite its February gains. Unlike its domestic counterpart, the Global Dow barely managed to squeak into positive territory for 2014.

The second month of cuts in the Fed's bond purchases seemed to have little impact on the benchmark 10-year Treasury yield. Meanwhile, gold saw a rebound from its recent losses, gaining almost \$100 an ounce and hitting its highest level so far this year before settling back a bit to end at roughly \$1,320.

Here at FineMark we continue to be vigilant of the softness in emerging markets and any change to the Fed's policies going forward. Please contact your FineMark Professional with any questions.

Market/Index	2013 Close	Prior Month	As of 2/28	Month Change	YTD Change
DJIA	16576.66	15698.85	16321.71	3.97%	-1.54%
Nasdaq	4176.59	4103.88	4308.12	4.98%	3.15%
S&P 500	1848.36	1782.59	1859.45	4.31%	.60%
Russell 2000	1163.64	1130.88	1183.03	4.61%	1.67%
Global Dow	2484.10	2389.81	2484.68	3.97%	.02%
Fed. Funds	.25%	.25%	.25%	0 bps	0 bps
10-year Treasuries	3.04%	2.67%	2.66%	-1 bps	-38 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

The Month in Review

- The U.S. economy grew a bit more slowly in Q4 2013 than previously thought (2.4%). According to the Bureau of Economic Analysis, that put growth for all of 2013 at 1.9%.
- The 113,000 new jobs added to the U.S. economy nudged the unemployment rate down 0.1% to 6.5%. Meanwhile, the Bureau of Labor Statistics said the labor force participation rate rose slightly to 63%, and the number of long-term unemployed fell by 232,000 during the month.
- Congress agreed to avoid renewed conflict over an increase in the debt ceiling by passing legislation that resolves the issue until March 2015.
- Tokyo-based Mt. Gox, at one time the largest Bitcoin exchange, filed for bankruptcy after days of suspense after its website went dark. The company said hackers may have made off with roughly 750,000 bitcoins owned by customers and 100,000 of its own—the equivalent of nearly half a billion dollars' worth of the virtual currency. Meanwhile, Federal Reserve Chair Janet Yellen told a congressional committee that the Fed has no authority to regulate Bitcoin but suggested that Congress could look into doing so.
- Manufacturing showed signs of slowing in the United States, where durable goods orders were down for the third of the last four months thanks to a decline in transportation-related orders and the Institute for Supply Management's gauge fell more than 5%. Meanwhile, Markit/HSBC's survey of Chinese purchasing managers showed contraction there, though seasonal distortion may have played a role.

- Housing suffered from frigid weather throughout much of the country. Housing starts, building permits, and sales of existing homes all saw declines, though new-home sales were up slightly for the month and construction spending also rose.
- Inflation remained well within the Fed's comfort level. The biggest monthly increase in the cost of electricity since March 2010 pushed up consumer prices by 0.1% for the month, putting the annual rate for the last 12 months at 1.6%. Meanwhile, the Bureau of Labor Statistics said the wholesale inflation rate was up 0.2% in January, but the annual rate was only 1.2% over the last year.

Eye on the Month Ahead

The Fed will meet again in March and may have to decide whether weaker economic reports in the last month or so were a function of bad weather or signs of something more significant. Also, the situation in Ukraine could affect the psychology of the markets.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. Market indices listed are unmanaged and are not available for direct investment.