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NATIONAL BANK & TRUST®

## Market Month: April 2013

The US equity markets took a breather at the end of the month but not before ascending to new highs in May. The Federal Reserve's bond-buying program has been both the contributor to and detractor from the recent performance swings. Here at FineMark we continue to diligently monitor our client's portfolios and attempt to position them in accordance with the client's appropriate objectives. Please contact your FineMark Professional with any questions.

### The Markets

Despite some volatility toward the end of the month, bulls generally continued to have their way with domestic equities. The S&P 500 barely took a breath as it barreled through the 1,600 level, eventually hitting a record close of 1,669.16 on May 21. The Dow did the same with 15,000 and hit its own new record of 15,409.39 before fading a bit. The Nasdaq had its best month since January, and an equally strong month for the small-cap Russell 2000 gave it the best year-to-date performance of the four domestic indices. However, the Global Dow failed to add much to the previous month's gains, though it did manage to stay positive.

Meanwhile, bond prices suffered as the 10-year Treasury yield increased almost half a percent during the month. U.S. bonds weren't the only ones to suffer; as Japanese bond yields spiked, the yen, which had been gaining against the dollar since late last year, plunged along with the Nikkei index. The spot oil price fell slightly to just under \$92 a barrel. And despite a bounce in the month's second half, gold still ended May down roughly \$80 at \$1,393 an ounce, and has now lost roughly 17% since the first of the year.

Market/Index	2012 Close	Prior Month	As of 5/31	Month Change	YTD Change
<b>DJIA</b>	13104.14	14839.80	15115.57	1.86%	15.35%
<b>Nasdaq</b>	3019.51	3328.79	3455.91	3.82%	14.45%
<b>S&amp;P 500</b>	1426.19	1597.57	1630.74	2.08%	14.34%
<b>Russell 2000</b>	849.35	947.46	984.15	3.87%	15.87%
<b>Global Dow</b>	1995.96	2178.44	2185.46	.32%	9.49%
<b>Fed. Funds</b>	.25%	.25%	.25%	0 bps	0 bps
<b>10-year Treasuries</b>	1.78%	1.70%	2.16%	46 bps	38 bps

\*Equities figures reflect price changes, not total return.

### Quarterly Economic Perspective

- The U.S. economy grew 2.4% during the first quarter of 2013--a fraction less than the Bureau of Economic Analysis's 2.5% initial estimate but still an improvement from the previous quarter's 0.4%. Business inventories and exports grew slightly less than previously thought.
- The unemployment rate continued to inch downward in April, according to the Bureau of Labor Statistics. The 165,000 new jobs created during the month cut the unemployment rate to 7.5%, its lowest level since December 2008. The loss of 11,000 government jobs partly offset the private sector's 176,000 new jobs.
- The housing market continued to rally. Home prices in the 20 cities measured by the S&P/Case-Shiller Index were 10.9% higher than a year earlier. That was the strongest annual growth since 2006, and it put prices back at late 2003 levels. New home sales saw their strongest increase since July 2008 as a 2.3% jump in April put sales 29% ahead of a year earlier,

according to the Commerce Department. However, the National Association of Realtors® said limited inventory and tight credit continued to constrain sales of existing homes, though sales were up 0.6% for the month and 9.7% from a year ago. Meanwhile, housing starts fell 16.5% for the month but were still more than 13% higher than last April.

- Inflation showed no signs of putting pressure on the Federal Reserve to raise interest rates. For the second straight month, falling oil prices led to a drop in the Consumer Price Index. According to the Bureau of Labor Statistics, the 0.4% decline was the steepest since December 2008, and it pushed the annual consumer inflation rate to 1.1%, its lowest level since November 2010. Meanwhile, wholesale prices fell 0.7%, cutting the wholesale inflation rate for the last 12 months to 0.6%.
- Retail sales were up 0.1%, and for a change, higher gas prices weren't the cause. The Commerce Department said building materials/garden supplies, auto/auto parts, clothing, general merchandise, and nonstore retailers all gained at least 1%.
- Manufacturing data was mixed. Durable goods orders rebounded from the previous month's sharp decline with a 3.3% gain. However, both the Federal Reserve's Empire State and Philly Fed manufacturing surveys showed general business conditions declining during the month, and the Institute for Supply Management's gauges of both manufacturing and services sector activity showed slower growth.
- The Federal Reserve said it will continue its bond purchases. However, it may increase or decrease the monthly amount depending on economic conditions, and some members of the monetary policy committee have suggested starting to wind them down as early as June. Meanwhile, with eurozone unemployment at a record 12.2%, the European Central Bank cut its key interest rate to 0.5% to try to stimulate the continent's contracting economy.

## Eye on the Month Ahead

As the Fed continues to debate when to begin easing out of its shopping spree in bonds, speculation about monetary policy will likely continue to play a key role in both the equities and bond markets. Overseas, any fresh European Central Bank action and a summit on European unemployment will be a focus, as will Japan's troubles. And quadruple witching options expiration could prompt some volatility as the second quarter winds down.

Key dates and data releases: U.S. manufacturing, construction spending (6/3); auto sales, balance of trade (6/4); U.S. services sector, business productivity/costs, factory orders, Fed "beige book" report (6/5); unemployment/payrolls (6/7); retail sales, business inventories, 30-year Treasury bond auction (6/13); wholesale prices, industrial production (6/14); Empire State manufacturing survey, international capital flows (6/17); housing starts, consumer prices (6/18); Federal Open Market Committee meeting announcement (6/19); home resales, Philly Fed manufacturing survey (6/20); quadruple witching options expiration (6/21); Dallas Fed manufacturing survey (6/24); durable goods orders, home prices, new home sales (6/25); final Q1 GDP figure (6/26); personal income/spending (6/27).

*Data sources for non-equities performance: 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, NY close); 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. Equities data reflects price changes, not total return.*

*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 2000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.*