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EYE ON THE MARKET

June 2015 Express

NPH Due Diligence

MARKET DATA				
	May	3 Mo.	YTD	1 Year
S&P 500	1.05%	5.63%	2.36%	9.56%
Russell 2000	2.16%	6.96%	3.47%	9.87%
NASDAQ	2.60%	9.38%	7.05%	19.50%
MSCI EAFE ($ basis)	-1.01%	6.52%	6.99%	-2.95%
MSCI EAFE (local)	1.04%	8.95%	12.17%	14.26%
UK (FTSE)	0.34%	3.48%	6.37%	2.04%
Germany (DAX)	-0.35%	6.73%	16.40%	14.79%
Japan (NIKKEI)	5.34%	16.34%	17.84%	10.80%
MSCI Emerging Markets ($ basis)	-4.16%	8.96%	5.01%	-2.28%
Barclays Aggregate	-0.24%	-1.08%	1.00%	3.03%

All market data as of the end of May 2015. Quoted index returns are based on month end index prices (in local currency except where noted) and do not include dividends.

U.S. ECONOMIC DATA				
	May	Prior Month	Beginning of Year	1 Year Prior
10 year Treasury Yield	2.10%	2.05%	2.17%	2.48%
Gold (London pm fixing per ounce in dollars)	1,191	1,180	1,199	1,251
Oil ($ per barrel)	60.25	59.63	53.27	102.71
VIX Index	13.84	14.55	12.80	11.40

All economic and market data as of the end of May 2015.

Eye on the Market Express

While the Federal Open Market Committee (FOMC) of the Federal Reserve did not meet in May, its Chairperson, Janet Yellen, did make several public statements and the Fed released the minutes from the April FOMC meeting. At a speech this month, Yellen stated that "Delaying action to tighten monetary policy…would risk overheating the economy," and that if the economy continues to improve as she expects, "it would be appropriate at some point in this year to take the initial step to raise the federal funds target and begin the process of normalizing monetary policy." Yellen has commonly been viewed as a cautious or dovish Federal Reserve Chairperson, and this statement is one of her most explicit indications that a rate rise could be approaching after six and a half years of near zero rates. However, Yellen stated that rate normalization would be gradual and the return to pre-crisis "normal" rate levels would take several years. Her public comments aligned with the minutes from the FOMC's April meeting. The minutes indicate that though information received since the committee met in March suggests that economic growth slowed during the winter months, the Fed views many of these factors as transitory. Following these statements, first quarter GDP was revised from a 0.2% gain to a 0.7% decline, when 0.9% decline had been expected. The revision was due to March's unusually large trade deficit, which was primarily caused by the resolution of a dock workers strike on the West Coast. For several years now, we have seen first quarter GDP data disappoint, and there is speculation that seasonal factors are not properly being accounted for.

The economic data released in May was mixed, but there appear to be several themes this month. First, employment data was generally positive, even if some readings missed expectations. Weekly jobless claims for each week in May were below 300,000, with the final data point marking the 20th week in a row that jobless claims were below this level. Non-farm payroll additions rebounded in April with 223,000 new jobs reported. This number was slightly below expectations and March's already disappointing non-farm payroll additions were revised lower to 85,000. However, the unemployment rate ticked down to 5.4%, its lowest level since May 2008, and the labor force participation rate moved up slightly to 62.8%. This is relevant because the unemployment rate can improve simply because people drop out of the labor force. Despite the generally positive data regarding employment, this has not immediately translated to wage growth. Personal income was flat in March, and April average hourly earnings increased less than expected at a monthly gain of 0.1%. The other generally bright spot in the economic data this month was real estate. Housing statistics in April beat expectations and came in at a 1.015 million annualized pace, the strongest reading since November 2007. Building permits for April showed the largest growth since June 2008, new home sales in April improved to 517,000 and March's new home sales were revised up to 484,000. Pending home sales for April handily beat expectations of a 0.9% gain and delivered a 3.4% rise. Finally, the S&P-Case/Shiller 20-city home price index increased 1% in March and 5% year over year. Pricing rises appear to be a result of tighter inventory and higher prices may explain why April's same home sales missed expectations. Consumer data was mixed for May. The Conference Board consumer confidence index rose to 95.4 in May, but the University of Michigan Consumer sentiment index declined to 90.7. Consumer spending missed expectations, growing at 0.4% for the month when 0.5% was expected and retail sales for April were flat, while March's number was revised higher.

After dipping at the start of the month, domestic equity markets moved mostly higher in May with the benchmark S&P 500 index rising by 1.1%, bringing its year-to-date return up to 2.4%. The NASDAQ composite also posted gains for the month with the index rising 2.2% and 3.5% for the year. Small cap stocks, as represented by the Russell 2000 index, continued to be the strongest performer for the year, rising 2.6% in May and 7.1% for the year. Drilling down to sectors within the S&P 500, Healthcare posted the largest gains, growing by 4.5% in May. This was followed by Information Technology, which rose by 2.3%. The only sectors to experience price declines were Telecom Services, which lost 1.8% and Energy, which lost 4.8%.

International stocks were mixed during May. The benchmark MSCI EAFE Index rose by 1.0% on a local currency basis, but because the dollar strengthened against several developed currencies during the month, the index lost 1.0% in May when translated into dollars. Looking at specific regions and economies, European equities were mixed. British stocks, as measured by the FTSE 100 index, rose by 0.3% in May, bringing its year to date return up to 6.4%. Britain concluded a parliamentary election at the beginning of May and the Conservative Party, led by David Cameron, will remain in power. Stocks in Europe's largest economy, Germany, declined in May. The German DAX index lost 0.4%, though it is up 16.4% for the year. The decline was despite generally positive economic news from Europe. The World Bank forecasts, for the first time since the Euro Crisis began, that all 28 economies in the Eurozone will expand in 2015. They attribute this to extraordinary monetary policy implemented, by the European Central Bank, a declining euro, which helps exporters and lower energy prices. As has been the case since the Euro Crisis started, Greece is still casting a shadow on the EU. Greece has been in negotiations with its creditors (the European Commission, the European Central Bank and the IMF) throughout the month in hopes of avoiding insolvency by accessing an additional $7.2 billion in bailout funds. Turning to Asia, Japan's Nikkei Index was the top performer for the month, rising 5.3% for the month and 17.8% for the year. Japan's economy grew at a surprisingly high 2.4% annualized rate in the first quarter of 2015 and has been showing labor market strength as the unemployment rate has declined to 3.8%, its lowest level in eighteen years. Emerging market stocks lagged developed ones as emerging market currencies weakened against the dollar. The benchmark MSCI Emerging Markets Index declined by 4.2% in May, lowering the year to date gain to 5.0%. Focusing on specific emerging markets, China's local stock market, or A share market, as measured by the Shanghai Composite Index rose 3.8% in

May, bringing its year to date return up to 43%. Currently, local Chinese A shares are not represented in the MSCI Emerging Markets Index, but the index provider is considering adding these shares with a decision widely expected in June. India's stock market, the Sensex, also grew in May rising by 3.0% on the heels of a reported 7.5% annualized GDP growth rate in the first quarter of 2015.

Domestic fixed income markets were mixed to lower for the month. The benchmark Barclays Aggregate Bond Index declined by 0.24% for the month as government bond yields rose with the 10-year Treasury note starting the month at 2.05% and ending at 2.10%. The yield on the 10-year note is still below its 2.17% level at the start of the year, but after declining for much of the first quarter it is approaching year-end 2014 levels. The increase in U.S. yields has been attributed to higher than expected core inflation numbers, positive economic data, and relatively hawkish statements from Janet Yellen. Looking at credit, investment grade credit lagged high yield for the month and for the year. High yield's gains have mostly come from a rebound of energy securities.

Commodities were mixed in May, the benchmark Reuters/Jefferies CRB Index declined by 2.75% in May, which brings its year to date decline to 2.95%. The broad commodities decline was led by metals such as aluminum and nickel, which lost 10.96% and 9.68% respectively. Energy prices rose modestly for the month with oil rising 1.0% to $60.25 per barrel. The price of gold also increased 0.9% to $1,191 per ounce. Finally, volatility, as measured by the VIX index, fell again in May with the index finishing at 13.84.

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INDEX	DESCRIPTION
10 Year Treasury	The closing yield on 10-year Treasury notes calculated on a daily basis. Data sourced from the Federal Reserve.
Barclays Capital Aggregate Bond Index	A broad based index used to represent performance of investment grade bonds traded in the United States. The index includes Treasury securities, government related and corporate securities, mortgage-backed securities and asset-backed securities.
Barclays Municipal Bond Index	An unmanaged index considered representative of the tax-exempt bond market.
BofAML Masters II High Yield Index	An unmanaged index tracks the performance eof below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.
Conference Board Consumer Confidence	An indicator used to measure consumer confidence in the economy produced by the Conference Board on a monthly basis based upon a survey of 5,000 households.
DAX (Germany)	A total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange.
Dow Jones Industrial Average	An unmanaged index of 30 widely held securities.
Federal Funds Rate	Targeted interest rate at which depository institutions lend to each other overnight. The rate is targeted by the Federal Open Market Committee (FOMC).
FTSE (UK)	A capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange.
FTSE NAREIT All REITs Index	Market capitalization weighted index that includes all tax-qualified REITs listed on the New York Stock Exchange.
GDP	A measure of broad economic output in the United States produced by the US Bureau of Economic Analysis on a quarterly basis with revisions made monthly.
Gold	Value of gold based upon the afternoon fix (15:00 GMT) in London each afternoon.
ISM	A measure of manufacturing activity reported by the Institute of Supply Management each month. A reading over 50 signifies growth in manufacturing during the month.
MSCI EAFE	A widely accepted benchmark of foreign stocks. It comprises 21 MSCI country indices, representing the developed markets outside North America: Europe, Australasia and the Far East.
MSCI Emerging Markets	A widely accepted benchmark of emerging markets stocks. It is a float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets.
NASDAQ	An unmanaged index of all stocks traded on the NASDAQ over-the-counter market.

Nikkei (Japan)	An unmanaged price-weighted index of 225 widely held stocks listed in Japan.
Oil	Closing value of light, sweet crude oil futures in the near month.
Retail Sales	A measure of retail sales compiled monthly by the US Department of Commerce
Russell 2000	An unmanaged index of small cap securities.
S & P 500	An unmanaged index of 500 widely held stocks.
Shanghai Composite	Index of all listed (A and B share class) stocks traded on the Shanghai Stock Exchange.
Thomson-Reuters Jefferies CRB Index	A widely accepted benchmark of commodity prices. The index is designed to provide a representation of long-only broadly diversified investment in commodities.
Unemployment	A measure of unemployment compiled monthly by the US Bureau of Labor Statistics.
VIX Index	Measure of market expectations of near-term volatility based on S&P 500 stock option prices.