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EYE ON THE MARKET

April 2015 Express

NPH Due Diligence

MARKET DATA				
	March	3 Mo.	YTD	1 Year
S&P 500	-1.74%	0.44%	0.44%	10.44%
Russell 2000	1.57%	3.99%	3.99%	6.80%
NASDAQ	-1.26%	3.48%	3.48%	16.72%
MSCI EAFE ($ basis)	-1.96%	4.19%	4.19%	-3.46%
MSCI EAFE (local)	0.86%	10.12%	10.12%	14.71%
UK (FTSE)	-2.50%	3.15%	3.15%	2.65%
Germany (DAX)	4.95%	22.03%	22.03%	25.22%
Japan (NIKKEI)	2.18%	10.06%	10.06%	29.53%
MSCI Emerging Markets ($ basis)	-1.59%	1.91%	1.91%	-2.02%
Barclays Aggregate	0.46%	1.61%	1.61%	5.72%

All market data as of the end of March 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				
	March	Prior Month	Beginning of Year	1 Year Prior
10 year Treasury Yield	1.93%	2.00%	2.17%	2.72%
Gold (London pm fixing per ounce in dollars)	1,187.00	1,214.00	1,199.25	1,291.75
Oil ($ per barrel)	47.67	49.76	53.27	101.58
VIX Index	15.29	13.34	12.8	13.88

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

Eye on the Market Express

As expected based on Federal Reserve President Janet Yellen's testimony before Congress, the Federal Reserve removed the word 'patient' from the Federal Reserve Open Market Committee (FOMC) press release, and it reaffirmed its view that the current 0% to 0.25% target rate for the federal funds rate remains appropriate. Prior to the Fed's announcement, removing the word 'patient' had been viewed as an indication that rates would rise sooner. However, while the Fed removed the word 'patient' it also stated that "information received since the [FOMC] met in January suggests that economic growth has moderated somewhat." In conjunction with the press release, the Fed also released revised economic forecasts with lowered GDP growth, unemployment, and inflation expectations. Looking at the Fed's dual mandate to foster maximum employment and price stability, the Fed noted "Labor market conditions have improved further, with strong gains and a lower unemployment rate." In February non-farm payrolls increased by 295,000, and the unemployment rate fell to 5.5%. This marked the 12th consecutive month that non-farm payrolls were above 200,000, the longest streak since 1995. However, average hourly earnings only increased by 0.1% in February when a 0.2% gain had been expected. In addition, the Fed noted that "inflation has declined further below the [FOMC's] longer-run objective." The Fed targets a 2% inflation rate, as measured by the Personal Consumption Expenditure (PCE) Index. In January, the latest reading of the index, the PCE fell by 0.5%, and was only up by 0.2% for the trailing twelve month period. Much of this decline in prices is attributable to the steep decline in energy prices over the last nine months. If you look through declining energy prices and food prices, which tend to be more volatile, Core PCE was up 0.1% for the month and 1.3% annually, which although higher was still below target.

Economic data released in March was mixed, although it is unusually difficult to interpret since many data points were affected by severe cold weather in the North Eastern part of the country. In addition to strong hiring, weekly initial jobless claims were generally better than expected for the month. Consumer sentiment as measured by the University of Michigan consumer sentiment index declined to 93 but was better than expected, and the average reading for the quarter has been the highest quarterly average since the 2004. Housing data was mixed. On the negative side, housing starts dropped sharply in February from a 1.081 million annualized rate in January to only an 897,000 annualized rate in February. This is largely attributed to the colder weather in parts of the country. On the positive side, new home sales were strong at an annual rate of 539,000 when only 464,000 had been expected. This was the highest rate of new home sales since early 2008. One of the larger negative surprises for the month was durable goods order and non-defense capital goods spending. Both were down 1.4% for February when a monthly gain of 0.2% had 0.3% had been expected.

Domestic equity markets were mixed though mostly lower for March with the benchmark S&P 500 Index declining by -1.7%, reversing some of the strong gains the index saw in February. For the quarter the S&P 500 is up 0.4%. Small cap stocks, as measured by the Russell 2000 Index, did better and rose by 1.6% in March. For the quarter it is up 4.0%. The technology heavy NASDAQ composite index fell 1.3% in March, but rose 3.5% for the quarter. Drilling down into sectors, Health Care was the only positive performing sector for the month with a 0.9% gain, and it has been the best performing sector for the quarter with a 6.5% return. Materials and Telecom Services were the worst performing sectors for the month, delivering a 4.7% and 3.7% loss respectively. However, the worst performing sector for the quarter was Utilities, which lost 5.1%. Utilities have been especially volatile throughout the first quarter. The S&P 500 Utilities Index hit an all-time high in January, then declined sharply throughout much of February and March. This sector is very sensitive to expected changes in interest rates due to the sector's heavy utilization of debt. Looking at value versus growth we see that growth has performed better for the quarter across all market capitalizations (as measured by the Russell 3000, 2500, and 2000 growth and value indexes).

International equity markets were also mixed for March. The benchmark MSCI EAFE Index rose by 0.9% on a local currency basis, but because of dollar strengthening in the month, the index fell by 2.0% on a U.S. dollar basis. We see this trend continue if we look at first quarter returns with the index posting a 10.1% gain in local currency terms but only has a 4.2% gain when the returns are converted to U.S. dollars. There has been a general trend this quarter amongst larger economies for central banks to lower interest rates in an attempt to combat slower growth and lower inflation. This typically reduces the value of the currency and partially explains the strengthening dollar. The central banks of China, Canada, Australia, Korea, Denmark, Sweden, and Switzerland, amongst others, lowered interest rates, some into negative yields. Looking at specific equity markets also presents a mixed picture for the month. In Europe, the British FTSE 100 was down 2.5% for March, though it grew by 3.2% for the first quarter. Some market participants expect British equities to be volatile in coming weeks as UK elections at the beginning of May draw near. The German DAX continued its strong performance and trades near record highs, with the index returning 5.0% for March and 22.0% for the quarter. The German economy has been one of the brightest spots in Europe, growing at a 1.6% annualized rate in the last quarter of 2014. Europe's generally positive equity market performance has been attributed to a recovering Eurozone economy and newly initiated quantitative easing by the European Central Bank. Quantitative easing tends to have the effect of pushing up financial asset prices. Moving to Japan, the Nikkei has done well so far in 2015, with the index returning 2.2% for March and 10.1% for the first quarter. Emerging markets declined by 1.6% for the month on a dollar basis as measured by the MSCI Emerging Markets Index. The index is up 1.9% for the quarter. In general, emerging market economies have been struggling with negative capital flows, and according to the International Monetary Fund (IMF), 2014 was the first year that total foreign currency reserves held by emerging markets declined since the IMF began tracking this in 1995. Capital outflows have been attributed to the strengthening dollar and expected interest rate rise in the United States, China's slowing economic growth, and declining commodity prices.

Domestic fixed income prices was mixed for March, but have largely been positive for the first quarter. The benchmark Barclays Aggregate Bond Index rose by 0.5% in March and 1.6% for the first quarter. The best performing sector for the month and the quarter has been long maturity Treasury bonds, with the Barclays Long Term US Treasury Index up 1.2% for the month and 4.0% for the quarter. Long maturity Treasuries are very sensitive to interest rate movements, and this quarter saw the 10-year Treasury note decline from 2.17% at the start of the year to 1.93% at the end of the first quarter. High yield, as measured by the BofAML US High Yield Master II Index, was the worst performing domestic fixed income asset class for March, losing 0.5%, but the asset class is positive for the year with a 2.5% gain. The worst performing domestic fixed income asset class for the quarter was short term US Treasury Bills, which delivered a 0.01% gain, as measured by the Citi Treasury Bill 3 Month Index.

Most commodity prices moved lower in March, with the benchmark Thomson-Reuters Jefferies CRB Index declining 5.5%, which brings the year to date decline to 7.9% for the index. Energy prices moved lower during the month with West Texas Intermediate (WTI) crude, which is predominantly a domestic indicator of prices, declining by 4.2% to $46.67 per barrel, as U.S. oil storage volumes reached record highs. Brent crude, which is a global indicator, declined by 12% for the month to $55.61 per barrel on optimism that a framework for a deal with Iran, a relatively large producer whose oil is unavailable for many developed countries due to economic sanctions, might be reached. Meanwhile, gold moved lower dropping 2.2% to $1,187 per ounce, its second monthly decline in a row, and its year to date return has turned negative to -1.0%. Finally, volatility, as measured by the VIX Index, increased in March to 15.3, in response to weak equity markets during the month.

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Risks of Investing. Both stock and bond investing are subject to risks, including the possibility you may lose money and include credit, interest rate and inflation risk. Stock or bond market investing may not be suitable for all investors. Certain investments including international investments, global or emerging markets, securities of small to middle sized companies, companies with low quality industry ratings, commodities, foreign currencies are subject to a higher degree of risk than more conservative investments and thus may only be suitable for the more speculative investor. International investments are subject to special risks, such as political unrest, economic instability, and currency fluctuations.

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Affiliate Disclosure. Please note that NPH and NPC are affiliates of Jackson National Life Insurance Company and Curian Capital LLC.

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.