



May 2015 Express

NPH Due Diligence

MARKET DATA				
	April	3 Mo.	YTD	1 Year
S&P 500	0.85%	4.54%	1.29%	10.70%
Russell 2000	-2.61%	4.70%	1.28%	8.28%
NASDAQ	0.83%	6.61%	4.34%	20.10%
MSCI EAFE (\$ basis)	3.73%	7.61%	8.09%	-0.94%
MSCI EAFE (local)	0.81%	7.83%	11.02%	15.14%
UK (FTSE)	2.77%	3.13%	6.01%	2.66%
Germany (DAX)	-4.28%	7.11%	16.82%	19.28%
Japan (NIKKEI)	1.63%	10.44%	11.86%	36.46%
MSCI Emerging Markets (\$ basis)	7.51%	8.96%	9.57%	5.27%
Barclays Aggregate	-0.36%	-0.84%	1.24%	4.46%

All market data as of the end of April 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				
	April	Prior Month	Beginning of Year	1 Year Prior
10 year Treasury Yield	2.05%	1.93%	2.17%	2.69%
Gold (London pm fixing per ounce in dollars)	1,180	1,187	1,199	1,289
Oil (\$ per barrel)	59.63	47.67	53.27	102.04
VIX Index	14.55	15.29	12.80	13.41

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

Eye on the Market Express

The Federal Open Market Committee (FOMC) concluded its April monetary policy meeting by leaving the benchmark Federal Funds rate unchanged in a range of 0-0.25%. In its prepared statement, the FOMC wrote that, "The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2 percent objective over the medium term." The FOMC's preferred inflation indicator, the Personal Consumption Expenditures (PCE) Price Index less food and energy, was last reported by the Bureau of Economic Analysis at the end of April at 1.35%, which is well below the 2% inflation target but up slightly from 1.34% in March. At the end of April, markets were not pricing in the Fed's first rate hike to occur until the fall of 2015. The Federal Reserve released its Beige Book of economic activity across the United States in the six week period ending in late March stating that the, "U.S. economy expanded at a moderate to modest pace." The report noted some energy related layoffs across the country but on the other hand also said that employers were finding it more difficult to find skilled workers and that modest pressure on wages was beginning to be felt.

Economic data releases in April were mixed. One of the larger disappointments, after several positive monthly surprises, was the March nonfarm payroll report which showed a gain of 126,000 jobs against economist expectations of 245,000. Despite the smaller gain in nonfarm payrolls, the unemployment rate remained unchanged at 5.5%, and average hourly earnings rose by \$0.06 to \$24.86, a gain of 2.1% year-over-year. Other economic releases which missed expectations included March manufacturing with the March PMI falling to its lowest level since May 2013, March reports on retail sales, new home sales and industrial production, April consumer confidence and the preliminary reading of first quarter GDP which rose 0.2%. Not all economic news was disappointing as March existing home sales rose to their highest annual rate in 18 months. Additionally, economic releases on March pending home sales and durable goods orders, February factory orders, and the S&P Case-Shiller Home Price Index all beat economist expectations. Meanwhile, inflation figures met expectations with both the producer price index and consumer price index rising by 0.2% in March.

Domestic equity markets were mixed to start the second quarter with positive contributions from the benchmark S&P 500 Index, which was up by 0.9%, and the NASDAQ composite, which rose by 0.8% in April. During April, the NASDAQ composite reached a new all-time high, eclipsing its previous high set in March 2000. Small cap stocks, as measured by the Russell 2000 index, ended with a 2.6% decline in April. Sector performance was mixed within the S&P 500 with energy stocks up more than 6% in response to a 25% increase in crude oil prices during the month. Telecom (+5.9%) and materials (+3.1%) also registering solid gains. Meanwhile, the health care (-1.3%),

consumer staples (-0.8%) and utility (-0.5%) stocks underperformed other major sectors. The NASDAQ biotechnology index which was one of the hottest sectors in the first quarter up by more than 13% on several new drug finds and sector consolidation, fell by 1.8% in April.

International stocks were mixed to higher during April. The benchmark MSCI EAFE Index rose by 0.8% on a local currency basis which when translated into dollars resulted in a 3.7% gain as the dollar weakened during the month against several developed currencies. International markets benefitted from improved economic releases and continued record stimulus from major central banks in Europe and Japan. In Europe, economic news was generally positive with manufacturing data rising to a new 11-month high and inflation figures suggesting that the region may be pulling itself out of deflation although unemployment remains elevated. The European Central Bank left its policy rates unchanged while maintaining its plan to purchase €60B of assets each month. In the U.K., the Bank of England also left benchmark rates unchanged at 0.5%. U.K. economic data was more mixed with manufacturing reaching new seven-month highs although GDP grew at just 0.3% during the first quarter, missing expectations of a rise of 0.5%. European bourses responded with mixed results as the U.K. FTSE Index rose by 2.8% while the German DAX Index, which was one of the strongest performing indexes in the first quarter fell by 4.3%. The Bank of Japan left its massive monetary stimulus package (¥80T per year in asset purchases) in place during April while saying that they may not reach their 2% inflation target until mid-2016 instead of during 2015. The Bank of Japan left the door open to increase their stimulus package if economic conditions don't continue to improve. The Japanese Nikkei rose to a new 15-year high in trading in April on the heels of continued record monetary stimulus and the country's exporters benefitting from a weaker Yen. Emerging market equities outperformed during April with the MSCI Emerging Markets Index rising by 7.5%. The gains in emerging market equities were led by gains of more than 15% in shares in China, Brazil and Russia. Chinese shares benefitted from the announcement that the Chinese central bank cut its reserve requirement ratio for all banks by 1.00% to 18.5% adding more liquidity into the economy. Brazilian shares rallied despite their central bank raising rates by 0.50% to 13.25% and economic data continuing to show significant weakness as energy shares rallied sharply. Russia also benefitted from strong gains in energy in April as well as their central bank cutting rates by 1.50% to 12.75%, their third interest rate cut this year. Russia's central bank has had more room to decrease rates as the ruble has rallied more than 18% this year against the dollar after being cut nearly in half in 2014.

Domestic fixed income markets were mixed during April with the benchmark Barclays Aggregate Bond Index falling by 0.4% in response to rising government bond yields. The yield on the benchmark 10-year Treasury note rose by 12 basis points during April to finish at 2.05% bringing the yield to within 12 basis points of where it started the year at 2.17%. Despite several economic releases which missed economist expectations, U.S. yields rose in response to increases in foreign sovereign government rates late in the month on the heels of stronger than expected economic

data in Europe. As is often the case, long duration fixed income had the largest moves with long duration treasuries down more than 3% and most long duration credit indices down more than 2% during the month due to their heightened sensitivity to interest rate changes. High-yield bonds which are considered to be more credit rather than interest-rate sensitive outperformed other fixed income sectors with a gain of 1.2% during April, bringing its year-to-date gain to 3.8%. Meanwhile, international bond prices rose with the Barclays Global Aggregate ex US Index rising by more than 2% due largely to weakness in the U.S. dollar although the index remains more than 2.5% lower for the year. One of the more interesting stories of the month was the issuance of nearly \$400 million in 10-year debt by the Swiss government at a negative yield of -0.055%, which was the largest duration issuance of debt by a sovereign country at a negative rate. German 10-year yields swung wildly during April with the yield starting the month at 18.5 basis points which then fell to a low of 4.9 basis points on April 17 only to rise to 36.4 basis points by the end of the month on rumors that the European Central bank could begin to taper asset purchases earlier than the expectation of September 2016 if better than expected news on the economy were to occur.

Most commodities had a strong April with the benchmark Reuters/Jefferies CRB Index rising by 8.3%, pulling the index to within 0.2% of breakeven for the year. A significant rise in energy prices was the largest contributor to the index's return with NYMEX crude oil futures rising by 25%, their largest gain in nearly six years as crude oil supplies showed signs of decline after months of increases. The decrease in crude supplies fueled expectations that high supply levels in the U.S. would begin to ease. Despite the large gain in NYMEX crude oil futures to nearly \$60 per barrel, the price remains more than 40% off its recent peak of over \$105 per barrel in June 2014. Metals were mostly lower with gold prices falling by 0.6% to \$1,180 per ounce and silver down 2.7% to \$16.15 per ounce. Finally, volatility, as measured by the VIX index, fell in April, with the index finishing at 14.55.



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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 of 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.