



**Kusske Financial Management, Inc.**

*Your success is our business*

www.kusskefinancial.com

11986 Portland Ave South

Burnsville, MN 55337

952-895-6963



## NPH Due Diligence

MARKET DATA				
	February	3 Mo.	YTD	1 Year
<b>S&amp;P 500</b>	5.49%	1.79%	2.21%	13.18%
<b>Russell 2000</b>	5.83%	5.13%	2.38%	4.26%
<b>NASDAQ</b>	7.08%	3.59%	4.80%	15.21%
<b>MSCI EAFE (\$ basis)</b>	5.81%	2.53%	6.27%	-2.56%
<b>MSCI EAFE (local)</b>	6.05%	7.55%	9.19%	12.71%
<b>UK (FTSE)</b>	2.92%	3.33%	5.80%	2.01%
<b>Germany (DAX)</b>	6.61%	14.24%	16.28%	17.64%
<b>Japan (NIKKEI)</b>	6.36%	7.66%	7.72%	26.66%
<b>MSCI Emerging Markets (\$ basis)</b>	2.98%	-1.44%	3.55%	2.47%
<b>Barclays Aggregate</b>	-0.94%	1.24%	1.14%	5.05%

All market data as of the end of February 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				
	February	Prior Month	Beginning of Year	Prior Year
<b>10 year Treasury Yield</b>	2.00%	1.68%	2.17%	2.65%
<b>Gold (London pm fixing per ounce in dollars)</b>	1,214.00	1,260.25	1,199.25	1,326.50
<b>Oil (\$ per barrel)</b>	49.76	48.24	53.46	102.59
<b>VIX Index</b>	13.3	21.0	19.2	14.0

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

## Eye on the Market Express

In testimony before Congress, Federal Reserve President Janet Yellen, signaled that the word 'patient' would be removed from upcoming Federal Reserve Open Market Committee (FOMC) meetings as it pertains to when the FOMC may begin the process of raising interest rates. Yellen added that by dropping the word 'patient' it would give the FOMC the flexibility to decide on rates on a meeting-by-meeting basis. Yellen continued by saying that with the labor market improving, the FOMC will hike when it thinks that inflation is back on track towards its 2% target. Yellen was largely positive on the U.S. economy and especially employment pointing to average job gains of more than 280,000 per month in the second half of 2014, that long-term unemployment has significantly declined and that the pace of quits has recovered to nearly pre-recession levels. She also felt that the dramatic decline in energy prices over the past several months will be a "significant overall plus" for the economy and that inflation will soon turn upwards towards the FOMC's 2% target. While Yellen didn't specify when the FOMC might begin the process of raising interest rates, market participants are not currently anticipating a change in monetary policy until the fall. The FOMC released the minutes from its January 27-28 policy meeting, with many on the Committee showing that they were not in a rush to raise interest rates by saying that a premature rate hike could harm the recovery.

Economic data releases in February were mixed. One of the stronger highlights of the month was the January employment report with the Bureau of Labor Statistics reporting that nonfarm payrolls climbed by 257,000 versus economic expectations of a rise of 234,000, while the unemployment rate ticked up to 5.7% due to increased labor force participation. Revisions to prior reports showed a significantly higher number of jobs created with December's gain revised from 252,000 to 329,000 and November's tally of new jobs improved from 353,000 to 423,000. The three month gain in U.S. non-farm payrolls is the strongest since 1997. The employment gains also spilled over into wages with average hourly earnings rising by \$0.12 to \$24.75 per hour, which is up 2.2% year-over-year. Wage growth will be an important indicator to watch to see if inflationary pressures may begin to build. Many economic reports came in roughly in-line with expectations such as January new home sales and housing starts, December personal income and January inflation figures. The Conference Board reported that its February consumer confidence index fell to 96.4 from a revised 103.8 in January as consumers were slightly less optimistic than in January, although the Index level remains at pre-recession levels. Other economic indicators that missed expectations included January manufacturing and industrial production and December construction spending and factory orders.

Domestic equity markets were sharply higher in February with the benchmark S&P 500 Index rising by 5.5%, its strongest monthly gain since October 2011. The gain in the S&P 500 reverses back to back declines in the index during December and January. Small cap stocks, as measured by the

Russell 2000 Index rose by 5.8% in February, and the technology-heavy NASDAQ composite climbed by more than 7% for the month. The rise in the market was broad-based with all sectors except utilities reporting gains for the month. The largest gaining sectors were consumer discretionary, information technology and materials which all rose more than 8% while underperformers included utilities which fell by more than 6% and energy and consumer staples which each rose by 4% for the month. The utilities sector fell on fears of higher interest rates as most companies in the sector utilize heavy debt-loads.

International equity markets added to their gains in January. The benchmark MSCI EAFE Index rose by 5.8% on a U.S. dollar basis. Central banks were once again active with the Reserve Bank of Australia cutting interest rates by 25 basis points to 2.25%, a new record low and the Swedish central bank lowered its main interest into negative territory while also announcing a bond-buying program. Meanwhile, central banks in England and Japan left their key interest rates unchanged. In Europe, economic news was largely positive as Eurozone GDP growth beat analyst estimates in the fourth quarter, business activity improved and German factory orders rose to their highest levels since April 2008. Despite improving economic data in February, the Eurozone continues to have tepid growth, with GDP growth at only 0.3%. Greece was a major headline throughout the month as the Greek government negotiated with European creditors on an aid extension. Late in the month, the Greek government and creditors agreed on a 4-month extension for financial aid in exchange for continued economic reforms from the country. European markets rallied on the news with UK stocks gaining nearly 3% and the German DAX rising by 6.6%. In Japan, the Nikkei rallied more than 6% in February, on exporter strength due to the weaker Japanese Yen and news that the country pulled out of its recession in the fourth quarter of 2014 with GDP growth of 2.2%, although retail sales remained subdued. Emerging markets posted gains of 3.0% this month on a dollar basis as measured by the MSCI Emerging Markets Index. The best performing emerging market indices in February were in Russia and Greece. Russian markets rallied despite Moody's downgrading the country's debt to junk status at Ba1 with a negative outlook. Moody's noted that Russia is, "expected to experience a deep recession in 2015 and a continued contraction in 2016." Indian stocks rose 1.8% after India's Finance Ministry projected the country's economic growth would accelerate to a four-year high between 8.1%-8.5% in the fiscal year starting in April.

Domestic fixed income prices were mostly lower during February with the benchmark Barclays Aggregate Bond Index falling by 0.9%. The declines were broad-based in fixed income with the largest declines found in intermediate and long duration fixed income which are highly susceptible to interest rate increases. The yield on the 10-year Treasury note rose by 32 basis points to 2.00% as investors moved back towards equities and market participants speculated on whether the Federal Reserve might begin raising interest rates as soon as this summer or fall. Not all fixed income sectors fell during February as the Barclays Corporate High Yield Index rose by more than 2% as

investors gained more confidence in the domestic economy and the appetite for riskier assets increased.

Most commodity prices moved higher in February, with the benchmark Thomson-Reuters Jefferies CRB Index rising 2.4%, cutting the year to date decline nearly in half to 2.6% for the index. Energy prices moved higher during the month with West Texas Intermediate (WTI) crude, which is predominantly a domestic indicator of prices, rising by 3% to \$49.76 per barrel while Brent crude, which is a global indicator, rose more than 20% to over \$61 per barrel. The spread between WTI and Brent finished the month at nearly \$12 per barrel, its largest level in more than a year. The large spread between ETI and Brent was caused by U.S. supplies hitting new record highs while international production was relatively stable. Meanwhile, gold moved lower dropping 3.7% to \$1,214 per ounce, its worst monthly decline since September although the metal remains more than 1% higher for the year to date. Finally, volatility, as measured by the VIX Index, declined in February to 13.3, in response to strong equity markets during the month.

---

#### **IMPORTANT DISCLOSURES:**

***Kusske Financial Management, Inc. is separate from and unrelated to NPC and all other named companies."***

***The Market Update has been prepared by National Planning Holdings, Inc. (NPH), for use by its affiliated broker-dealers which includes NPC, member FINRA, SIPC. This Update is for informational purposes only – any mention of any security, index, and corporation is not meant as a solicitation to buy or sell any security, or any investment related to any corporation mentioned in this Update.***

Opinions, Forecasts and Statistical Information. All expressions of opinions and forecasts expressed in this Market Update are based on assumptions we feel are reasonable. However, these opinions and forecasts may or may not actually come to pass. This information is subject to change at any time, based on market or other conditions and should not be construed as a recommendation. Undue reliance should not be placed on forward-looking statements because, by their nature, they are subject to known and unknown risks and uncertainties. Past performance does not guarantee future results. NPH, its affiliates, officers, directors or their employees may in the normal course of business, have a position in any securities mentioned in this report. This Update also contains statistical information related to the performance of certain indices which are presented for illustrative purposes only as factors that may have an impact on today's economic environments. Keep in mind individuals cannot invest directly in any index, and index performance does not include transaction cost or other fees, which will affect actual investment performance. Individual investor's results will vary. See the table below for a description of the indices used in this Update.

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.

Securities products are **Not FDIC/NCUA Insured; Are Not Guaranteed By Any Bank or Credit Union, and May Lose Value. NPC is not affiliated with any bank or credit union.**

Affiliate Disclosure. Please note that NPH and <FIRM> 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 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.