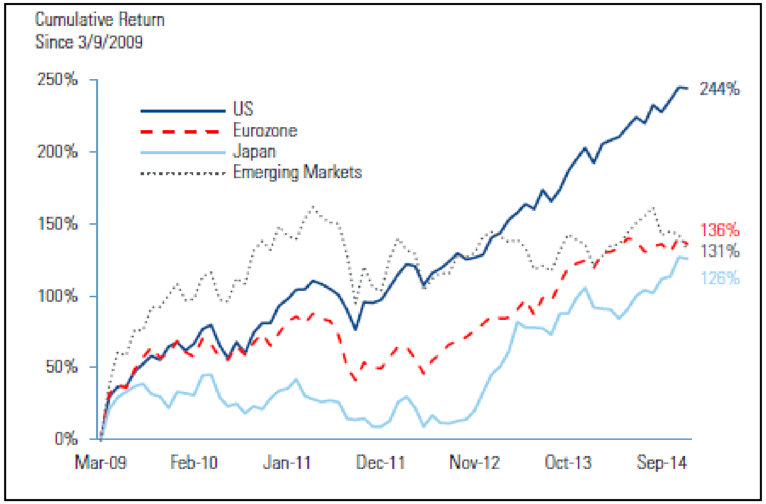
Market Recap

Estimated Effect of ECB Stimulus Plan

Source: ECB; Wall Street Journal

Equity Market Performance since 2009



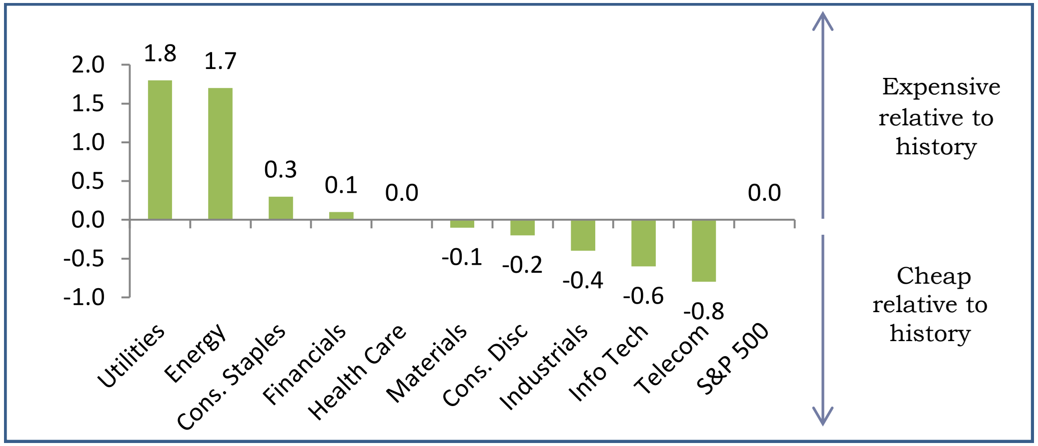
Source: Investment Strategy Group

The ECB has announced a stimulus plan to boost the Eurozone economy. Details include a plan to buy €60 billion of public and private sector bonds per month (€1 trillion total) beginning this March, with an expected completion by the fall of 2016 (unless inflation has not yet reached its target of just below 2%). This is a more aggressive response than was anticipated, as the ECB struggles to reverse ultralow inflation in a regional economy that now poses a risk to the global economic recovery. The ECB had forewarned investors of this large-scale buying program, causing bond yields and the Euro currency to decline sharply over the last few weeks. Nonetheless, with the announcement, the euro continued its fall to an 11-year low against the dollar. Until now, the ECB had relied on interest rate cuts which had been largely ineffective. It is widely hoped that the stimulus program will have a more pronounced – and immediate – impact to jumpstart the Eurozone economy.

By the end of 2014, U.S. equities had risen 244% from the March 2009 bottom of the market. During this period, the magnitude of the outperformance of U.S. financial assets relative to their global counterparts has been staggering, with U.S. equities outpacing Eurozone, Japanese, and emerging market equities by 108%, 118%, and 113%, respectively. On an annualized basis, this translates to annual outperformance of 8%, 9%, and 8%, respectively. Notably, U.S. equities are 32% above their October 2007 peak, whereas all other major markets are all still below their 2007 levels. As this sustained disparity between the U.S. market growth and that of its global peers is unusually high, some investors are concerned that the upward run may soon come to an end and have begun to look beyond U.S. stocks for investment opportunities.

Market Recap

Relative Pricing of S&P 500 Sectors



Source: JP Morgan

As oil continues its decline and global growth in many parts of the world remains questionable, the markets have become more volatile in 2015. The VIX (volatility index) has increased above its long term average of 20. This increased volatility, coupled with a concern that stocks may be overpriced compared to their 15-year average, has led some equity investors to adopt a more cautious – or selective – approach to investing. In a period of heightened volatility, investors who focus on stock and sector selectivity may actually find great opportunity as they take advantage of the market dislocation. For example, as depicted in the chart, statistical analysis suggests that most cyclical sectors appear to be undervalued today, giving portfolio managers good opportunities in those areas of the market.

Number of New Super Bowl Advertisers

Source: Kantar Meda; NBC

This year, Super Bowl ads will cost $4.5 million for a 30-second slot – the highest cost in the game's history. That being said, there will be 15 new brands advertising for the first time during the Super Bowl, representing the largest group of newcomers since 2000. While the cost of Super Bowl ads serve as a significant barrier to entry for smaller companies who simply cannot afford that level of expense, they reach a diverse and highly-coveted audience. In 2014, 111.5 million people watched the Super Bowl – and its ads - according to Nielsen. One of the 2015 newcomers is Loctite Glue which will spend more for its 30-second ad slot than it spends on advertising all year. Contrast this to Anheuser-Busch InBev which spends $275 million on the Bud Light brand alone per year, making Super Bowl buying decisions just one of the company's tools for advancing that brand.

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