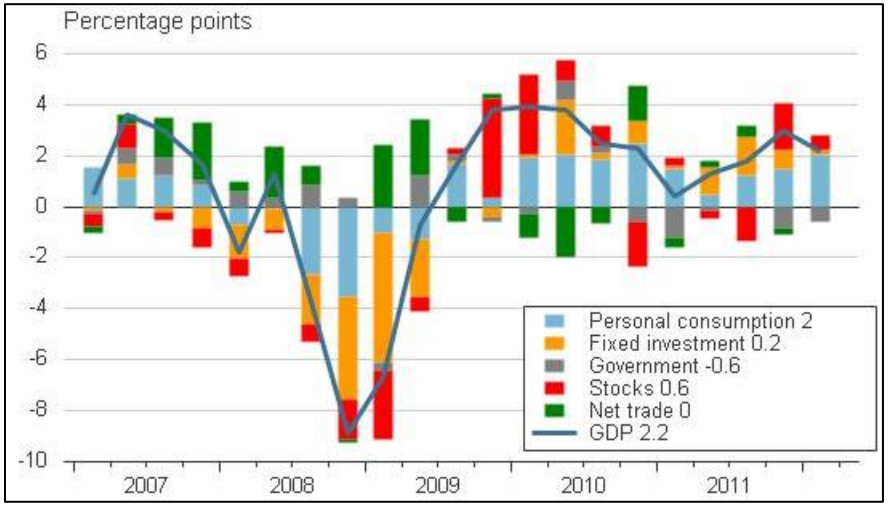
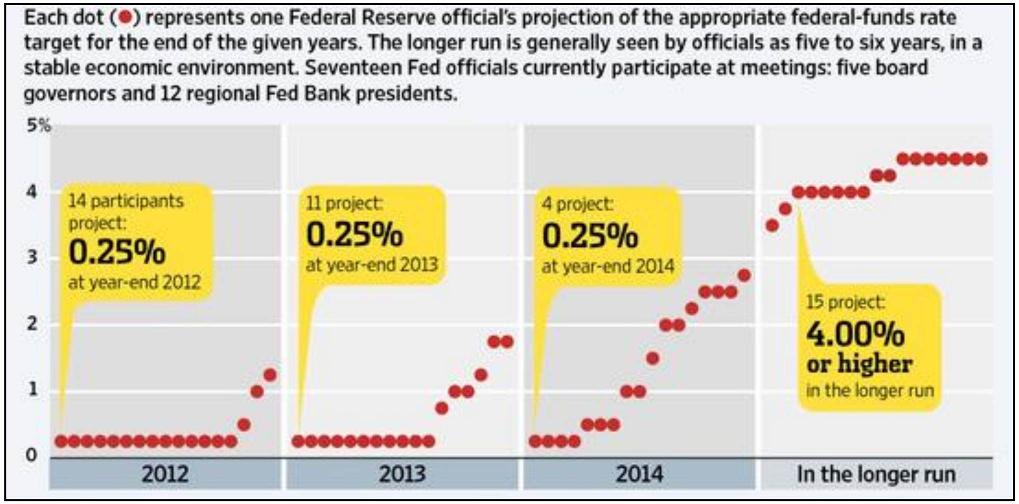
Market Recap

U.S. GDP Growth



Source: Reuters

Federal Reserve Target Forecasts



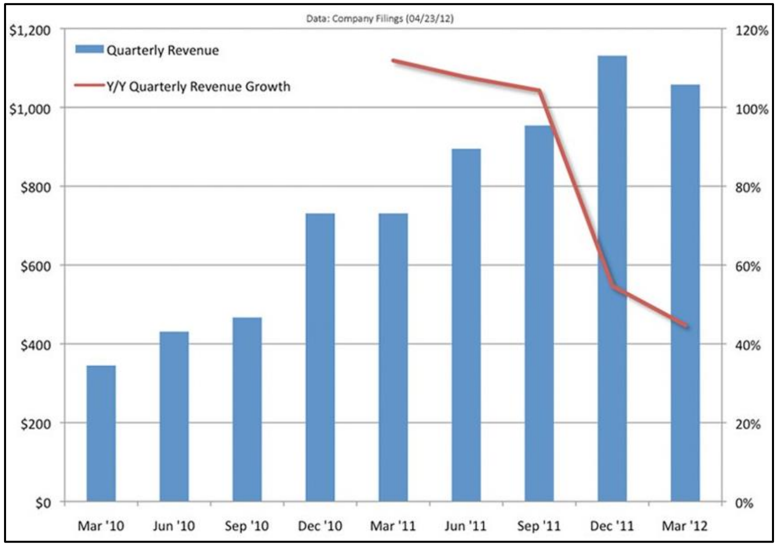
Source: WSJ, Federal Reserve

Gross domestic product rose 2.2% in the first quarter, down from 3% in the previous quarter. Economists had expected GDP growth of 2.5%, prompting fresh fears about the recovery's sustainability. Consumer spending was the bright spot of the report, increasing at its highest level in more than a year. While the drop in GDP growth appears worrisome, economists suggest the results were, in some ways, healthier than the prior period. While consumer demand underpinned first-quarter GDP growth, inventory building fueled expansion in the fourth quarter, as companies rushed to take advantage of an expiring tax credit. Most strategist believe that the report is unlikely to move the Federal Reserve any closer to further quantitative easing. The Fed's policy committee expects economic growth to stay 'moderate' this year, growing between 2.4% to 2.9%. Fed Chairman Ben Bernanke seemed comfortable with the state of the economy during a speech earlier this week but has kept the prospect of another round of bond-buying alive.

As expected, the Federal Reserve reaffirmed their plan to keep short-term interest rates near zero until late 2014. However, hints emerged of diverging views among the policy makers about how the central bank should proceed. A number of Fed officials indicated they expect the unemployment rate to fall lower this year than they projected in January, and for economic growth to pick up more. New central-bank projections released after the FOMC meeting showed that a few officials have become a bit less attached to the Fed's low-interest-rate plans. Seven officials said they thought short-term interest rates would need to rise to 2% or more by the end of 2014; in January, just five officials had that view. Ten Fed officials saw rates at 1% or higher by the end of 2014. These shifting views are thought to be signaling the possibility of policy change that would increase interest rates.

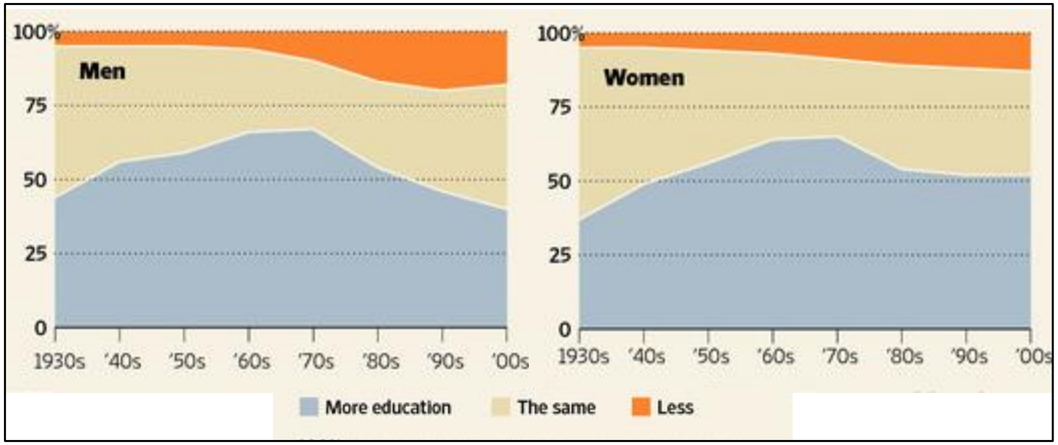
Market Recap

Facebook's Revenue Growth



Source: Facebook Company Filings

Education Achievement for those Turning 25 in the Decade compared to their Parents



Source: National Opionion Research Center, Census Bureau

Facebook's pending IPO has been highly anticipated by investors. Facebook recently released their final financial reporting as a private company. The most concerning issue to come out of their results was that the company's growth rate is rapidly decelerating. Last quarter, revenue growth was 45% (an impressive number for most companies), but growth was 55% in the previous quarter, and the quarter before that it was 104%. A leap in expenses hit the company's profits in the first quarter, as Facebook boosted staff and absorbed costs from employee stock options. Another interesting item from their financial release was that Facebook places a value of $77bil for itself, which it calculated based on the share price used to settle its $1bil purchase of Instagram, the photo-sharing mobile application. Projections of the IPO have the company valued in excess of $100bil. None of this news is anticipated to reduce the fervor for the IPO which is expected to be the most over-subscribed offering in the past several years

Throughout American history, almost every generation has had substantially more education than that of its parents. That is no longer true. Baby boomers born in 1955 had about 2 years more schooling than their parents. In contrast, Americans born in 1980 average only 8 months more schooling than their parents. This development has broad ramifications across the job market. The current unemployment rate for those with only a high-school diploma is 8%, roughly twice that of college graduates. Workers with bachelor's degrees also earn 45% more in wages than high-school graduates. The reasons education levels are no longer increasing as they once did are numerous: High-school dropout rates remain high. College tuition is rising and the prospect of shouldering heavy debt discourages some from enrolling or staying in college. Without better educated Americans, economists believe the U.S. will have difficulty maintaining high-wage jobs and rising living standards.

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