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ECONOMY: Rate Hike On The Horizon?

HAIL TO THE CONSUMER

The second release of Q4 GDP remained unchanged, with a 1.9% annualized growth rate. However, the data revealed that the economy continues to be driven by the consumer. The revised data showed that personal consumption contributed more than first reported while government and private investment added less.

INFLATION POINTS TO RATE HIKE

Inflation measures continue to accelerate. The PCE deflator, the Fed's preferred measure of price growth, is moving towards the 2% target. The headline PCE was up 1.9% over the year and core PCE up 1.7% percent in January. As inflation continues higher and the employment market strengthens, the likelihood of a rate hike increases.

LESS USE OF HOME EQUITY

U.S. home prices have risen roughly 45% since reaching a bottom in 2011 according to data from CoreLogic. Homeowner equity has also risen nearly $7 trillion over the same period. Despite the steady run-up in home prices, very few homeowners have been tapping into their housing equity relative to the numbers observed during the 2006 housing boom according to research from the Federal Reserve Bank of New York.

STRONG MONTH FOR MANUFACTURING

The ISM manufacturing composite rose to 57.7 in February, its highest level since 2014. All of the sub-indices either rose further into expansionary territory or, in the case of order backlog, turned positive.

CONFIDENCE RISES

The Conference Board ***Consumer Confidence Index***®, which had declined moderately in January, increased in February. Both the Present Situation Index and the Expectations Index increased for the month. *"Consumer confidence increased in February and remains at a 15-year high (July 2001, 116.3). Consumers rated current business and labor market conditions more favorably this month than in January. Expectations improved regarding the short-term outlook for business, and to a lesser degree jobs and income prospects. Overall, consumers expect the economy to continue expanding in the months ahead."*

BOE UPGRADES GROWTH

The Bank of England (BOE) has upgraded its growth forecasts for the next three years as policymakers acknowledged the UK's economic performance had been stronger than its predictions following the Brexit vote. Bank officials expect the UK economy will grow by 2% this year, up from a forecast of 1.4% in November and just 0.8% last August.

CHINA LOOKING TO INCREASE REGULATION

China's financial regulators have circulated a draft of new rules aimed at curbing risks in the country's asset management industry. The rules, formulated by the PBOC and China's securities, banking and insurance regulators, were the latest effort by the authorities to bolster their oversight of financial assets, including wealth management products, amid concerns about growing debt in the economy.

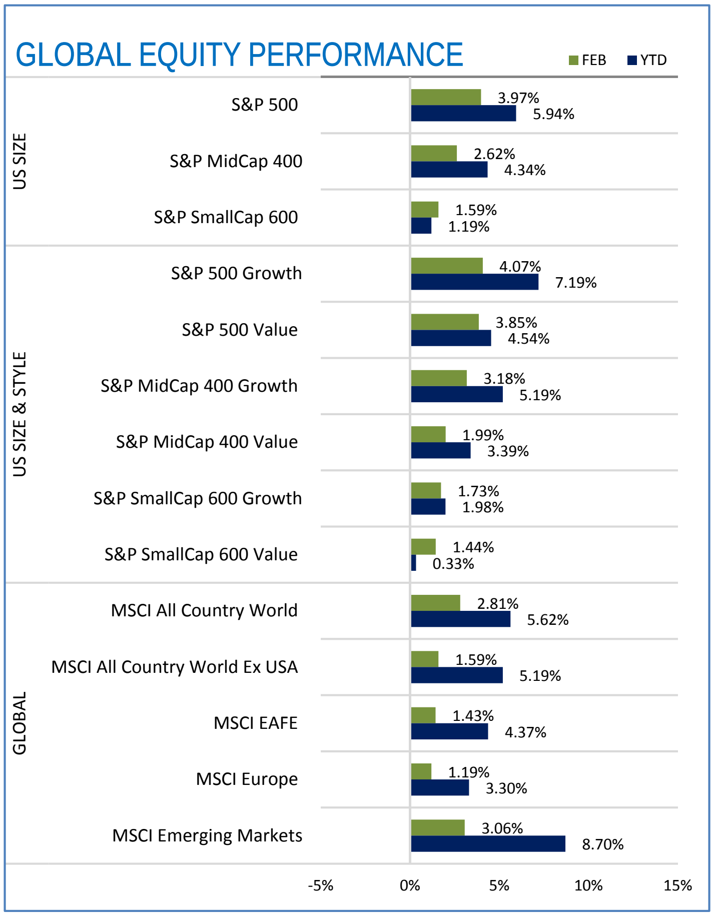
GREEK BAILOUT TALKS CONTINUE

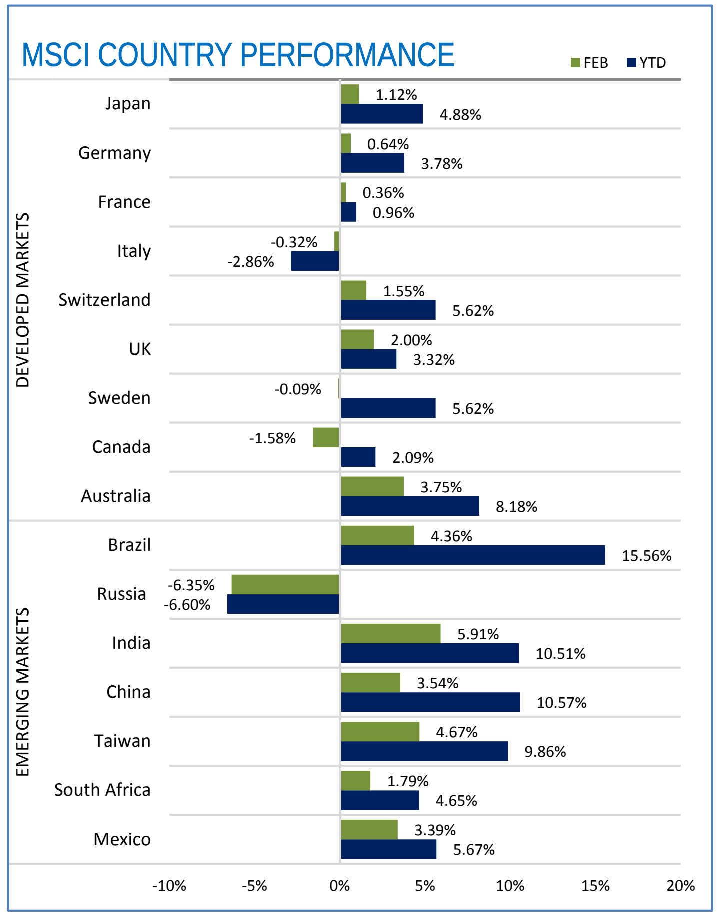
Greece is locked in talks with the European Commission, the European Central Bank, the European Stability Mechanism and the International Monetary Fund over the conditions attached to its latest bailout.

BRAZIL ECONOMY RECOVERING

Brazil's central bank lowered interest rates by another 0.75% to 12.25% and reiterated its guidance that further reductions and possible changes to the pace of easing will continue to depend on future inflation expectations. Falling inflation and interest rates are expected to help the economy return to growth this year.

GLOBAL EQUITIES: A Strong Month For Global Equities





S&P 500 Pushes Higher

Optimism over President Donald Trump's potential policy initiatives helped push the S&P 500 Index to a historic market capitalization high of $20trillion for the first time in mid-February. The index closed up 3.97% in February and achieved an all-time high of 2371.54.

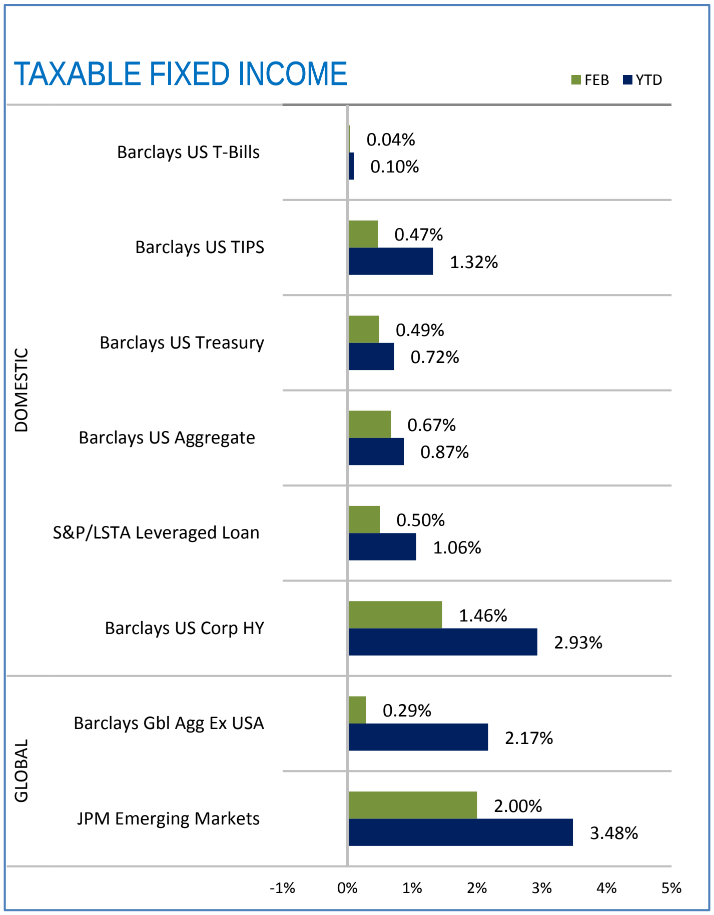
European Markets & Profitability Rise

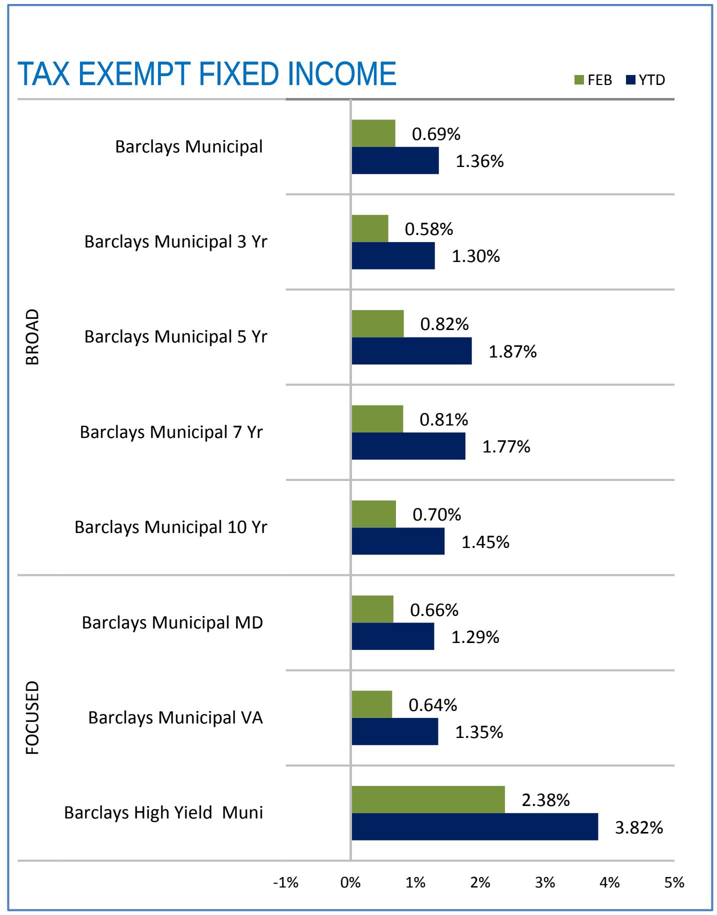
The strengthening macroeconomic backdrop was reflected in European equity markets as the MSCI Europe Index closed up 1.19% in February. With the annual earnings reporting season underway, a majority of European corporations are beating analysts' expectations and recording positive earnings growth in 2016 relative to the prior year. Moreover, 2017 earnings projections have been steadily revised up, whereas the trend over the past few years was that estimates would decline as the year progressed.

Emerging Markets Gains Continue

It was a positive month for emerging markets equities with all the regions registering gains. The MSCI Emerging Markets Index closed up 3.06% for the month and 8.70% YTD. The advance was supported by economic indicators suggesting stronger growth moving forward. Latin America and emerging Asia were the best performing regions, with EMEA (Europe, Middle East and Africa) being the laggard as Russia fell over 6%, in part due to the decline in natural gas prices.

FIXED INCOME: Fed to Continue to Evaluate Economy





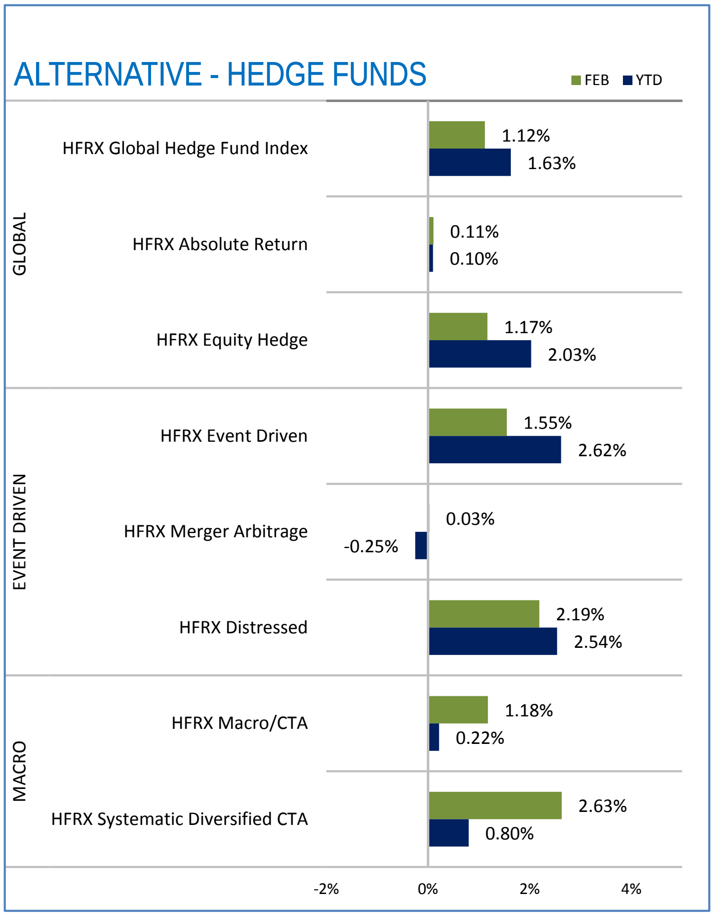
Yellen On The Hill

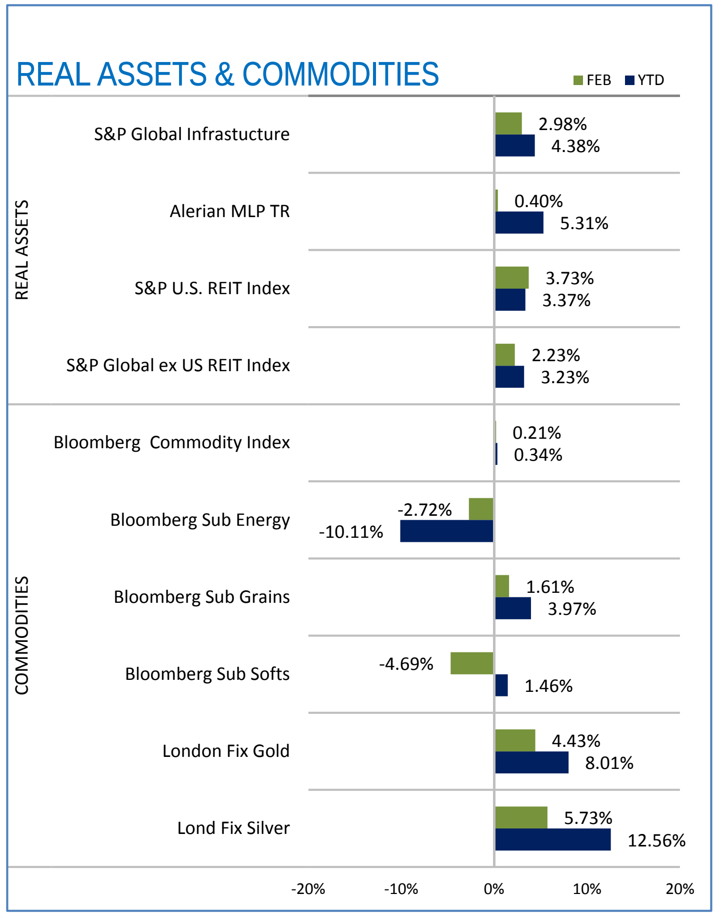
Fed Chairman Janet Yellen delivered her semi-annual testimony to Congress in mid-February. The Chair's testimony was fairly upbeat stating that the Fed will adjust the rate path as the economy evolves, and will evaluate progress at upcoming meetings. She added that further policy adjustment will likely be needed if the economy remains on track, and warned that it would be unwise to wait too long to tighten. While delivering an upbeat economic assessment on the margin, she avoided any outright time-based guidance on future rate policy.

Yields Fall & Bonds Rise Marginally

Since the election in November 2016, financial markets have focused on the expected pro-growth policies of the Trump administration. The bond market, however, is beginning to reassess these expectations. Thus far, there have been limited policies initiated, and potential roadblocks on tax reform. The yield on the 10-year U.S. Treasury fell slightly in February while the Barclays U.S. Aggregate bond index gained 0.67%.

ALTERNATIVES: Precious Metals & Energy Diverge





Global Macro Hedge Funds Perform

Hedge funds generally posted gains in February with the HFRX Global Hedge Fund Index gaining 1.12% for the month. Event driven strategies continued to outperform as the HFRX Event Driven Index returned 1.55% and the HFRX Distressed Index was up 2.19%. The HFRX Systematic Diversified CTA Index rebounded 2.63% in February due to gains in precious metals and currencies.

REITs Rebound, But Questions Remain

REITs rebounded in February after posting modest loses in January. The S&P US REIT Index closed the month up 3.73%. However, some analysts caution that REITs may come under pressure in the coming months due to the rising rate environment, the maturity of the current real estate cycle, and the supply of new real estate.

Black Gold vs. Real Gold

Broad commodity rallies are rare without energy, since energy accounts for nearly one-third of the index. However, crude oil appears to be getting bested by gold thus far in 2017. Gold has rallied 8.01% while the Bloomberg Precious Metals Subindex has rallied 10.5%. In 2017. This in in stark contrast to the decline in energy as the Bloomberg Energy Subindex has fallen 10.11% YTD