Weekly Brief

BLACKSUMMIT FINANCIAL GROUP

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13 March 2015

Market Action

- Disappointing economic data and bouts with volatility kept U.S. markets down this week. Analysts cast a theme of blaming the dollar's rise for keeping corporate profitability low for the foreseeable future. Stocks gave up their gains for the years except for the Nasdaq thanks to Apple's strong first quarter.

- After last weeks surprising jobs number the Federal Funds futures market priced in a 70% probability that the first interest rate hike will come in June. Commentators believe that the prospect of rate increases is also keeping equity markets down.

- Japan issued a sharp revision to its 2.2% GDP release for Q4. The new growth rate of 1.5% brought further attention to the economy's domestic weakness. The Nikkei hit a 15 year high on Friday.

- China issued a series of weak economic data this week. Retail sales, producer prices and industrial production figures continue to disappoint. The Shanghai's rise this week is rumored to be due to rising expectations of monetary easing.

- South Korea surprised markets on Thursday with an interest rate cut citing concerns about low inflation. Only 2 economists polled by Bloomberg were expecting the cut.

- S&P lowered the expected earnings set for U.S. corporations in 2015. The agency sees lower earnings growth for the first half of the year due largely to the fall in energy shares and the dollar's strength.

- The Federal Reserve released results for the second round of its stress test, which detailed the central bank's approval for the capital plans of 31 banks. The U.S. units of Deutsche Bank and Santander failed while all other banks passed, though several posted results lower than expected. Several banks announced increased dividends and buybacks upon passing.

- The ECB launched its QE program this week purchasing roughly €9 billion the first few days. The central bank has pledged to purchase €60 billion per month.

Returns				
Equities	Current	Weekly	Monthly	Year to Date
U.S.				
Dow Jones	17,675.00	-1.02%	-1.91%	-0.89%
S&P 500	2,053.40	-0.86%	-2.08%	-0.23%
Nasdaq	4,871.76	-1.13%	-0.45%	3.07%
Europe				
FTSE	6,740.58	-2.48%	-1.93%	2.94%
DAX	11,901.61	3.04%	8.56%	21.88%
Asia				
Nikkei	19,254.25	1.49%	7.49%	10.33%
Shanghai	3,372.91	4.06%	5.28%	0.67%
Currencies				
EUR/$	$1.052	$(0.03)	$(0.09)	$(0.15)
$/Yen	¥121.40	¥0.46	¥2.69	¥1.19
UK/$	£1.47	-£0.03	-£0.06	-£0.06
Bonds				
10 Yr Treasury Yield	2.120	-0.120	0.100	0.000
Moody's AAA	3.67	-0.04	0.00	0.000
Commodities				
WTI	$45.00	$(4.61)	$(8.67)	
Brent	$56.18	$(4.00)	$(6.15)	
Gold	$1,152.00	$(23.75)	$(80.50)	$(20.00)

Returns (%)			
Sector Name	1-Week	1-Month	YTD
Basic Materials	-1.23	-3.10	2.60
Communication Services	-0.58	-4.21	0.69
Consumer Staples	-0.98	-2.50	-0.40
Consumer Discretionary	-0.33	0.40	4.20
Energy	-2.80	-9.00	-5.70
Financial Services	0.37	-0.50	-1.70
Healthcare	0.56	1.50	5.00
Industrials	-0.67	-1.90	-0.90
Technology	-2.12	-2.70	0.30
Utilities	0.21	-3.70	-7.90

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Economic Calendar: March 16 – March 20

Date	Release	For	Est
03/16	Industrial Production	Feb	0.3%
03/16	Capacity Utilization	Feb	79.6%
03/17	Housing Starts	Feb	1.045 Mln
03/19	Weekly Jobless Claims	03/13	295,000
03/19	Philly Fed Index	Mar	8.0

This Week From Blacksummit

Portugal's Successful Turnaround? A Fairy Tale
Dr. Daniel Stelter

Drying Up The Collateral Base
Dr. John E. Charalambakis

Recommended Reads

Why The Business of Risk is Booming
Philip Stephens, Financial Times

Greece and the Euro Area—Impasse or End Game?
Jacob Funk Kirkegaard, Peterson Institute for International Economics

The Contradiction At the Heart of China's New Growth Target
George Magnus, Financial Times

The Threat of Bubbles, Not Inflation, Should Guide Fed Policy
John Cassidy, The New Yorker
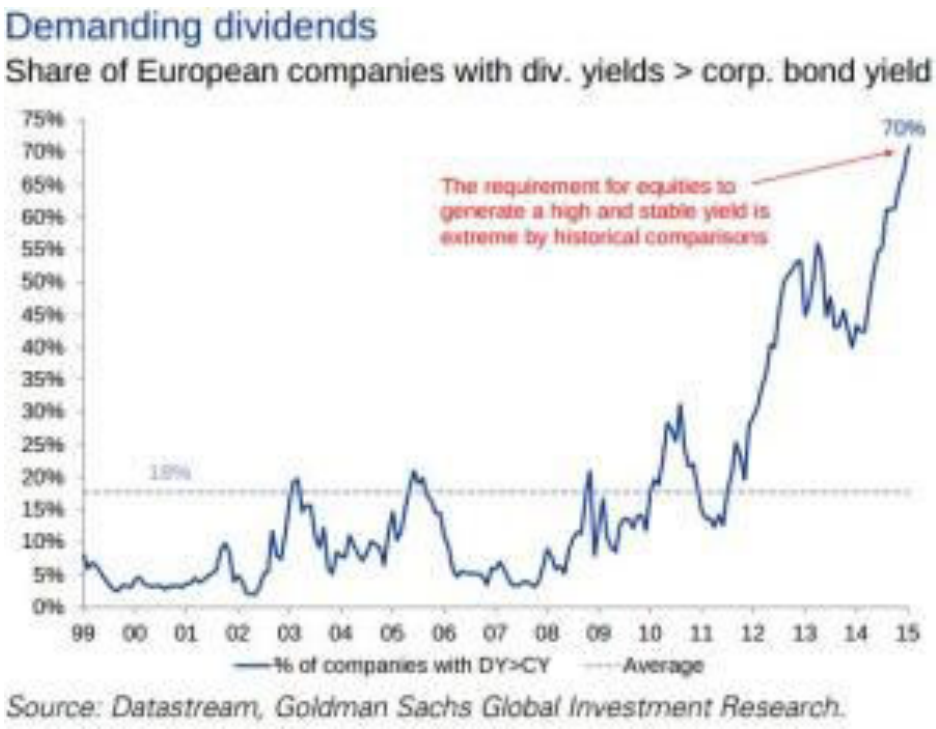
Image of the Week: Capital Market Distortions in the Eurozone