

Market Index	February Change	Year to Date
Standard & Poor's 500	3.4%	5.9%
Dow Jones Industrial Average	3.2%	6.1%
Russell 2000 (small company)	5.5%	5.2%
MSCI EAFE (international)	3.3%	5.8%
Barclays Intermediate Gov/Credit Index	0.3%	0.4%
3-Month Treasury Bill	0.0%	0.0%

In recent months, political protests have been popping up around the globe, from the Middle East, where massive riots have left political regimes at stake, to more controlled outbursts in state capitals within the U.S. While frustrated citizens have been demonstrating dissatisfaction with government, investors have been much more content, as the stock market has now recovered much of the value lost over the last two years. It was March 9, 2009 when equity markets hit their lows, and the subsequent rally has been one of the strongest in history.

The U.S. stock market posted another monthly gain by the time February had concluded, as the S&P 500 Index returned 3.4%. The gain was broad – all ten sectors posted a positive return – and both small and medium-sized companies performed in line with their larger-cap counterparts. Economic data has been supportive. Corporate profits continue to be strong, and unemployment figures showed some minor improvement. Measures of stock market volatility have declined significantly from two years ago and remain at low levels. Interest rates, though, were volatile during the month, but the bond market eked out a 0.3% return in February.

Still, geopolitical risk is rising and cannot be ignored. The ouster of Egyptian President Mubarak, caused by a massive swarm of demonstrators, was contagious across the Middle East. Protests and violence spread to other countries, including Libya, Iran, Bahrain, and Yemen. With so much civil unrest in the region, investors have become particularly concerned with the supply of oil for export, as the Middle East region provides over 40% of the world's oil. Oil prices have doubled over the past two years, and with supply interruption fears rising, oil spiked past \$100 per barrel recently. Not surprisingly, Energy was the best performing equity sector during the month, up 7%. With oil prices on the move, there will be a negative impact on economic growth, which puts more pressure on the recovery in the U.S. and globally.

Many other commodity prices continued to move higher in February as well. Certain soft commodities like coffee, corn and cotton all had double-digit percentage price increases. Precious metals also rallied, as silver prices jumped 20% and gold rose 6%. Although overall core inflation (a measure that excludes food and energy) still remains under control domestically due to limited wage increases and continued economic slack, higher commodity prices have posed a greater risk to emerging economies. Food and energy costs are a bigger share of spending in these nations, and this inflation has played a role in the global unrest. China, notably, has also felt the pains of inflation, and its government is actively trying to maintain price stability. The MSCI Emerging Markets Index fell 1% in an otherwise positive return month for the broader stock market.



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