



The Centurion MARKET REVIEW

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INDEX	This Week	Last Week		Change	% Change	YTD % Change	
DOW	11,076.3	11,021.6	▲	54.8	0.50%	3.35%	▲
NASDAQ	2,262.0	2,302.6	▼	-40.6	-1.76%	2.57%	▲
S&P 500	1,281.6	1,287.2	▼	-5.7	-0.44%	2.67%	▲
5yr Treasury	4.77%	4.71%	▲	6 bps	1.19%	8.44%	▲
10yr Treasury	4.76%	4.68%	▲	7 bps	1.52%	9.18%	▲
Gold (\$)	544.3	568.0	▼	-23.70	-4.17%	5.18%	▲
Oil (\$/barrel)	63.67	63.67	▲	0.76	1.21%	4.31%	▲

Market Summary

Gentle Ben Turns Nasty

The first two payroll reports of the year paint a picture of strong economic growth, a tightening labor market, and rising wage pressures. Nonfarm payrolls increased 243,000 in February on broad based strength, bringing the three-month average increase in payrolls at a solid 186,000. The unemployment rate edged higher to 4.8% in February from 4.7% in January. The growth of average hourly earnings continues to edge higher as earnings rose 0.3% in February and by 3.5% over the last 12 months. The increase in wages over the last year has been the fastest since September 2001 and, over the last three months; wages have grown at a more rapid pace of 4.8%. These developments, in our opinion indicate that the Fed will continue to raise rates. The market agrees with our opinion, fully pricing a 4.75% funds rate after the March 28th meeting. In addition, the implied probability of a 5% funds rate after the May meeting is 86%. The market is starting to look at the possibility that the Fed will not stop at 5%. So much for the Gentle Ben theory!

The yield curve is no longer inverted as the fear of the Fed spread to the rest of the Treasury market, pushing the 2-10 spread back into positive territory for the first time since 1/30. The 2-year closed at 4.73% while the 10-year was 4.76% even the 30-year joined in the fun rising in yield to 4.75%

Rate fears, Iran and weakness in emerging markets kept the equity indexes from advancing significantly. The markets once again see-sawed this week as volatility appears to be increasing. The S&P closed below is 50-day moving average for the first time in a month though the rally Friday moved it back above the 50 day line at 1281. For the week, the Dow finished up 0.5% while the NASDAQ and S&P 500 fell 1.8% and 0.4% respectively.