

WealthManagement

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Market Insights

A periodic newsletter from Idaho Trust

Central Bank policies continue to have broad impacts on the global fixed-income markets. The Federal Reserve Bank is getting closer to raising interest rates for the first time in many years. The impact of these policy changes is unknown and the source of much debate. Conversely, monetary policy of many foreign central banks has become more accommodative. These shifts in policies and the uncertain impacts are likely contributing to an increase in market volatility.

United States

At its March meeting, the Federal Reserve Bank removed its pledge to be “patient” in tightening monetary policy. This change was expected by most market observers. However, the Fed downgraded its assessment of both the domestic economy and inflation expectations as well as stated that it would wait to increase rates until after it had “seen further improvement in the labor market and is reasonably confident that inflation will move back toward its target of 2%.” The rate of economic growth has been slower than has historically been the case following a recession, likely due to deleveraging that continues as a result of a long period of debt accumulation. Another reason for delaying an increase in interest rates is the strength of the U.S. dollar relative to other currencies. As you can see from the chart below, the dollar has experienced significant appreciation relative to other major currencies over the past year.

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

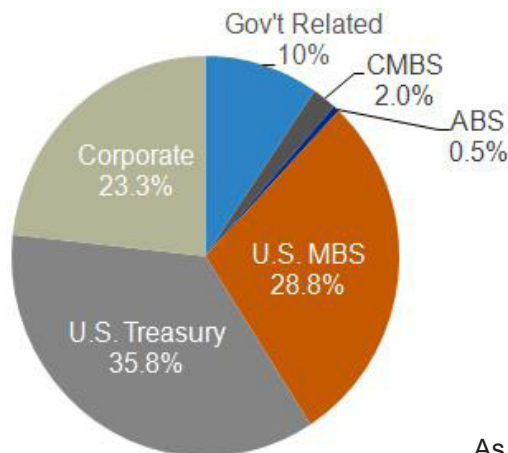
LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

The U.S. Dollar Index



The strength in the U.S. currency is primarily the result of a tighter domestic monetary policy as well as foreign central banks which have begun to loosen their monetary policies, especially in Japan and the Europe. The strong dollar puts pressure on exports as these products become more expensive to foreign buyers.

Breakdown of the U.S. Bond Market



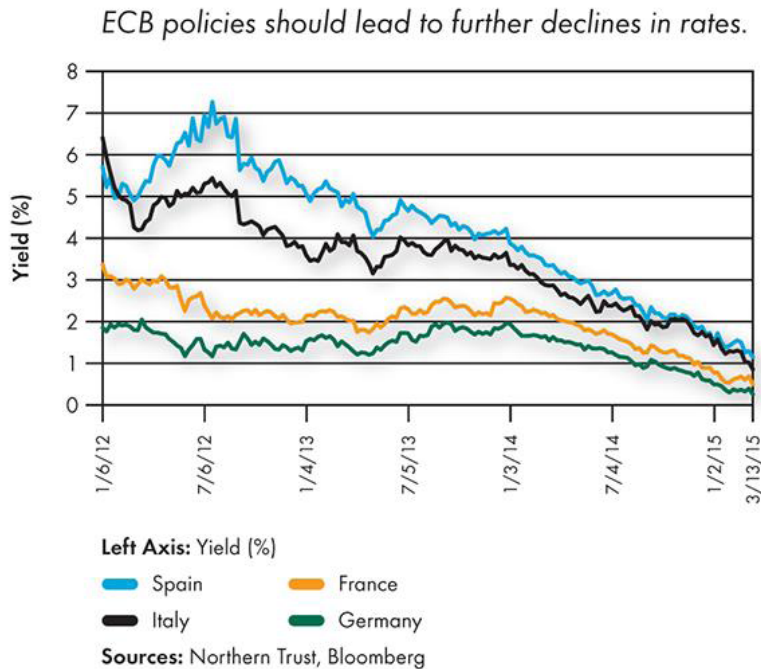
As of 12/31/14

European Fixed Income

The European Central Bank (ECB) has increased its projections for growth in the region for this year and next. The ECB cited currency depreciation, lower oil prices as well as accommodative monetary policy as factors in their higher growth estimates. The quantitative-easing (QE) program is expected to remain in effect until the fourth quarter of 2016. Government bond yields are already nearing negative territory in many regions, leading



to speculation that the QE program will have to substitute its purchases with other securities. The situation in Greece remains a concern, as the country still needs to refinance a large portion of its debt. Despite these continued issues, the risk that this will develop into a wide spread credit crisis are less worrisome today as areas surrounding Greece have lower financial exposure than in past years.



S&P 500 Index

3 Month	0.95%
Year-to-Date	0.95%
1 Year	12.72%
3 Year	16.09%
5 Year	14.45%

MSCI EAFE Net Index

3 Month	4.88%
Year-to-Date	4.88%
1 Year	-0.92%
3 Year	9.02%
5 Year	6.16%

Barclays Aggregate Bond Index

3 Month	1.61%
Year-to-Date	1.61%
1 Year	5.72%
3 Year	3.10%
5 Year	4.41%

As of 3.31.2015

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Emerging Market Bonds

Emerging market bonds have experienced a nice rebound following some weakness toward the end of the fourth quarter. Several items have likely contributed to this. First, commodity prices, which have experienced sharp declines since last year, appear to have stabilized. Even though oil prices may continue to decline, the pace of oil price declines have begun to slow. The stabilization of commodities prices is a benefit to Emerging Market (EM) countries as many depend on resource exports. Second, the European Central Bank (ECB) has started its massive QE program. The bond purchases should total about 1.2 trillion Euro, which will reduce the total supply of global bonds. Other central banks, such as the Bank of Japan and the Peoples Bank of China, have also launched similar QE programs. The result of these activities is likely to drive yields lower across Europe and in parts of Asia, making EM yields more attractive by comparison. Third, despite some continued tensions in the Middle East, geopolitical conditions have eased on two important fronts. A Ukraine-Russia cease-fire appears to have stabilized a situation that many worried could have escalated outside of that region. Also, a debt-repayment extension between Greece and the European Union appears to be on more stable ground and has at least temporarily stabilized the financial challenges facing that region. EM debt should benefit from the aforementioned factors. However, if the Federal Reserve becomes too aggressive in tightening domestic monetary policy, it would likely make EM fixed income less attractive.



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