January 2015

IdahoTrust

WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust

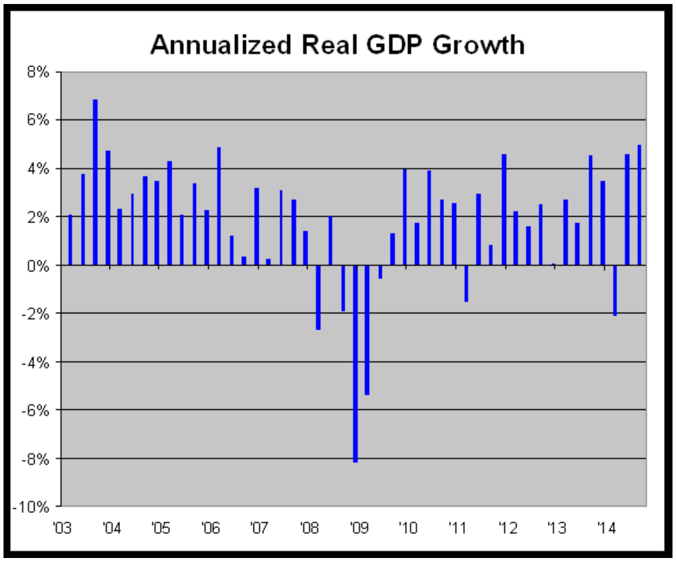
Stronger U.S. domestic economic activity has begun to have a major impact on the global markets. Many market observers expect that the first interest rate increase is likely to come this summer. The U.S. dollar has been especially strong over the past six months relative to other major currencies. This along with OPEC opting against cutting its production levels has led to a sharp drop in oil prices. The major beneficiary of these lower costs is likely to be U.S. consumers.

Gross Domestic Product

The third quarter Gross Domestic Product (GDP) was revised higher to 5.0%, up from 3.9%. This new look at the U.S. economic activity represents the strongest quarter of growth in nearly 11 years (see chart below). This paints an encouraging picture for the health of the U.S. economy, especially considering that the third quarter was comprised of July, August and September, which are the slowest months. Oil prices had begun to decline in the third quarter, but were still relatively high compared with the current levels. During the third quarter, Brent oil prices declined from $110 to $96 per barrel; by the end of the fourth quarter, oil prices had fallen to $57. Economic activity was impressive considering that the benefit of lower oil prices was very modest in 3Q. Lower crude costs should begin to have a more meaningful influence on consumer spending in the fourth quarter and well into 2015.

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.

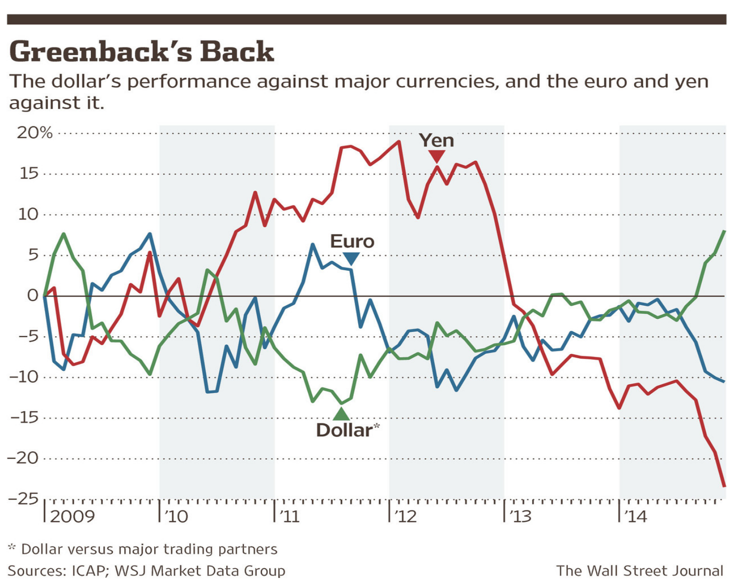
LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.



Stronger economic activity has had an impact on the Federal Reserve Bank's monetary policy, albeit a very modest one. At its most recent meeting, the Fed removed its language that it would wait a "considerable time" between the end of its bond-buying program and the first interest rate increase. The Fed's new language states that "Based on its current assessment, the Committee judges that it can be patient in beginning to normalize the stance of monetary policy." The market interpreted the "patient" part as the Fed is in no hurry to raise rates. In the press conference following the meeting, Janet Yellen emphasized that there had been no change in policy. The difference is that we are closer to a rate hike and it's no longer a "considerable time" period. Despite the change in language and the possibility of a rate hike in 2015, the Fed attempted to assure the market the monetary policy will remain accommodative.

Currencies

The improvement in economic activity in the U.S. has had a huge impact on the dollar relative to other major currencies. The U.S. dollar was particularly strong in the second half of 2014 as the Federal Reserve Bank concluded its quantitative easing program. Weakness in economic activity in both European and Japanese markets negatively impacted their currencies, especially in the latter half of last year as the market prepares for loser monetary policies.



2014 Market Returns

Broad Market Returns	
S&P 500	13.68%
Dow Jones Industrial Average	10.04%
MSCI EAFE	-4.90%
Bond Market	5.97%
Treasuries	6.19%
Corporate Bonds	7.65%
Municipal Bonds	9.26%
Real Estate (REITs)	29.10%
Commodities	-17.01%
Foreign Bonds	-0.71%

Domestic Stock Sectors	
Information Technology	20.12%
Financials	13.10%
Health Care	25.34%
Energy	-9.99%
Consumer Discretionary	9.68%
Consumer Staples	15.98%
Industrials	9.80%
Utilities	28.98%
Materials	6.91%
Telecommunication Services	2.99%

Gasoline

One of the major benefits from lower crude prices is a decline in gasoline prices. As mentioned previously, Brent oil prices declined approximately 45% in 2014. The majority of this sharp decline occurred in the final quarter of the year. National retail gasoline prices are expected to fall to $2.23 in January, which would represent a year-over-year decline of 32%. Last year, consumers spent $370 billion on gasoline. The drop in gas prices over the past six months amounts to almost a $100 billion tax cut for consumers. Some economists estimate that the decline in gasoline prices could boost the GDP by 0.5 percentage points over the coming year.

Conclusion

Although the total return for the S&P 500 measured a respectable 13.68% return for the 2014 year, it was not nearly as strong as 2013. Many International economies struggled with weak demand, which negatively impacted their equity markets. A broad measure of the International markets showed a 4.9% drop last year. Given the strong market performance recorded over the past few years, a less robust market environment may be in order for 2015.

S&P 500 Index

3 Month	4.93%
Year-to-Date	13.68%
1 Year	13.68%
3 Year	20.36%
5 Year	15.19%

MSCI EAFE Net Index

3 Month	-3.57%
Year-to-Date	-4.90%
1 Year	-4.90%
3 Year	11.04%
5 Year	5.43%

Barclays Aggregate Bond Index

3 Month	1.79%
Year-to-Date	5.97%
1 Year	5.97%
3 Year	2.66%
5 Year	4.41%

As of 12.31.2014

Boise Branch
888 W. Broad St.
Boise, Idaho
208.373.6500

Coeur d'Alene Branch
622 E. Sherman Ave.
Coeur d'Alene, Idaho
208.664.6448

Las Vegas Trust Office
2850 W. Horizon Ridge PKWY, Ste 200
Henderson, Nevada
702.430.4747

Info@IdahoTrust.com
www.IdahoTrust.com

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