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MONTHLY MARKET RECAP

INSIGHTS FROM THRIVENT ASSET MANAGEMENT

MARKETS FINISH 2014 WITH MIXED MONTH

Recap for the month ended December 31, 2014

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Domestic equity markets were able to bounce back from a mid-month scare over falling oil prices and troubles in Russia, with large caps ending the month relatively flat. Here is a look at market details for November 2014:

BY THE NUMBERS

Market activity in December, as reflected in the most common market indexes we follow.

Equity Indexes*	1-Month	2014	2013
Dow Jones Industrial Average[1]	0.1%	10.0%	29.7%
S&P 500 Index[2]	-0.2%	13.7%	32.4%
Russell 2000 Index[3]	2.9%	4.9%	38.9%
MSCI EAFE Index[4]	-3.4%	-4.5%	23.3%
MSCI Emerging Markets Index[5]	-4.6%	-1.8%	-2.3%

Bond Indexes*	1-Month	2014	2013
Barclays U.S. Aggregate Bond Index[6]	0.1%	6.0%	-2.0%
Barclays 20+ Year Treasury Index[7]	3.2%	27.5%	-13.9%
Barclays U.S. Corporate Investment Grade Index[8]	0.1%	7.5%	-1.5%
Barclays U.S. High Yield Index[9]	-1.5%	2.5%	7.4%
Barclays Municipal Bond Index[10]	0.5%	9.1%	-2.6%

* Past performance is not indicative of future results. An investment cannot be made directly in an index.

U.S. Treasury Yields	As of 12/31/2014	As of 11/30/2014	As of 12/31/2013
3-Month U.S. Treasury Bill	0.04%	0.02%	0.07%
5 Year U.S. Treasury Bond	1.65%	1.49%	1.75%
10 Year U.S. Treasury Bond	2.17%	2.18%	3.04%
30 Year U.S. Treasury Bond	2.75%	2.89%	3.96%

LAST GASP OF VOLATILITY DOESN'T DERAIL SOLID YEAR FOR EQUITIES

Oil prices fell throughout the first half of December before leveling off around $53-$57 a barrel. Equities generally followed the same downward path, but bounced back sharply over the second half of the month. The Dow Jones Industrial Average hit 18,000 for the first time and the S&P 500 also found new highs, although back-to-back negative results on the last two days of the month kept 2014 from ending at those all-time highs.

Contributing to the mid-month swoon were dire problems coming from Russia. International sanctions stemming from Russia's aggression in Ukraine combined with the plummeting oil prices (the oil & gas sector contributes an estimated 12% to Russia's GDP) to send shockwaves throughout Russia, leading to big losses in the Russian stock market (with some spillover to the rest of Europe) and a collapse in the ruble, which has lost more than 40% of its value against the U.S. dollar over the past year. Russia's central bank announced a surprise 6.5% hike in its key interest rate, moving it up to 17.0%, in an attempt to stave off a complete collapse of the ruble like the one endured in 1998. That and other measures helped slow the declines, but the recent announcement of a 0.5% decline in Russian GDP – the first contraction in five years – ushered in another run on the Russian currency. Russia is projecting a 4% contraction in the first quarter of 2015 if oil prices stay low or drop further.

U.S. ECONOMY POST STRONG GDP & JOB RESULTS

The jobs report at the beginning of the month showed that the U.S. added 321,000 new jobs in November, well beyond economists' expectations and the biggest single month gain in almost 3 years. 2014 ended up being the strongest year for job growth since 1999, with a monthly average of 224,000 jobs added. The unemployment rate held steady at 5.8%, but that's down from 7.0% at the beginning of the year and suggests that more people are re-entering the job market. Strong job creation figures also help increase upward pressure on wages, which rose by 0.4%. Further good news came with an upward revision of the third quarter GDP growth rate to 5.0%, the quickest quarterly pace in 11 years.

The strong economic data, paired with weaker inflation data (also due to the fall in oil prices), led the Federal Open Market Committee to slightly alter their language on when they plan to raise the Fed Funds Rate. The guidance language changed to say that the Fed "can be patient" with their timing, but Fed members stressed that that language is consistent with the prior "considerable time" which has many analysts predicting a rate rise in the second half of 2015. In the meantime, long-term treasury rates continued to decline, with the 30-year bond yields ending the year at 2.75%, 121 basis points lower than the end of 2013.

1 The Dow Jones Industrial Average is an index of 30 "blue chip" stocks traded in the U.S.
2 The S&P 500 Index is a widely followed index, and is composed of 500 widely held U.S. stocks
3 The Russell 2000® Index measures performance of small-cap stocks
4 The MSCI EAFE Index measures developed-economy stocks in Europe, Australasia and the Far East
5 The MSCI Emerging Markets Index measures developing-economy stocks
6 The Barclays U.S. Aggregate Bond Index measures performance of a wide variety of publicly traded bonds
7 The Barclays 20+ Year Treasury Index measures performance of longer maturity treasury bonds
8 The Barclays U.S. Corporate Investment Grade Index measures performance of the investment grade bond sector
9 The Barclays High Yield Index measures performance of the high yield bond sector
10 The Barclays Municipal Bond Index measures performance of the municipal bond sector

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