

# January 2019 Market Watch

After a turbulent end to 2018, domestic equity markets finished sharply positive in the month of January (marking the strongest January gain since 1987). There were a few factors that contributed to this reversal: 1) the Fed's move to pause rate hikes, which eased concerns that future rate hikes could derail economic growth, 2) Chinese trade war rhetoric from the White House softened, and 3) many companies posted stronger than expected earnings growth in the month. Still, political uncertainties continue to remain and macroeconomic data continues to send mixed signals to the market.

Consumer confidence dropped in January for the third consecutive month (equity declines and the government shutdown likely played a role), yet U.S. private-sector companies continued to hire. The labor market reached its 100<sup>th</sup> straight month of increased employment. In addition, wages grew at least 3% from a year earlier; extending the best streak of pay increases since the end of the recession in 2009. The unemployment rate ticked up +0.10% last month to 4.0%, though this was in part due to federal workers that are considered to be "temporary layoffs". The unemployment rate remains only slightly above the 49-year low rate of 3.7% touched in the fall of 2018.

In January, the U.S. small-company focused Russell 2000 was the best performing index (+11.2% YTD) following strong earnings results. The laggard this

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	1/31/19	1/24/19	%chg	12/31/18	% chg	1/31/18	% chg	Return*
<b>DJIA</b>	24,999.7	24,553.2	1.8%	23,327.5	7.2%	26,149.4	-4.4%	7.2%
<b>S&amp;P 500</b>	2,704.1	2,642.3	2.3%	2,506.9	7.9%	2,823.8	-4.2%	7.9%
<b>NYSE Comp Index</b>	12,299.0	12,029.4	2.2%	11,374.4	8.1%	13,368.0	-8.0%	8.1%
<b>NASDAQ Composite</b>	7,281.7	7,073.5	2.9%	6,635.3	9.7%	7,411.5	-1.8%	9.7%
<b>Russell 2000</b>	1,499.4	1,464.4	2.4%	1,348.6	11.2%	1,575.0	-4.8%	11.2%
<b>Japan Nikkei 225</b>	20,773.5	20,574.6	1.0%	20,014.8	3.8%	23,098.3	-10.1%	3.8%
<b>MSCI EM (Emerging Markets)</b>	1,049.9	1,019.4	3.0%	965.8	8.7%	1,254.6	-16.3%	8.7%
<b>MSCI EAFE</b>	1,831.1	1,795.5	2.0%	1,719.9	6.5%	2,153.1	-15.0%	6.5%
<b>FTSE 100</b>	6,968.9	6,819.0	2.2%	6,728.1	3.6%	7,533.6	-7.5%	3.6%
<b>SSE Comp Index</b>	2,584.6	2,591.7	-0.3%	2,493.9	3.6%	3,480.8	-25.7%	3.6%

## US Equity Sector Performance

	January	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	10.3%	10.3%	1.7%
<b>Consumer Staples</b>	5.2%	5.2%	-5.1%
<b>Energy</b>	11.1%	11.1%	-12.3%
<b>Financials</b>	8.8%	8.8%	-11.1%
<b>Health Care</b>	4.8%	4.8%	4.7%
<b>Industrials</b>	11.4%	11.4%	-8.3%
<b>Information Tech</b>	7.0%	7.0%	-0.9%
<b>Materials</b>	5.5%	5.5%	-13.6%
<b>Communication Services</b>	10.4%	10.4%	-4.0%
<b>Utilities</b>	3.4%	3.4%	11.1%
<b>Real Estate</b>	10.7%	10.7%	10.6%

## US Equity Style Performance

	January	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	2.0%	2.0%	4.0%
<b>AMEX DJ TRANS Avg.</b>	9.7%	9.7%	-7.0%
<b>Russell 1000 Value</b>	7.8%	7.8%	-4.8%
<b>Russell 1000 Growth</b>	9.0%	9.0%	0.2%
<b>Russell 2000 Value</b>	10.9%	10.9%	-4.5%
<b>Russell 2000 Growth</b>	11.5%	11.5%	-2.6%

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month was the price-weighted DJIA index (+7.2% YTD), as less than 30% of the constituents in the index outperformed the broader market in the month. All eleven S&P 500 sectors ended the month in positive territory, led by the more cyclical sectors: Industrials (+11.4% YTD), Energy (+11.1% YTD), and Real Estate (+10.7% YTD). The laggards for the month were the more defensive sectors: Utilities (+3.4% YTD), Healthcare (+4.8% YTD), and Consumer Staples (+5.2% YTD).

International market results were largely positive in January, but the magnitude of the rise varied across regions. Emerging market stocks (MSCI EM +8.7% YTD) outperformed developed international stocks (MSCI EAFE +6.5% YTD). The U.K. and Japan were among the lagging developed countries in the month (FTSE 100 +3.6%, Japan Nikkei +3.8%).

Treasury yields moved modestly across the curve in the month of January. This is not surprising given the Fed's decision to pause rate hikes and to remove stimulus more slowly than previously anticipated. Given the healthy labor market, investors will be looking to Fed cues on inflation, as it is an important indicator for future changes in Fed policy. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices & vice versa. The yield on the 3-Month U.S. Treasury bill decreased five basis points (bps) to 2.40%, while the yield on the 30-Year U.S. Treasury bond decreased one bp to 3.00%.

The Bloomberg Commodity Index finished up +5.2% MTD in January. Crude oil closed the month at \$53.79/barrel (+18.5% MTD), while gold settled at \$1,325.20/ounce (+3.4% MTD).

## Bond Markets (%)

	1/31/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.40	2.45	1.47
US Benchmark Bond – 6 Mth	2.46	2.48	1.66
US Benchmark Bond – 2 Yr	2.45	2.50	2.14
US Benchmark Bond – 5 Yr	2.43	2.51	2.52
US Benchmark Bond – 10 Yr	2.63	2.68	2.72
US Benchmark Bond – 30 Yr	3.00	3.01	2.94

## US Bond Sector Performance

	December	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	0.43%	0.43%	2.84%

## Exchange Rates (per US dollar)

	1/31/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.313	1.366	1.227
Mexican New Peso	19.028	19.694	18.581
Euro	0.871	0.875	0.803
British Pound	0.760	0.785	0.703
Swiss Franc	0.992	0.986	0.930
Chinese Yuan	6.706	6.866	6.291
Indian Rupee	71.120	69.815	63.604
Japanese Yen	108.830	109.715	109.155

## Commodities (In US dollars)

	1/31/19	1 Mth Ago	1 Yr Ago
Gold	1,325.20	1,281.30	1,343.10
Crude Oil	53.79	45.41	64.73
US Dollar Index	95.30	95.74	88.95
Bloomberg Commodity Index	80.73	76.72	89.80

## Interest Rates (%)

	1/31/19	1 Mth Ago	1 Yr Ago
Prime Rate	5.50	5.50	4.50
Federal Funds Rate	2.41	2.41	1.43
Libor Rate 30 Day	2.51	2.50	1.58
Libor Rate 3 Months	2.74	2.81	1.78
30yr Fixed Mortgage	4.46	4.51	4.22

## Economic Sentiment

	1/31/19	1 Yr Ago
Unemployment Rate	4.00%	4.10%
Average Single Family Home	293,500	282,800
Capacity Utilization	78.70%	76.98%

\*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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