

March 2018 Market Watch

The major domestic indices all finished the month in negative territory – resulting in the first time in ten quarters that either the S&P 500 or Dow Jones Industrial Average (DJIA) posted a loss for a three-month period. The recent sell-off was the result of heightened investor concerns on issues ranging from the high stock market valuations, White House policies leading to potential trade wars, possible increased regulatory scrutiny within the technology sector, and a faster than expected pace of interest rate hikes by the Federal Reserve.

Despite the difficult quarter, domestic indices remain up double digits year-over-year, and the economic outlook remains largely positive. Both the U.S. and global economies are expected to continue to expand throughout the year, supported in part by a \$1.5 trillion tax-cut package that is expected to boost corporate earnings. Corporate profitability for the firms that make up the S&P 500 index is expected to increase approximately 17% in the first quarter of 2018. In March, the S&P 500, NASDAQ, and DJIA had returns of -2.7% MTD, -2.9% MTD, and -3.7% MTD, respectively. Only the small-cap dominated Russell 2000 index finished in positive territory (+1.1% MTD) as domestically-focused companies should see the biggest benefits of the recent

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	3/31/18	3/24/18	%chg	2/28/18	%chg	3/31/17	%chg	Return*
DJIA	24,103.1	23,533.2	2.4%	25,029.2	-3.7%	20,663.2	16.6%	-2.5%
S&P 500	2,640.9	2,588.3	2.0%	2,713.8	-2.7%	2,362.7	11.8%	-1.2%
NYSE Comp Index	12,452.1	12,177.7	2.3%	12,652.6	-1.6%	11,492.9	8.3%	-2.8%
NASDAQ Composite	7,063.5	6,992.7	1.0%	7,273.0	-2.9%	5,911.7	19.5%	2.3%
Russell 2000	1,529.4	1,510.1	1.3%	1,512.5	1.1%	1,385.9	10.4%	-0.4%
Japan Nikkei 225	21,159.1	20,617.9	2.6%	22,068.2	-4.1%	18,909.3	11.9%	-7.1%
MSCI EM (Emerging Markets)	1,169.3	1,172.1	-0.2%	1,195.2	-2.2%	958.4	22.0%	0.9%
MSCI EAFE	2,002.2	1,989.6	0.6%	2,051.7	-2.4%	1,793.0	11.7%	-2.4%
FTSE 100	7,056.6	6,921.9	1.9%	7,231.9	-2.4%	7,322.9	-3.6%	-7.2%
SSE Comp Index	3,160.5	3,152.8	0.2%	3,259.4	-3.0%	3,222.5	-1.9%	-4.4%

US Equity Sector Performance

	March	YTD	1 Yr Ret.
Consumer Discretionary	-2.3%	3.1%	16.9%
Consumer Staples	-0.9%	-7.1%	-0.9%
Energy	1.7%	-5.9%	-0.2%
Financials	-4.3%	-1.0%	18.0%
Health Care	-3.1%	-1.2%	11.3%
Industrials	-2.7%	-1.6%	14.0%
Information Tech	-3.9%	3.5%	27.7%
Materials	-4.2%	-5.5%	10.5%
Telecom	-1.0%	-7.5%	-4.9%
Utilities	3.8%	-3.3%	1.9%
Real Estate	3.8%	-5.3%	1.1%

US Equity Style Performance

	March	YTD	1 Yr Ret.
Dow Jones Utilities	3.6%	-4.2%	-0.7%
AMEX DJ TRANS Avg.	0.2%	-1.7%	15.7%
Russell 1000 Value	-1.8%	-2.8%	6.9%
Russell 1000 Growth	-2.7%	1.4%	21.3%
Russell 2000 Value	1.2%	-2.6%	5.1%
Russell 2000 Growth	1.3%	2.3%	18.6%

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Eight of the eleven S&P 500 sectors had negative returns in March, led by the Financials (-4.3% MTD) and Materials (-4.2% MTD) sectors. The Utilities (+3.8% MTD) and Real Estate (+3.8% MTD) sectors were this month's best performers as investors circled back into higher yielding stocks.

International markets also finished March in negative territory for a second consecutive month. Japan's Nikkei (-4.1% MTD) and China's SSE Composite (-3.0% MTD) were the worst performers for the month.

The yield curve flattened in March as short term rates moved up while longer term rates declined. This comes as the Federal Reserve raised rates in March, marking the sixth rate rise since December 2015. Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. The yield on the 3-Month U.S. Treasury bill increased seven basis points (bps) to 1.72%, while the yield on the 10-Year U.S. Treasury bond declined thirteen bps to 2.74%.

The Bloomberg Commodity Index was down -0.8% MTD in March, despite a strong month for both gold and crude oil prices. After a pullback last month, crude oil snapped back in March to close up +5.4% MTD settling at \$64.94/barrel. Gold finished up +0.7% MTD to settle at \$1,327.30/ounce. On a year-to-date basis, crude oil and gold prices are up +7.4% and +1.4%, respectively. The U.S. Dollar finished down -0.8% MTD in March and remains down -2.2% on a year-to-date and -10.4% on a year-over-year basis.

Bond Markets (%)

	3/31/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond - 3 Mth	1.72	1.65	0.75
US Benchmark Bond - 6 Mth	1.92	1.85	0.90
US Benchmark Bond - 2 Yr	2.26	2.25	1.26
US Benchmark Bond - 5 Yr	2.56	2.65	1.92
US Benchmark Bond - 10 Yr	2.74	2.87	2.39
US Benchmark Bond - 30 Yr	2.97	3.13	3.01

Commodities (In US dollars)

	3/31/18	1 Mth Ago	1 Yr Ago
Gold	1,327.30	1,317.90	1,251.20
Crude Oil	64.94	61.64	50.60
US Dollar Index	89.81	90.55	100.22
Bloomberg Commodity IDX	87.47	88.14	85.35

US Bond Sector Performance

	March	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	0.52%	-0.11%	-0.14%

Interest Rates (%)

	3/31/18	1 Mth Ago	1 Yr Ago
Prime Rate	4.75	4.50	4.00
Federal Funds Rate	1.68	1.43	0.91
Libor Rate 30 Day	1.88	1.67	0.98
Libor Rate 3 Months	2.31	2.02	1.15
30yr Fixed Mortgage	4.45	4.43	4.14

Exchange Rates (per US dollar)

	3/31/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.289	1.281	1.334
Mexican New Peso	18.254	18.867	18.834
Euro	0.813	0.820	0.935
British Pound	0.713	0.726	0.800
Swiss Franc	0.958	0.945	1.001
Chinese Yuan	6.292	6.332	6.892
Indian Rupee	65.222	65.146	64.935
Japanese Yen	106.350	106.705	111.430

Economic Sentiment

	3/31/18	1 Yr Ago
Unemployment Rate	4.10%	4.50%
Average Single Family Home	281,900	279,300
Capacity Utilization	77.66%	75.54%

*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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