

January 2017 Market Watch

Domestic markets finished January sharply positive, led in large part by fourth quarter earnings results that have been better than expected thus far. With 42% of the companies that make up the S&P 500 reporting fourth quarter earnings, 79% have disclosed quarterly earnings that were better than consensus estimates. However, greater than half of these companies have also reported quarterly sales results that were below consensus estimates – leading some to believe that underlying organic demand still remains relatively weak. Investors appear to have largely shrugged off the weak sales data in lieu of stronger earnings and continued hopes that the transition of power to the newly elected Trump administration will usher in a period of improved economic growth.

The NASDAQ Composite was the best performing major U.S. index for the month (+4.3% MTD) as technology stocks have reported strong earnings growth to start the year. The S&P 500 finished January up 1.8% MTD, while the Dow Jones Industrial Average (+0.5% MTD) and the small-cap focused Russell 2000 (+0.3% MTD) were this month's laggards. The breadth of January's rally is highlighted in the fact that nine of the eleven S&P 500 sectors finished in positive territory, led by the Materials (+4.6% MTD), Information Technology (+4.4% MTD), and Consumer Discretionary (+4.2% MTD) sectors. The Telecom (-2.5% MTD) and Energy (-3.6% MTD) sectors were laggards in January.

International markets finished January somewhat mixed, as indicated by the strong performance in Emerging Markets (+5.4% MTD) offset by relatively weak performance in a few

	Date		1 Week Ago		1 Month Ago		1 Year Ago		YTD
	1/31/2017	1/24/2017	% chg	12/31/2016	% chg	1/31/2016	% chg	Return *	
DJIA	19,864.1	19,912.7	-0.2%	19,762.6	0.5%	16,466.3	20.6%	0.5%	
S&P 500	2,278.9	2,280.1	-0.1%	2,238.8	1.8%	1,940.2	17.5%	1.8%	
NYSE Comp Index	11,223.0	11,249.3	-0.2%	11,056.9	1.5%	9,632.7	16.5%	1.5%	
NASDAQ Composite	5,614.8	5,601.0	0.2%	5,383.1	4.3%	4,614.0	21.7%	4.3%	
Russell 2000	1,361.8	1,369.2	-0.5%	1,357.1	0.3%	1,035.4	31.5%	0.3%	

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	1/31/2017	1/24/2017	% chg	12/31/2016	% chg	1/31/2016	% chg	Return *	
Japan Nikkei 225	19,041.3	18,788.0	1.3%	19,114.4	-0.4%	17,518.3	8.7%	-0.4%	
MSCI EM (Emerging Markets)	909.2	908.6	0.1%	862.3	5.4%	742.4	22.5%	5.4%	
MSCI EAFE	1,732.4	1,725.3	0.4%	1,684.0	2.9%	1,591.5	8.9%	2.9%	
FTSE 100	7,099.2	7,150.3	-0.7%	7,142.8	-0.6%	6,083.8	16.7%	-0.6%	
SSE Composite Index	3,159.2	3,142.6	0.5%	3,103.6	1.8%	2,737.6	15.4%	1.8%	

US Equity Sector Performance

	January	YTD	1-yr ret.
Consumer Discretionary	4.2%	4.2%	16.5%
Consumer Staples	1.6%	1.6%	6.4%
Energy	-3.6%	-3.6%	26.6%
Financials	0.2%	0.2%	35.0%
Health Care	2.2%	2.2%	7.7%
Industrials	1.4%	1.4%	27.9%
Information Tech	4.4%	4.4%	24.9%
Materials	4.6%	4.6%	36.5%
Telecom	-2.5%	-2.5%	12.8%
Utilities	1.3%	1.3%	12.2%
Real Estate Investment Trusts	1.3%	1.3%	8.3%

US Equity Style Performance

	January	YTD	1-yr ret.
Dow Jones Utilities	1.4%	1.4%	9.4%
AMEX DJ TRANS Avg.	1.6%	1.6%	35.2%
Russell 1000 Value	0.7%	0.7%	24.6%
Russell 1000 Growth	3.4%	3.4%	17.1%
Russell 2000 Value	-0.7%	-0.7%	40.2%
Russell 2000 Growth	1.6%	1.6%	26.9%

developed international markets. The U.K.'s FTSE 100 (-0.6% MTD) and Japan's Nikkei 225 (-0.4% MTD) sold off slightly throughout the month.

Interest rates on U.S. Treasury bonds remained relatively flat throughout January following the Federal Reserve's decision in mid-December to raise key interest rates by an additional 25 basis points (bps). Bond prices move inversely to bond yields, therefore an increase in bond yields results in a decline in bond prices and vice versa. Both the 3-Month and 10-Year U.S. Treasury yields ticked up two bps to close January at 0.52% and 2.46%, respectively. The yield on both the short and long end of the curve, however, remains sharply above where it stood this time last year.

The Bloomberg Commodity Index finished the month essentially flat (+0.1% MTD) despite a sharp rally in Gold (+5.2% MTD), which finished the month at \$1,221.40 per ounce. Crude oil declined -1.7% MTD to finish January at \$52.81 per barrel, but remains well above where it traded this time last year (+57% year-over-year). Lastly, the recent strength in the U.S. dollar eased in January (-2.7% MTD), but remains at multi-year highs.

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Bond Markets (%)

	1/31/2017	1 Mth Ago	1 Yr. Ago
US Benchmark Bond - 3 Month	0.52	0.50	0.32
US Benchmark Bond - 6 Month	0.63	0.62	0.43
US Benchmark Bond - 2 Year	1.21	1.20	0.77
US Benchmark Bond - 5 Year	1.92	1.92	1.33
US Benchmark Bond - 10 Year	2.46	2.44	1.92
US Benchmark Bond - 30 Year	3.07	3.07	2.75

US Bond Sector Performance

	January	YTD	1-Year Return
Barclays U.S. Aggregate Govt. Interm. TR	0.2%	-0.3%	-0.3%

Exchange Rates (Rate per US dollar)

	1/31/2017	1 month Ago	1 Year Ago
Canadian Dollar	1.304	1.341	1.407
Mexican New Peso	20.761	20.602	18.168
Euro	0.925	0.948	0.924
British Pound	0.795	0.809	0.705
Swiss Franc	0.987	1.016	1.025
Chinese Yuan	6.878	6.950	6.579
Indian Rupee	67.845	67.870	67.878
Japanese Yen	112.575	116.635	121.065

Commodities (In US dollars)

	1/31/2017	1 Mth Ago	1 Yr. Ago
Gold	1,211.40	1,151.20	1,116.40
Crude Oil	52.81	53.72	33.62
US Dollar Index	99.48	102.29	99.65
DJ UBS Commodity IDX	87.59	87.51	77.22

Interest Rates (%)

	1/31/2017	1 Mth Ago	1 Yr. Ago
PRIME RATE	3.75	3.75	3.50
FEDERAL FUNDS RATE	0.66	0.66	0.36
LIBOR RATE 30 DAY	0.16	0.16	0.16
LIBOR RATE 3 MONTHS	0.23	0.23	0.23
30YR FIXED MORTGAGE	4.19	4.32	3.79

Economic Sentiment

	1/1/2017	1 Yr. Ago
Unemployment Rate	4.80%	4.90%
Average Single Family Home (\$)	274,600	258,200
Capacity Utilization	75.46%	75.72%

*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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