

# February 2019 Market Watch

For the second consecutive month, domestic equity markets finished sharply positive. After a turbulent end to 2018, investor sentiment has reversed course in the first two months of 2019, following a stretch of positive headlines. The partial government shutdown came to a halt at the end of January, talks between the U.S. and China on trade became more constructive, and the Fed's tone became increasingly dovish as they indicated that they will be patient in determining future fed funds rate hikes and balance sheet reduction.

In addition, U.S. corporate earnings and economic growth remained solid. Despite lower quarter over quarter GDP growth falling from 3.4% in Q3 2018 to 2.6% in Q4 2018, GDP growth was still above trend.

Business investment was a positive surprise in the month of February. Then in early March, U.S. worker productivity data for Q4 2018 was released and showed that the output-per-hour of nonfarm business sector workers grew 1.9%. This could indicate that business investment is translating into gains in output-per-hour. Productivity and labor force growth are two key components of our overall economic activity. The unemployment rate remains near half-century lows at 3.8% and wages grew at the fastest pace in nearly a decade in February.

The U.S. small-company focused Russell 2000 was the best performing domestic index (+5.1% MTD, +16.8% YTD) for the

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	2/28/19	2/21/19	% chg	1/31/19	% chg	2/28/18	% chg	Return*
<b>DJIA</b>	25,916.0	25,850.6	0.3%	24,999.7	3.7%	25,029.2	3.5%	11.1%
<b>S&amp;P 500</b>	2,784.5	2,774.9	0.3%	2,704.1	3.0%	2,713.8	2.6%	11.1%
<b>NYSE Comp Index</b>	12,644.8	12,621.8	0.2%	12,299.0	2.8%	12,652.5	-0.1%	11.2%
<b>NASDAQ Composite</b>	7,532.5	7,459.7	1.0%	7,281.7	3.4%	7,273.0	3.6%	13.5%
<b>Russell 2000</b>	1,575.5	1,575.5	0.0%	1,499.4	5.1%	1,512.4	4.2%	16.8%
<b>Japan Nikkei 225</b>	21,385.2	21,464.2	-0.4%	20,773.5	2.9%	22,068.2	-3.1%	6.8%
<b>MSCI EM (Emerging Markets)</b>	1,051.0	1,051.0	0.0%	1,049.9	0.1%	1,195.2	-12.1%	8.8%
<b>MSCI EAFE</b>	1,873.7	1,867.0	0.4%	1,831.1	2.3%	2,051.7	-8.7%	8.9%
<b>FTSE 100</b>	7,074.7	7,167.4	-1.3%	6,968.9	1.5%	7,231.9	-2.2%	6.0%
<b>SSE Comp Index</b>	2,941.0	2,751.8	6.9%	2,584.6	13.8%	3,259.4	-9.8%	17.9%

## US Equity Sector Performance

	February	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	0.8%	11.2%	6.2%
<b>Consumer Staples</b>	2.3%	7.6%	5.2%
<b>Energy</b>	2.6%	14.0%	0.9%
<b>Financials</b>	2.4%	11.5%	-6.3%
<b>Health Care</b>	1.2%	6.1%	10.8%
<b>Industrials</b>	6.4%	18.6%	1.6%
<b>Information Tech</b>	6.9%	14.3%	5.8%
<b>Materials</b>	3.3%	9.0%	-5.8%
<b>Communication Services</b>	0.8%	11.3%	4.1%
<b>Utilities</b>	4.2%	7.7%	20.4%
<b>Real Estate</b>	0.9%	11.8%	20.0%

## US Equity Style Performance

	February	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	4.0%	6.1%	13.1%
<b>AMEX DJ TRANS Avg.</b>	4.4%	14.5%	2.4%
<b>Russell 1000 Value</b>	3.2%	11.2%	3.2%
<b>Russell 1000 Growth</b>	3.6%	12.9%	6.6%
<b>Russell 2000 Value</b>	3.9%	15.2%	4.4%
<b>Russell 2000 Growth</b>	6.5%	18.8%	6.7%

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second month in a row. The laggard this month was the NYSE composite index (+2.8% MTD). All eleven S&P 500 sectors ended the month in positive territory, led by the Information Technology (+6.9% MTD) and Industrials (+6.4% MTD) sectors. The laggards for the month were the Consumer Discretionary (+0.8% MTD) and Communication Services sectors (+0.8% MTD).

International markets were a mixed bag in the month of February, as economic data outside of the U.S. remained relatively weak. The strong U.S. dollar has contributed to this weakness, as a stronger U.S. dollar makes exports from the U.S. more expensive for foreign buyers. China was a bright spot, as improving trade tensions and news of stimulus sent the Shanghai Stock Exchange (SSE) up +13.8% in February. Developed international market stocks (MSCI EAFE +2.3% MTD) outperformed emerging market stocks (MSCI EM +0.1% MTD) in the month.

U.S. treasury yields moved modestly higher across the curve in the month of February, after the Fed's dovish policy statement resulted in a positive market response. 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 increased four basis points (bps) to 2.44%, while the yield on the 30-Year U.S. Treasury bond increased nine bps to 3.00%.

The Bloomberg Commodity Index finished up +0.8% MTD in January. Crude oil closed the month at \$57.22/barrel (+6.4% MTD), while gold settled at \$1,316.10/ounce (-0.7% MTD).

## Bond Markets (%)

	2/28/19	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	2.44	2.40	1.65
US Benchmark Bond – 6 Mth	2.50	2.46	1.85
US Benchmark Bond – 2 Yr	2.50	2.45	2.25
US Benchmark Bond – 5 Yr	2.50	2.43	2.65
US Benchmark Bond – 10 Yr	2.71	2.63	2.87
US Benchmark Bond – 30 Yr	3.09	3.00	3.13

## US Bond Sector Performance

	February	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	-0.07%	0.36%	3.07%

## Exchange Rates (per US dollar)

	2/28/19	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.317	1.313	1.281
Mexican New Peso	19.270	19.028	18.867
Euro	0.878	0.871	0.820
British Pound	0.752	0.760	0.726
Swiss Franc	0.996	0.992	0.945
Chinese Yuan	6.686	6.706	6.332
Indian Rupee	71.126	71.120	65.146
Japanese Yen	111.320	108.830	106.705

## Commodities (In US dollars)

	2/28/19	1 Mth Ago	1 Yr Ago
Gold	1,316.10	1,325.20	1,317.90
Crude Oil	57.22	53.79	61.64
US Dollar Index	96.04	95.30	90.55
Bloomberg Commodity Index	81.39	80.73	88.14

## Interest Rates (%)

	2/28/19	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	2.49	2.51	1.67
Libor Rate 3 Months	2.62	2.74	2.02
30yr Fixed Mortgage	4.35	4.46	4.43

## Economic Sentiment

	2/28/19	1 Yr Ago
Unemployment Rate	3.80%	4.10%
Average Single Family Home	287,600	281,300
Capacity Utilization	78.20%	77.21%

\*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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