

# January 2018 Market Watch

Domestic markets finished the month sharply positive, led by the NASDAQ Composite (+7.4% MTD) and S&P 500 (+5.6% MTD). The one month return in the S&P 500 was the best start to a year since 1997 and the tenth best since 1950. Strong corporate earnings and improving economic growth worldwide has fueled the rally with the new U.S. tax law, which cuts corporate rates to 21% from 35%, bolstering optimism. Continued weakness in the U.S. dollar has also been viewed as a tailwind for domestic exporters while the recent pickup in Treasury yields has prompted inflows out of bonds and into stocks, further driving equity market values higher. Despite these positives, many would argue that the investing environment remains mixed, with better company-specific and macroeconomic fundamentals being offset by more expensive valuations. Many valuation metrics remain at or near all-time highs including P/E ratio, Shiller cycle adjusted P/E ratio, bond yields, the CBOE Volatility Index (VIX), and real estate capitalization rates.

The rally in domestic equities was broad based. Nine of the eleven S&P 500 sectors finished the month in positive territory. The Consumer Discretionary (+9.7% MTD), Health Care (+8.2% MTD), and Information Technology (+6.8% MTD) were the best performers. Only the Utilities (-4.1% MTD) and Real Estate

	Date	1 Week Ago		1 Month Ago		1 Year Ago		YTD
	1/31/18	1/24/18	%chg	12/31/17	%chg	1/31/17	%chg	Return*
<b>DJIA</b>	26,149.4	26,252.1	-0.4%	24,719.2	5.8%	19,864.1	31.6%	5.8%
<b>S&amp;P 500</b>	2,823.8	2,837.5	-0.5%	2,673.6	5.6%	2,278.9	23.9%	5.6%
<b>NYSE Comp Index</b>	13,368.0	13,507.7	-1.0%	12,808.8	4.4%	11,223.0	19.1%	4.4%
<b>NASDAQ Composite</b>	7,411.5	7,415.1	0.0%	6,903.4	7.4%	5,614.8	32.0%	7.4%
<b>Russell 2000</b>	1,575.0	1,599.6	-1.5%	1,535.5	2.6%	1,361.8	15.7%	2.6%
<b>Japan Nikkei 225</b>	23,098.3	23,940.8	-3.5%	22,764.9	1.5%	19,041.3	21.3%	1.5%
<b>MSCI EM (Emerging Markets)</b>	1,254.6	1,258.8	-0.3%	1,158.5	8.3%	909.2	38.0%	8.3%
<b>MSCI EAFE</b>	2,153.1	2,183.4	-1.4%	2,050.8	5.0%	1,732.4	24.3%	5.0%
<b>FTSE 100</b>	7,533.6	7,643.4	-1.4%	7,687.8	-2.0%	7,099.2	6.1%	-2.0%
<b>SSE Comp Index</b>	3,480.8	3,559.5	-2.2%	3,307.2	5.3%	3,159.2	10.2%	5.3%

## US Equity Sector Performance

	January	YTD	1 Yr Ret.
<b>Consumer Discretionary</b>	9.7%	9.7%	29.4%
<b>Consumer Staples</b>	2.0%	2.0%	13.9%
<b>Energy</b>	3.7%	3.7%	6.5%
<b>Financials</b>	6.4%	6.4%	29.6%
<b>Health Care</b>	8.2%	8.2%	29.2%
<b>Industrials</b>	4.9%	4.9%	25.2%
<b>Information Tech</b>	6.8%	6.8%	42.1%
<b>Materials</b>	4.0%	4.0%	23.1%
<b>Telecom</b>	0.4%	0.4%	1.6%
<b>Utilities</b>	-4.1%	-4.1%	6.1%
<b>Real Estate</b>	-4.1%	-4.1%	5.9%

## US Equity Style Performance

	January	YTD	1 Yr Ret.
<b>Dow Jones Utilities</b>	-3.3%	-3.3%	4.5%
<b>AMEX DJ TRANS Avg.</b>	3.3%	3.3%	21.0%
<b>Russell 1000 Value</b>	4.0%	4.0%	17.4%
<b>Russell 1000 Growth</b>	6.9%	6.9%	34.6%
<b>Russell 2000 Value</b>	1.7%	1.7%	10.5%
<b>Russell 2000 Growth</b>	4.4%	4.4%	25.6%

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(-4.1% MTD) sectors finished in negative territory. Both sectors are largely considered more sensitive to rising interest rates, and therefore suffered as bond yields rose throughout the month.

International markets also finished the month with strong returns. The MSCI Emerging Markets (+8.3% MTD), SSE Composite (+5.3% MTD), and MSCI EAFE (+5.0% MTD) were the best performers in January.

Interest rates increased across the yield curve during the month. This was largely attributed to investor expectations for increased inflation and further rate hikes by the Federal Reserve throughout 2018. 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 95 basis points (bps) YoY to 1.47%, while the yield on the 10-Year U.S. Treasury bond increased 26 bps YoY to 2.72%.

The Bloomberg Commodity Index finished the monthly slightly positive (+1.9% MTD), driven by sharp increases in the price of gold and crude oil. Crude oil spike +7.4% MTD to close the month at \$64.87/barrel, while gold increased +3.1% MTD to reach \$1,349.30/ounce. Last year's selloff in U.S. dollar continued into the New Year with the U.S. Dollar Index down -3.1% MTD. The dollar's decline has come as the global outlook has brightened. U.S. unemployment remains at historically low levels (4.1%).

## Bond Markets (%)

	1/31/18	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	1.47	1.39	0.52
US Benchmark Bond – 6 Mth	1.66	1.52	0.63
US Benchmark Bond – 2 Yr	2.14	1.88	1.21
US Benchmark Bond – 5 Yr	2.52	2.21	1.92
US Benchmark Bond – 10 Yr	2.72	2.41	2.46
US Benchmark Bond – 30 Yr	2.94	2.74	3.07

## Commodities (In US dollars)

	1/31/18	1 Mth Ago	1 Yr Ago
Gold	1,347.20	1,309.30	1,211.40
Crude Oil	64.75	60.42	52.81
US Dollar Index	88.95	91.83	99.48
Bloomberg Commodity IDX	89.80	88.17	87.59

## US Bond Sector Performance

	January	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Aggregate Govt. Intrm.	-0.95%	-0.95%	-0.03%

## Interest Rates (%)

	1/31/18	1 Mth Ago	1 Yr Ago
Prime Rate	4.50	4.50	3.75
Federal Funds Rate	1.43	1.43	0.66
Libor Rate 30 Day	1.57	1.56	0.78
Libor Rate 3 Months	1.77	1.69	1.03
30yr Fixed Mortgage	4.15	3.99	4.19

## Exchange Rates (per US dollar)

	1/31/18	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.227	1.253	1.304
Mexican New Peso	19.566	19.566	20.761
Euro	0.833	0.833	0.925
British Pound	0.739	0.739	0.795
Swiss Franc	0.975	0.975	0.987
Chinese Yuan	6.512	6.512	6.878
Indian Rupee	63.828	63.828	67.845
Japanese Yen	112.650	112.650	112.575

## Economic Sentiment

	1/31/18	1 Yr Ago
Unemployment Rate	4.10%	4.80%
Average Single Family Home	288,600	270,100
Capacity Utilization	77.90%	75.73%

\*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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