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- The S&P 500, including dividends, posted its eighth straight annual gain since the bull market began in March 2009.
- Oil rallied 45%, the most since 2009, as OPEC agreed to cut output for the first time in eight years.
- Bolstered by the oil recovery, non-investment grade U.S. corporate bonds surged over 17%, the most in a year since 2009, when prices of risky corporate debt recovered from the 2008 financial crisis.

The S&P 500 had a banner year in 2016, rebounding from the worst-ever start to a year, to post its strongest performance in two years. The Dow Industrials surged 16.50%, its best year since 2013, while the NASDAQ Composite returned 8.87%. In fact, segments of all three markets (stocks, bonds, and commodities) together closed out the year with double-digit gains for the first time in 17 years. The vast majority of gains arrived during the second half the year, as global angst over Brexit proved short-lived and the election victory of Donald Trump spurred the strongest equity rally following any presidential election in history. Investors widely expect that President-elect Trump will push Congress to enact his policies for infrastructure spending, deregulation and meaningful corporate tax cuts that together are expected to boost economic growth.

Key economic data released in the fourth quarter also helped to improve investor sentiment. Companies within the S&P 500 emerged from five straight quarters of negative aggregate earnings, while stronger readings of consumer spending and business investment spurred an upward revision of third quarter GDP to 3.5% from 3.2%. The revision represents the strongest pace of growth in two years and follows three consecutive quarters of sub- 2% growth. In December, the Federal Reserve raised interest rates by one quarter point to a range of 0.50%- 0.75%, its second increase in a decade, and signaled that further increases are likely in 2017.

By market capitalization, U.S. small cap companies performed best in 2016, widely outperforming large and mid cap stocks during the month, quarter and full-year periods. The Russell 2000 Index, a broad measure of small cap equity performance, rallied 2.8% in December and gained 8.83% and 21.31% respectively in the fourth quarter and year. Mid cap stocks rose 1.14% last month, while advancing 3.21% in the fourth quarter and 13.8% in 2016. Value-oriented stocks also widely outperformed, outpacing growth stocks during all three time periods. The Russell 1000 Value Index rose 2.5% in December, gained 6.68% during the quarter and returned 17.34% in 2016. In contrast, the Russell 1000 Growth Index rose 1.24% last month, and 1.01% and 7.08%respectively for the fourth quarter and year.

Within the S&P 500, eight of the 11 major sector groups posted fourth quarter gains, led by Financials (+21.1%), Energy (+7.28%) and Industrials (+7.21%). Real Estate (-4.41%), Healthcare (-4.0%)and Consumer Staples (-2.02%) declined during the quarter. For the full year, all, but one of the 11 sectors advanced, with Energy (+27.36%), Telecom (+23.49%) and Financials (+22.8%) taking top 2016 honors. Real Estate (+3.39%) rose the leastin 2016, while Healthcare (-2.69%) was the only sector to post a 2016 loss.

The MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, outperformed domestic equities in December, but widely underperformed the S&P 500 during the quarter and year. The MSCI EAFE advanced 3.42% last month, fell 0.71% in the fourth quarter and gained just 1.0% in 2016.

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