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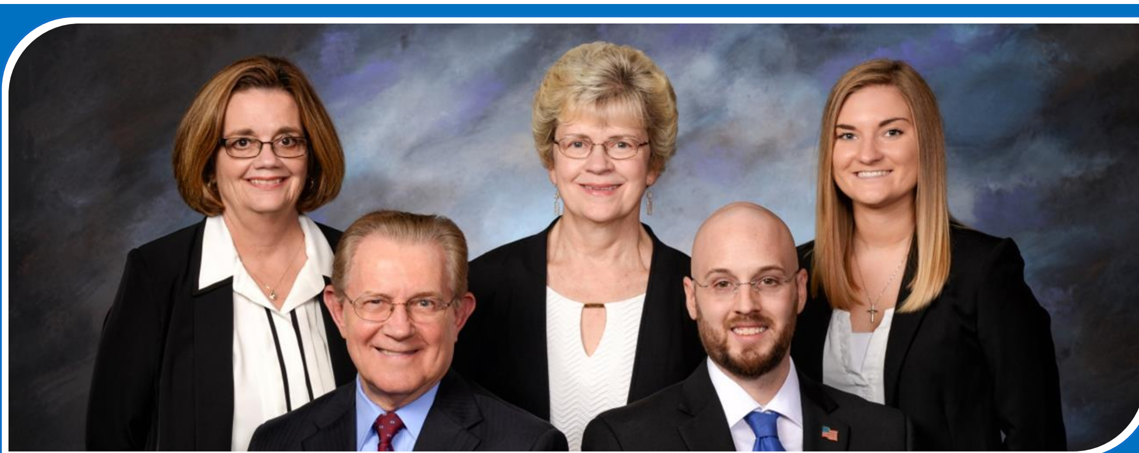

- The S&P 500 finished March with its best monthly performance since October 2015.
- Crude oil climbed 14% in March, rebounding over 24% from a 12-year low reached on February 11.
- The U.S. Dollar Index lost 3.9% in March, its steepest pullback since September 2010. A weaker dollar boosts commodities as well as making U.S. goods more attractive for export.

Rounding out a rocky quarter, the S&P 500 and Dow Jones Industrial Average ended the quarter just off their 2016 highs. Investors enjoyed a remarkable seven-week recovery that more than erased losses from the worstever start to a year. Equity markets were initially hurt by concerns over slowing growth in China and continued weakness in oil prices. However, the market's resurgence was sparked by a bevy of corporate stock buybacks and dovish central bank actions and comments from Asia, Europe, and America; with each pledging further accommodation should economic conditions warrant the need. Impressively, the S&P 500 rallied nearly 13% since its February 11 low. In fact, the recovery marked the first time since 1933 that the S&P 500 completed a three-month increase after falling more than 10% during the same period. The NASDAQ Composite Index jumped 6.94% in March, but ended the quarter with a 2.43% loss, its worst first quarter performance since 2009. The Dow Jones Industrial Average surged 7.22% in March to end the quarter with a 2.20% return.

Though small-cap U.S. companies outperformed large-cap stocks in March, they trailed for the quarter and year. The Russell 2000 Index, a broad measure of small-cap equity performance, rose 7.98% last month, while falling 1.52% during the first quarter and year-to-date (YTD) periods. Mid-cap stocks performed best, with the Russell Midcap Index surging 8.19% last month, while gaining 2.24% for the quarter.

Value-oriented stocks outperformed growth stocks during March and the quarter. The Russell 1000 Value Index returned 7.20% last month and gained 1.64% during the first quarter. The Russell 1000 Growth Index gained 6.74% in March and rose 0.74% for the quarter.

Within the S&P 500, all ten major sector groups posted March gains, led by Energy (+9.31%), Technology (+9.15%) and Utilities (+8.03%). Healthcare (+2.77%) gained the least. For the quarter and YTD, eight of the ten sectors advanced, with Telecom (+16.61%) and Utilities (+15.56%) up the most, while Healthcare (-5.50%) and Financials (-5.06%) declined.

The MSCI EAFE Index, measuring returns on developed markets outside the U.S. and Canada, underperformed domestic equities in March and during the first quarter. The MSCI EAFE returned 6.51% last month, while falling 3.01% for the quarter. European shares, as measured by the STOXX Europe 600 Index, gained 1.49% in March. Despite rebounding almost 12% since mid-February, the index still finished the quarter down 6.96%.

The MSCI Emerging Markets Index jumped 13.23% in March, its largest monthly gain since October 2011, and rose 5.71% in the first quarter. China's Shanghai Composite Index rallied 11.75% in March, trimming its first quarter loss to 15.11%. Brazil was the best performing market in March, as the Ibovespa Stock Exchange Index posted a 16.97% gain. In U.S. dollar terms, that equates to a return of 30.32%.

After the U.S. Federal Reserve (Fed) raised interest rates in December for the first time in nearly a decade, Fed policymakers refrained from further tightening during their meetings in January and March. However, taking markets by surprise, Fed Chair Janet Yellen offered a decidedly dovish explanation. Citing global economic developments that continue to pose risks, the central bank now forecasts just two quarter-point rate hikes in 2016 instead of the four rate increases they forecasted in December.

Therefore, the "lower for longer" Fed Funds rate outlook had mixed results in the bond market. The Barclays U.S. Government Bond Index gained 0.16% last month, slightly extending its 2016 YTD gain to 3.12%. Benchmark 10- year Treasury notes have rallied in price over the past three months, pulling its yield down 50 basis points since the start of the year, ending the first quarter at 1.77%. Investment grade bonds, as measured by the Barclays U.S. Aggregate Bond Index, gained 0.92% in March, widening its first quarter gain to 3.03%.

At the other end of the credit spectrum, the Barclays U.S. Corporate High Yield Index, which measures returns on below-investment grade corporate bonds, surged 4.44% in March and capped the first quarter with a 3.35% return. The Barclays Municipal Bond Index rose 0.32% last month, extending its first quarter return to 1.67%.



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