W. James Steen, CFP®
jim@petrafin.com

Jason A. Pearson, CFP®
jason@petrafin.com

(O) 937.294.9000
www.petrafinancialsolutions.com

Market Monitor

- The S&P 500 broke a nine-quarter winning streak, ending its longest stretch of gains since the 1Q 2015.
- Uncertainty surged this year, with the Cboe Volatility Index up nearly 81%, the largest quarterly increase since 2011, when Standard & Poor's downgraded its U.S. credit rating to AA+ from AAA.
- Emerging markets outperformed the U.S. for a fifth quarter, while non-U.S. developed markets lagged.
- U.S. crude oil prices rose 5.65% in March and increased 7.48% during the first quarter.

U.S. stocks ended a tumultuous quarter on high note with the S&P 500 finishing the last trading day in March with its third-highest gain of the month, up 1.38%, trimming its monthly loss. The late-day rally on March 29 also trimmed its pullback from its January 26 all-time high to 7.73%. Stocks began the quarter in euphoria amid optimism over President Trump's tax cut plan, pushing the S&P 500 up the most in 22 months, only to fall into correction weeks later on fears of accelerating rate hikes expected later this year. Despite a notable rebound in late February, investor sentiment eroded in March, as the Federal Reserve raised interest rates as expected and President Trump reshuffled White House personnel. Uncertainty intensified after the U.S. imposed new tariffs on steel and aluminum imports, followed by further tariffs on up to $60B worth of Chinese goods. While these challenges may appear daunting, Wall Street still enjoys strong fundamentals, including robust and accelerating corporate earnings, expanding business investment, a healthy labor market, and the highest level of consumer confidence since 2004.

Overall, the Dow Industrials fell 3.59% in March and 1.96% in the first quarter, snapping its longest winning streak since an 11-month rally ended in the third quarter of 1997. Among the three major U.S. indices, the Nasdaq Composite performed best, but steep selling in mega cap technology stocks caused a 2.79% March loss on the tech-heavy index. The Russell 2000, a leading measure of small cap performance, outperformed large and mid cap stocks last month and posted a slight gain during the first quarter.

Top Performers – March 2018 [1]	**Bottom Performers – March 2018**
Real Estate (+3.78%)	Financials (-4.31%)
Utilities (+3.76)	Materials (-4.24%)
Energy (+1.66%)	Technology (-3.90%)
Top Performers – YTD 2018	**Bottom Performers – YTD 2018**
Technology (+3.53%)	Telecom (-7.48%)
Consumer Discretionary (+3.09%)	Consumer Staples (-7.12%)
Financials (-0.95%)	Energy (-5.88%)

1 Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

PETRA
Financial Solutions, Inc.

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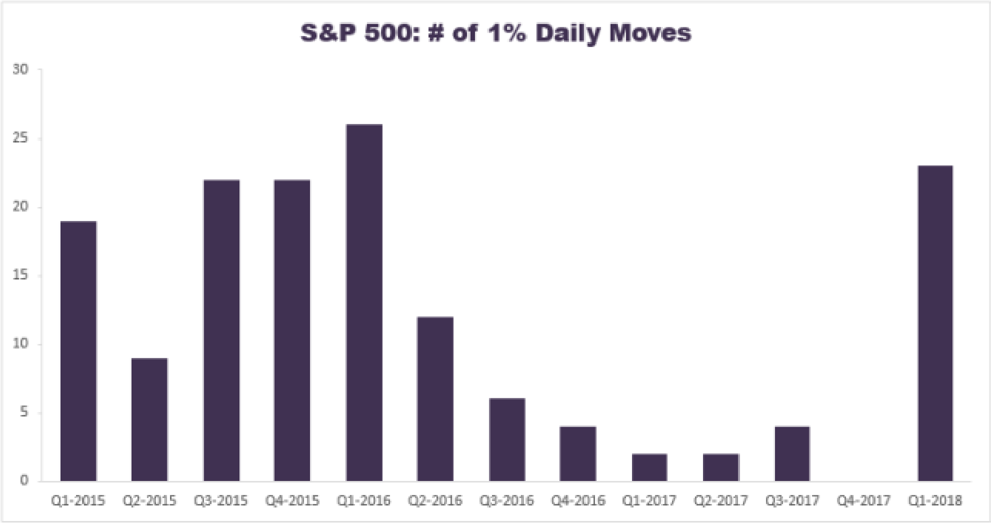
As the preceding table shows, sector performance was widely divergent in the first three months of the year. Defensive-oriented sectors were the top two performers in March, while cyclical, economically-sensitive sectors performed best for the quarter. Value-oriented equities outpaced growth stocks in March, while growth outperformed value in the first quarter. The following chart illustrates the magnitude of heightened market volatility from relative periods of calm during preceding quarters. During this year's first quarter, there were 23 days in which the S&P 500 rose or fell by 1% or more. This stands in stark contrast to the eight such moves during all of 2017.



Source: Cetera Investment Management, Yahoo Finance, Standard & Poor's. Data as of 3/31/2018

The MSCI EAFE Index, which measures returns on developed markets outside the U.S. and Canada, fell less than U.S. equities in March, but their losses outpaced domestic stocks for the quarter. Emerging markets stocks, as measured by the MSCI Emerging Markets Index, outperformed relative to the U.S. equities in both periods.

Turning to bonds, U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, rose 0.93% in March, trimming a February loss to end the first quarter down 1.15%. Reflecting increased borrowing rates, the yield on benchmark 10-year Treasury notes ended the first quarter at 2.74%, up 0.33% quarter-overquarter. Investment-grade bonds of all types, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index, trailed safer-haven government debt.

Municipal bonds outperformed government and other investment-grade bonds in both periods. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, the leading measurement of noninvestment grade corporate bonds, underperformed its investment-grade counterparts in March, but outperformed on a quarterly basis.