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Market Monitor

- The S&P 500 registered its 15th consecutive monthly advance, returning the most since March 2016. Gains were led by Consumer Discretionary (+9.34%), Technology (+7.63%) and Healthcare (+6.65%).
- U.S. crude oil futures surged 7.1% last month, due to a record run of weekly oil supply declines.
- Emerging market equities performed best in January, outpacing domestic stocks by 2.6%.

Despite a month-end pullback, the S&P 500 and Dow Industrials ended January with their strongest monthly performances in 21 months, gaining 5.73% and 5.88% respectively. Among the major domestic equity indices, the Nasdaq Composite advanced the most, rising 7.40%. Bullish catalysts include a synchronized global growth recovery, with most world economies expanding together for the first time in a decade, strong corporate earnings in a thriving labor market and signs of tax cut benefits for both companies and individuals. Yet after the S&P 500 posted 14 record highs in 18 trading days, marking the best start to a year since 1997, near-term uncertainties and rising borrowing costs caused investors to question the sustainability of elevated equity valuations.

On the last day of January, the S&P 500 snapped the two-day 1.75% retreat after two concerns were resolved, with President Trump's State of the Union address garnering more-than-expected relief. Further, as expected, the Federal Reserve left interest rates unchanged at their month-end policy meeting, while expressing a minimally hawkish tone that measures of inflation have increased recently. While just one-third of S&P 500 companies have reported fourth quarter earnings data, results have been favorable, prompting analysts to expect earnings per share to grow by 13.2% year-over-year.

Mid and small cap stocks underperformed relative to large caps last month. Mid cap companies, as measured by the Russell Mid Cap Index, rose 3.76%, while the small cap focused Russell 2000 Index gained 2.61%. Growth stocks outperformed value stocks in January, with the Russell 1000 Growth Index up 7.08%, while the Russell 1000 Value Index rose 3.87%.

In international equities, the MSCI EAFE Index, a broad performance measure of global developed markets outside the U.S. and Canada, slightly underperformed relative to domestic equities in January, rising 5.02%. Looking to less developed countries, the MSCI Emerging Markets Index outperformed the U.S., climbing 8.33% in January, extending its impressive 32.5% rally in 2017. The MSCI All Country World Index, excluding the U.S., gained 5.57% in January.

In fixed income markets, yields on the 10-year U.S. Treasury notes increased by 0.30% in January, ending the month at 2.706%. The Bloomberg Barclays U.S. Municipal Bond Index lost 1.18% for the month, slightly underperforming the Bloomberg Barclays U.S. Aggregate Bond Index. The Aggregate Bond Index, a broader measure of U.S. investment grade bonds, fell 1.15%. Riskier bonds, as measured by the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, gained 0.60% in January.

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