

# Quarter Update

- The S&P 500, Dow Industrials (+11.81%) and the Nasdaq Composite (+16.81%) respectively posted their strongest quarterly gains since the third quarter 2009.
- Markets calmed during the quarter, with the Cboe Volatility (VIX) Index falling 46% since the start of the year.
- The Bloomberg U.S. Dollar Index strengthened 1.25% in the first quarter.

After logging their worst year since the financial crisis, U.S. equities posted blockbuster gains in the first quarter, sending the S&P 500 to its best three-month start to a year since 1998. The turnaround from oversold yearending levels came amid reports of solid progress on U.S.-China trade talks and a dovish policy outlook from the Federal Reserve, signaling no further rate hikes this year. Equities also quickly stabilized after bond yields inverted earlier in March, with 10-year Treasury yields falling below those of short-term 3-month T-Bills, a development that can signal a recession. Stocks recovered on a belief that Asia's rebound in factory activity and an eventual U.S.-China trade agreement will bolster global economies, and increase corporate profits.

Overall, around 90% of S&P 500 companies advanced during the quarter, sending the benchmark index to within 2.3% of its September 20, 2018 all-time high. Also notable last quarter, Wall Street's bull market celebrated its tenth anniversary, the longest on record. Since March 9, 2009, the S&P 500 has gained over 416%, including dividends, while global stocks returned 285%.

By market capitalization, large cap S&P 500 companies performed best in March, while Russell Mid Cap stocks (+0.86%) trailed and the small cap-focused Russell 2000 Index fell. For the quarter, mid caps outperformed, up 16.54% and small caps advanced 14.58%. The Russell 1000 Growth Index returned more than its Value-oriented counterpart in March (+2.85% vs. +0.64%) and for the quarter (+16.10% vs. +11.93%).

<b>Top Performers – March <sup>1</sup></b>	<b>Bottom Performers – March</b>
Real Estate (+4.92%)	Financials (-2.61%)
Technology (+4.83%)	Industrials (-1.14%)
Consumer Discretionary (+4.11%)	Healthcare (+0.49%)
<b>Top Performers – 1Q/YTD 2019</b>	<b>Bottom Performers – 1Q/YTD 2019</b>
Technology (+19.86%)	Healthcare (+6.59)
Real Estate (+17.53%)	Financials (+8.56)
Industrials (+17.20%)	Materials (+10.30%)
<i><sup>1</sup> Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)</i>	

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As the preceding sector performance table shows, Real Estate companies (including REITs) were the top performers in March; while Technology performed best for the quarter, up nearly 20%. Also notable among subindustries, semiconductors performed best within Technology, and retailers had their best quarter since 2014.

Internationally, MSCI measures of emerging markets and developed markets outside the U.S. and Canada were nearly even in March and for the quarter. The MSCI Emerging Markets Index slightly outperformed the MSCI EAFE Index last month, while for the quarter, the MSCI EAFE edged out emerging markets.

In regional world highlights, the Stoxx Europe 600 Index (+0.76%) and Japan's Nikkei 225 Index (+0.39%) rose fractionally in U.S. dollar terms last month, while gaining 11.56% and 6.46% respectively during the first quarter. Among the world's major developing markets, China's Shanghai Composite, its key mainland equity index, performed best in the first quarter, up 27.01%.

U.S. Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, rallied 5.21% in March, and returned 4.64% in the first quarter. The yield on benchmark 10-year Treasury notes ended the quarter at 2.406%, down 0.28% quarter-over-quarter. Investment-grade bonds of all types, as measured by the Bloomberg Barclays U.S. Aggregate Bond Index trailed safer-haven government debt in March and for the quarter.

Municipal bonds underperformed relative to other investment-grade bonds in both March and during the first quarter. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, the leading measurement of non-investment grade corporate bonds, rose less than 1% in March, but outperformed all major bond categories in the first quarter.

In commodities, U.S. West Texas crude oil dramatically reversed its near 25% loss in 2018, surging 32.44% in the first quarter, ending at \$60.14/barrel. The Bloomberg Commodity Index advanced 6.32% during the first quarter, its best quarterly performance since 2016.

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**Glossary**

**Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly. The Bloomberg Barclays US Municipal Bond Index covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly. The Bloomberg Barclays US Corporate High Yield Index measures the USD-denominated, non-investment grade, fixedrate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly. The Barclays U.S. Government Bond Index is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multicurrency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

**The Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components). The Cboe Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a floatadjusted market capitalization index. The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies. The S&P BSE SENSEX Index is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy. The S&P 500 is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index. The Shanghai Composite Index is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The U.S. Dollar Index is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDIX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008. West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.