

February Market Monitor

- The S&P 500 posted its best month in three years and is now within 7.1% of its all-time high set in September.
- The Dow Industrials gained 7.29% last month, while the tech-heavy Nasdaq Composite advanced 9.79%.
- The Bloomberg Commodity Index gained 5.45% in January, led by an 18.45% surge in U.S. oil prices.

Following December losses, U.S. markets finished January on a high note with stocks and bonds both ending the month positive. The S&P 500 posted its biggest monthly gain since October 2015 and its best January performance in 32 years as better-than-expected corporate earnings and the Federal Reserve’s dovish policy views lifted investor sentiment. The Fed left interest rates unchanged at their January policy meeting and vowed to be “patient” toward future interest rate decisions and flexible on reducing its balance sheet. With the reporting season just over halfway complete, earnings for S&P 500 companies are currently exceeding analysts’ forecasts by 2.4%, with overall fourth quarter profits on pace for 15.1% growth from a year ago. Investors are also more upbeat that a U.S.-China trade deal can be reached by March. Equity markets continue to be supported by strong consumer spending, tailwinds from tax reform, a growing economy, and a vibrant labor market.

By market capitalization, small cap stocks performed best, outpacing mid and large caps. All eleven sector groups ended positive in January, led by double-digit gains in Industrials, Energy and Real Estate, while defensive-oriented sectors rose the least. Emerging market stocks outperformed the U.S. in January, while developed markets excluding the U.S. and Canada underperformed. The Stoxx Europe 600 rallied 6.38%, while China’s Shanghai Composite trailed with a January gain of 3.64%.

Treasury prices edged higher last month, sending the yield on 10-year Treasury notes down 0.055% to 2.63%. Investment-grade bonds rose in January, while state and local municipal bonds were also positive. Non-investment grade high-yield corporate bonds performed best last month.

Top Performers – January 2019 ¹	Bottom Performers – January 2019
Industrials (+11.41%)	Utilities (+3.43%)
Energy (+11.11%)	Healthcare (+4.84%)
Real Estate (+10.79%)	Consumer Staples (+5.19%)
Top Performers – YTD 2019	Bottom Performers – YTD 2019
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¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividend, interest)

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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. 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. Many of the subindices of the Municipal Index have historical data to January 1980. 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 holdings has 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, fixed-rate, 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 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 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 float-adjusted market capitalization index. 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 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 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 USDX 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.