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Market Monitor

- The Dow Industrials and S&P 500 ended their historic 15-month run of uninterrupted monthly gains, their longest winning streak in history. The Nasdaq Composite had its first monthly loss in eight months.
- Crude oil fell 4.5% to $61.64/bbl in February as U.S. oil inventories rose.
- Equities recovered, yet the S&P 500 is 5.3% below its January 26 record high.

Stocks ended February with their worst monthly performance in over two years as concerns mounted over a quickening pace of interest rate normalization expected later this year. This occurred despite continued signs of a robust and growing economy. The Dow and S&P 500 fell the most since January 2016, while the Nasdaq Composite had its worst loss since October 2016. The month was marked by intense volatility as equities plunged into a 10% correction, only to recover more than half of the loss in the ensuing week. The slide was sparked by the largest annualized jump in wages since 2009, seen as a precursor to rising inflation. S&P 500 losses culminated with a two-day 2.3% month-ending slide after Fed Chairman Jerome Powell voiced an optimistic outlook on the economy and hinted policymakers may raise interest rates four times in 2018, not three as they previously signaled.

By market capitalization, domestic mid cap stocks fell the most, while small caps lagged large caps. Technology companies outperformed among the 11 major S&P 500 sectors and was the only group to post a February gain. In international equities, emerging markets trailed developed markets last month, while maintaining its leadership over the U.S. and other developed markets on a year-to-date basis.

Fixed income markets were equally volatile last month. The yield on 10-year Treasury notes fell as low as 2.70%, only to rally just below 3%, the highest in four years. Despite the fluctuation, the benchmark yield ended at 2.86%, near where it ended in January. On a total return basis, long-term U.S. debt fell the most in February while municipal bonds fell the least and outperformed the Bloomberg Barclays U.S. Aggregate Bond Index, the benchmark investment grade bond gauge. Lastly, though non-investment grade corporate bonds underperformed relative to municipals, they outperformed most other investment-grade bonds.

Top Performers – February[1]	**Top Performers – Year-to-Date**
Technology (+0.10%)	Technology (+7.73%)
Financials (-2.78%)	Consumer Discretionary (+5.55%)
Consumer Discretionary (-3.46%)	Financials (+3.51%)
Bottom Performers – February	**Bottom Performers – Year-to-Date**
Energy (-10.82%)	Real Estate (-8.47%)
Consumer Staples (-7.76%)	Energy (-7.42%)
Telecom (-7.06%)	Utilities (-6.81%)

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

This report is created by Cetera Investment Management LLC.

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