SAGE VIEW

SEE WHERE YOU'RE GOING

MARKET COMMENTARY

February 2019

Stocks rallied on growing optimism that a trade agreement between the U.S. and China may be imminent as well as news that the Fed has paused any further interest rate hikes. The Dow Jones Industrial Average led for the month, gaining 4.03%. The Standard & Poor's 500 rose 3.21%, while the NASDAQ Composite added 3.60%. After January's already-exceptional performance, stocks began February modestly higher. These same gains muted worries that China and the U.S. would not reach a trade agreement by March 1st.

A weak December retail sales number sent a surge of anxiety through investors, feeding concerns that slowing economic data may be pointing to a slowdown. But investors quickly shrugged off the news and focused on an improved outlook for trade negotiations, a rally in oil prices, and the diminished likelihood of another federal government shutdown.

Stocks extended their gains as the month wore on. The markets welcomed news released by the Federal Open Market Committee (FOMC), which confirmed that the Fed governors had adopted a "wait-and-see" approach on future interest rate hikes.

The current economic expansion reached the age of 104 months in February, making it the third-longest expansion in U.S. history. By May 2019, it will become the second-longest stretch of economic growth on record.

To gain a better understanding of what may lie ahead for economic growth and corporate earnings, investors may want to keep an eye on overseas markets. In the three largest economic zones outside of the U.S. -- the European Union (EU), Japan, and China -- economic growth rates are trending lower. In the EU, for example, the European Commission recently reduced its Gross Domestic Product growth rate estimate for 2019 from 1.9% to 1.5%.

Economic conditions abroad can impact U.S. firms, since 29% of all revenues generated by S&P 500 companies are attributable to overseas markets.

Progress in trade negotiations between the U.S. and China boosted international stocks, leading to a gain of 2.56% in the MSCI-EAFE Index for February. European stocks posted generally solid gains with France leading, up 5%. The Netherlands, Switzerland, and the U.K. enjoyed strong gains. Germany rose 3.1%, despite economic concerns and continuing potential tariffs on its auto exports to the U.S. Among Pacific Rim markets, Hong Kong, Australia, and Japan notched healthy gains.

This material is provided by SageView Advisory Group and written by FMG Suite, LLC.

SUMMARY OF MAJOR ECONOMIC INDICATORS

INDICATOR	LAST REPORT DATE	VALUE*	6-MO. TREND	COMMENTS
U.S. Real GDP (ann. rate) *	Q4 2018	2.6%	↑	The first estimate for Q4 GDP exceeded expectations but was a deceleration from prior quarters in 2018. On an annual basis, the U.S. economy expanded at a solid 2.9% pace.
Global Real GDP Growth (ann. rate; Source: IMF)	Q4 2018	3.7%	n/a	The IMF's global growth forecast for 2019 is 3.5%, slightly lower than 2018 due to slowing growth in advanced economies and certain emerging markets, particularly China.
Non-Farm Employment Growth	Feb 2019	20,000	↔	Job growth slowed sharply in February, likely impacted by the poor winter weather conditions across the country. However, the longer trend indicates a moderating trend in job growth.
Unemployment Rate	Feb 2019	3.8%	↔	The unemployment rate declined after federal workers who were previously counted as unemployed during the government shutdown, returned to work.
ISM Manufacturing Index	Feb 2019	54.2	↓	Manufacturing declined in February. Although it still signifies expansion, manufacturing activity has slowed measurably from last summer and was at its lowest level since 2016.
ISM Non-Manufacturing Index	Feb 2019	59.7	↔	The services index declined for the second consecutive month. The current level represents continued growth in the non-manufacturing sector, but at a slower rate.
Capacity Utilization	Jan 2019	78.2	↔	Capacity utilization declined in January suggesting increasing amount of slack in the manufacturing sector, corroborating the slowing trend in manufacturing.
Consumer Price Index (CPI, SA)	Jan 2019	0.0%	↓	The broadest measure of inflation remained unchanged for the third consecutive month. Annual change in inflation has softened substantially over the last six months.
Producer Price Index (Final Demand, SA)	Jan 2019	- 0.8%	↓	The Producer Price Index for final demand declined for the third straight month, as it was weighed down by lower energy prices.
Leading Economic Indicators Index (LEI)	Jan 2019	0.0%	↓	The LEI was flat in January and below its level four months ago, potentially indicating slower economic conditions.
10-year Treasury Yield	Feb 2019	2.73%	↓	The 10-year Treasury yield increased modestly for the first time in four months despite weaker economic data. The Fed remains on hold for the time being with future interest rate hikes.

*NOTE: The "Value" column shows the most current level or change over the prior month or quarter.

GLOBAL CAPITAL MARKETS: RETURNS AND PRICE LEVELS

	Feb Close	Feb	Year- to-Date	1 year	3 years	5 years
US Indices						
Dow Jones 30	25,916	4.03%	11.62%	5.95%	19.04%	12.14%
S&P 500	2,784	3.21%	11.48%	4.68%	15.28%	10.88%
Nasdaq	7,533	3.60%	13.74%	4.71%	19.57%	13.87%
Russell 2000	1,576	5.20%	17.03%	5.58%	16.67%	7.75%
International Indices						
MSCI EAFE (Developed)	1,874	2.56%	9.32%	-5.57%	9.85%	2.82%
MSCI EM (Emerging)	1,051	0.23%	9.02%	-9.54%	15.46%	3.80%
US Fixed Income						
Bloomberg Barclays US Aggregate	---	-0.06%	1.00%	3.17%	1.69%	2.73%
Bloomberg Barclays US TIPS	---	-0.01%	1.33%	1.91%	1.69%	1.96%
Commodities and Real Estate						
Bloomberg Commodity Index	170	1.01%	6.51%	-5.67%	3.57%	-7.64%
Crude Oil ($/bbl)		$57.22	$45.41	$61.64	$33.75	$98.42
DJ US Select REIT	10,498	0.96%	12.49%	20.90%	7.80%	10.46%

Sources: Bloomberg, MSCI. Non-US index returns are shown in US Dollar terms and are considered to be currency unhedged. Total returns include

dividend and income accruals and price changes. Returns for three and five years are annualized and assume the reinvestment of interest and dividend payments. Investors cannot invest directly in any of the above indices. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

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GLOSSARY

*The **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 pre-refunded bonds. Many of the sub-indices of the Municipal Index have historical data to January 1980. In addition, several sub-indices based on maturity and revenue source have been created, some with inception dates after January 1980, but no later than July 1, 1993. 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 **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Introduced in 1993, the VIX Index has been considered by many to be the world's premier barometer of investor sentiment and market volatility.*

*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 **MSCI ACWI Excluding the U.S.** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets without the inclusion of the United States. The MSCI full ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey* and United Arab Emirates.*

*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 Mid Cap 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 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.*