

Market Indices ¹	January	Year-to-Date
S&P 500	1.90%	1.90%
Russell 3000	1.88%	1.88%
MSCI EAFE	2.90%	2.90%
MSCI Emerging Markets	5.47%	5.47%
Barclays U.S. Aggregate Bond	0.20%	0.20%
Barclays U.S. Municipal Bond	0.66%	0.66%
Barclays U.S. Corporate High Yield	1.45%	1.45%

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

At-A-Glance

- The S&P 500 posted its third consecutive monthly gain, reaching a new all-time high of 2,298 on January 26th, the day after the Dow Jones Industrial Average closed above 20,000 for the first time in history.
- The Dow rose the last 1,000 points to the 20,000 milestone in just 42 trading days, far less than the average of two years per 1,000 point gains since reaching 10,000 in 1999.
- Despite the record highs seen in the domestic equity indices, foreign stocks outpaced them.

All three major U.S. equity averages registered their first January gains since 2013. The S&P 500 ended the month with four days of declines, paring an otherwise solid January performance. Since the November 8th elections, equity averages have rallied on optimism over President Trump's pro-growth policies, including fiscal spending on infrastructure, corporate tax cuts and reduced regulations. However, gains have stalled recently, with investors stepping back from shares in financials, materials and industrial companies, the areas of the market that had rallied the most. Analysts point to recent mixed earnings and economic reports for the month-ending angst, while others note the global discord over the Trump Administration's move to temporarily restrict immigration from seven Middle East nations. With one-third of S&P 500 companies so far reporting fourth quarter earnings results, approximately 75% have topped analysts' profit forecasts, while around half have exceeded their sales projections. Earnings forecasts for all S&P 500 companies are projected to rise 4.7%. Yet, if long-run trends continue, fourth quarter earnings growth could climb over 8%, as actual results have historically topped initial estimates by an average of 3.6%.

Eight of the 11 major sector groups finished higher in January, led by Materials (+4.64%), Technology (+4.41%), and Consumer Discretionary (+4.24%). Energy (-3.6%) and Telecom (-2.48%) lagged the most last month. Energy shares, particularly oil & gas producers, declined as crude oil prices fell 1.7% in January amid rising domestic production levels that more than offset output cuts by OPEC member nations.

By market capitalization, mid cap stocks performed best in January, outperforming small and large cap shares. The Russell Mid Cap Index returned 2.41% last month, while the Russell 2000 Index, a measure of smaller-sized companies' share performance, rose just 0.39%. Growth stocks widely outperformed value stocks in January, with the Russell 1000 Growth Index up 3.37%, while the Russell 1000 Value Index returned just 0.71%.

The MSCI Emerging Markets Index surged 5.47% in January, far outpacing domestic equities. Emerging markets have benefited from the recent slide on the U.S. dollar, which has retreated to a 12-week low. The MSCI EAFE Index, a broad performance measure of global developed markets outside of the U.S. and Canada, also outperformed U.S. equities, gaining 2.90% last month.

Treasuries, as measured by the Bloomberg Barclays U.S. Government Bond Index, rose 0.23% in January. Prices on 10-year U.S. Treasury notes were little changed last month, sending its yield up only one basis point to 2.454%. The Bloomberg Barclays U.S. Municipal Bond Index gained 0.66% last month, while the Bloomberg Barclays U.S. Aggregate Bond Index, a broader measure of U.S. investment grade bonds, rose 0.20%. At the other end of the credit spectrum, the Bloomberg Barclays U.S. Corporate High Yield Index, a proxy for below-investment grade corporate bonds, was the best performing domestic bond index, returning 1.45%.

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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 prerefunded bonds. Many of the subindices of the Municipal Index have historical data to January 1980. In addition, several subindices 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 **Bloomberg Barclays US Government Bond Index** is comprised of the US Treasury and US Agency Indices carrying at least investment grade ratings (Baa3/BBB- or higher) by Moody's and S&P. 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). Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 7.3 years. 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 multi-currency Global Aggregate Index. This total return index is unhedged 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 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.

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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 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.