Market Update

March 2017 Review

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"Time to Pause and Reflect?"

Since the Presidential Election, the equity markets have soared to record high levels, levels that many thought we would not see for quite some time. The Dow Jones Industrial Average closed at 18,332 on November 8th, as voters flocked to the voting booths. Fast forward to the end of March and the Dow closed at an astounding 20,663. As indicated previously, it appeared as though markets were being driven, in large part, due to expectations that as soon as the new administration took office, it would enact tax reform, regulatory relief and fiscal spending. It seemed as though many investors believed that it was a foregone conclusion that this would all get done and our economy would begin to flourish.

However, as we saw on Friday March 24th, policy changes may not happen as quickly as investors were expecting. When Trump's bill seeking to replace major parts of Obamacare was pulled from the floor of the House of Representatives, this was quite a setback, as opposition from within his own party forced Republican leaders to cancel a vote on healthcare reform for the second time. With that sliver of doubt now on investors' minds, they may not be as confident and certain in the President's ability to deliver on his other stated priorities mentioned above. In the end, if that certainty was what was truly driving the markets, we may start to see some pullback.

Equity markets had a bit of an up and down month in March, as the Dow fell 60 basis points while the S&P 500 Index gained a tad, i.e. 0.1%. Despite the relatively poor month, the Dow remains up a solid 5.2% through the first 3 months of the year and the S&P is up even more, at a positive 6.1%. The tech-intensive NASDAQ Composite has bested both, adding a solid 1.5% for the month and almost 10% year-to-date.

Economic data was relatively positive for the month, with housing data improving both on a price basis and pending home sales basis, and the third estimate for fourth quarter GDP showing a revised 2.1% annualized growth versus the previously estimated 1.9% annualized rate. More importantly, the upward revision was driven largely by consumer spending, which rose at a 3.5% pace in the fourth quarter, showing that the consumer is still chugging along rather comfortably.

	March 2017	YTD
DJIA	-0.60%	5.19%
S&P 500	0.12%	6.07%
NASDAQ	1.48%	9.82%
MSCI EAFE	2.75%	7.25%
MSCI Emerging Markets	2.52%	11.44%
Barclays Aggregate	-0.05%	0.82%
Barclays Corp High Yield	-0.22%	2.70%
	3/31/2017	2/28/2017
US 10-Year Treasury Yield	2.40%	2.36%

Internationally, as the United Kingdom continued its move to exit the European Union, markets did not seem to notice. The MSCI EAFE Index gained an impressive 2.8% in March and is up 7.3% year-to-date, indicating that political issues have seemingly taken a backseat to positive economic data out of Europe. Emerging markets, as measured by the MSCI Emerging Market Index, tacked on 2.5% for the month and have gained an astounding 11.4% in the first three months of the year, likely due to expectations that improved

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global economic momentum will result in better trade prospects for emerging market countries. That said, as indicated previously, while international markets are performing quite well, countries like France and Germany are preparing for elections and if we see another Brexit-like situation, this could cause quite a bit of volatility.

Within fixed income, the Fed's decision to raise rates in March amidst inflationary pressures and improving growth did not come as much of a surprise, but fixed income, as measured by the Bloomberg Barclays US Aggregate Index, dipped 5 basis points for the month as rates moved higher. High yield fixed income had a rough month as well, with the high yield market falling 22 basis points, though the asset class remains solid year-to-date, up 2.7%.

While nobody can complain about the market results thus far in 2017, investors may look at March's results as the pause that we had come to expect at some point. Markets have gone up essentially since 2009, and more recently have jumped rather significantly, leading to a bit of nervousness about future market expectations. With economic data improving yet continued political divisiveness continuing to rear its head, it's anyone's guess what April has in store for investors.

For previous market commentaries please click here.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, 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.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this timeframe, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment. The higher the yield, the better the economic outlook.

The S&P Case Shiller Index is a group of indexes that tracks home prices in the U.S.. It seeks to measures the value of residential real estate in 20 major U.S. cities.

Michigan Consumer Sentiment Index is a survey of consumer confidence conducted by the University of Michigan. The Michigan Consumer Sentiment Index (MCSI) uses telephone surveys to gather information on consumer expectations regarding the overall economy.

Conference Board's Consumer Confidence Index an index by the Conference Board that measures how optimistic or pessimistic consumers are with respect to the economy in the near future.