USI Advisors, Inc.

MARKET UPDATE
MARCH 2018 REVIEW

Investment Advice provided by USI Advisors, Inc. Under certain arrangements, securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.

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"The Roller Coaster Ride Continues"

Following the turmoil in February when stock markets were down almost 4%, the volatility and market chaos continued in March. The Dow Jones Industrial Average ended February at 25,029.20, dropped over 1,500 points and hit a low of 23,509.06 on March 23rd then rebounded to end the month at 24,103.11.

In the month of March, stock markets were plagued by talk of tariffs and the impending fears of trade wars that would likely ensue. At the beginning of the month, President Trump announced that he would impose stiff tariffs on steel and aluminum, which came against the wishes of the President's pro-trade advisers. The action would impose tariffs of 25% on steel and 10% on aluminum from every country except Canada and Mexico. Markets immediately dropped on the announcement.

Then, on March 22nd, the administration moved towards imposing tariffs on $60 billion in Chinese goods and limiting China's freedom to invest in the U.S. technology industry. China countered with a threat to impose tariffs on $3 billion worth of U.S. imports. Markets again took the news harshly and dropped 1,150 points in 2 days.

Trade war fears aside, the economic data released during the month was mostly positive. Fourth quarter GDP growth was revised up to a solid 2.9% from the prior reading of 2.5%, while employment data released on March 9th showed unexpected strength, as the unemployment rate remained at 4.1% and nonfarm payrolls jumped 313,000, far above expectations. Moreover, upward revisions to January and February numbers added to the positivity of the report. The wage growth data in this report was more muted than it was in January's report, when an unexpected jump in wage growth sent the markets tumbling in early February. Similar to wage growth, February's inflation readings were also more muted. The consumer price index rose a mild 0.2% in February after a worrisome 0.5% increase in January. That said, while inflation fears have subsided a bit, they still exist.

	March 2018	YTD
DJIA	-3.59%	-1.96%
S&P 500	-2.54%	-0.76%
NASDAQ	-2.88%	2.59%
MSCI EAFE	-1.80%	-1.41%
MSCI Emerging Markets	-1.86%	1.47%
Barclays Aggregate	0.64%	-1.46%
Barclays Corp High Yield	-0.60%	-0.86%
	3/31/2018	2/28/2018
US 10-Year Treasury	2.74%	2.87%

For the month of March, the Dow Jones Industrial Average posted a loss of 3.6%, while the S&P 500 Index was not far behind, dropping 2.5% for the month. Thus far for the year, the indices are down 2.0% and 0.8% respectively. The NASDAQ also had a rough month, falling 2.9%, but the tech-heavy index still boasts a gain of 2.6% thus far in 2018.

Developed international markets and emerging markets alike posted a rough March. The MSCI EAFE Index fell 1.8% while the MSCI EM Index dropped slightly more at 1.9%. For the quarter, however, developed markets have lost 1.4% while emerging markets have gained 1.5% due to improving fundamentals in both economic growth and earnings growth.

Fixed income markets were split for the month. On March 21st, the Fed, led by Jerome Powell in his first meeting as chairman, approved the generally expected quarter-point rate hike that puts the Fed funds

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rate at a target of 1.5% to 1.75%. This was the sixth rate hike since the Federal Open Market Committee began raising rates in December 2015, and two more are expected by year-end. Interest rates went up slightly on the shorter end of the yield curve but fell slightly on the longer end, with the 30-year Treasury falling from 3.13% to 2.97%. As a result, the Bloomberg Barclays US Aggregate Govt-Treasury Long Index gained 3.0% for the month but is still down 3.3% year to date as long-term rates have jumped overall since the beginning of the year. The Bloomberg Barclays US Aggregate Index gained 0.6% for the month but is still down 1.5% for the year thus far while the Bloomberg Barclays US High Yield Index fell 0.6% in March and is down 0.9% year-to-date.

Markets have been wildly unpredictable thus far in 2018, moving up quickly, dropping fast, with exciting highs, disappointing lows and everything in between. If this were a roller coaster ride, it certainly would be a good one. As the economy continues to strengthen, expectations of inflation continue to rise along with the expectation that rates will follow. Throw in talk of tariffs and fears of trade wars and the uncertainty of where the economy and markets are headed gets even more unclear.

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.