



April 2018: Market Review

Global equity markets were mostly positive in April, with international indexes outperforming U.S. indexes. Despite strong earnings reports, gains for U.S. indexes were muted, perhaps due to fears about the sustainability of those earnings. The S&P 500 Index added 0.38%, but is down (0.38%) year-to-date. The Dow Jones Industrial Average was up 0.34% in April, leaving it with a (1.63%) return so far in 2018. The NASDAQ Composite rose 0.08% during the month and has added 2.67% for the year.

In U.S. economic news, the Commerce Department announced that year-over-year inflation hit the Federal Reserve's target of 2% in March for the first time in over a year, further raising the prospect of continued interest rate hikes. The Trump administration delayed the implementation of tariffs on steel and aluminum imported from the European Union and other U.S. trade partners by a month, giving those nations more time to negotiate exemptions. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.4% in February, while on a year-over-year basis, prices were 6.3% higher than a year ago. Among commodities, WTI crude oil ended April at \$69 a barrel, up from March's closing price of \$65. Gold closed the month at \$1,316 per troy ounce, down from \$1,323 at the end of March.

Value-style equities outperformed growth stocks in April, except in large cap. Among large cap stocks, the Russell 1000 Growth Index gained 0.35% in April, lifting its 2018 performance to 1.77%. The Russell 1000 Value Index added 0.33%, which brought its year-to-date return to (2.51%). For small cap stocks, the Russell 2000 Value Index added 1.73% for the month, but is down (0.95%) on the year. The Russell 2000 Growth Index gained 0.10% and is up 2.40% so far in 2018. The Russell Midcap Index was off (0.15%) in April and remains negative on the year, down (0.61%).

International equities were mostly positive in April. The MSCI EAFE Index was up 2.28% and has added 0.72% for the year. The MSCI Europe Index gained 2.77% in April and is up 0.73% this year. The MSCI Pacific Index rose 1.45% and has gained 0.76% in 2018. The MSCI Emerging Markets Index fell (0.44%), but is up 0.97% so far this year. Major EM countries like Russia (-7.43%), Brazil (-3.99%), and South Africa (-1.24%) struggled in April. On the positive side, South Korean equities rose 2.75% in April as the country's relations with North Korea continue to show signs of improvement.

U.S. fixed income markets were mostly negative in April. The yield on the 10-Year Treasury rose above 3% for the first time in four years during the month, before finally closing April at 2.94%, up from March's close of 2.74%. The Bloomberg Barclays U.S. Aggregate Bond Index lost (0.74%) for the month and is down (2.19%) this year. The Bloomberg Barclays U.S. Treasury Index fell (0.81%) in April and is off (1.98%) year-to-date. The Bloomberg Barclays Treasury 20+ Year Index dropped (1.98%) during the month, leaving it with a return of (5.27%) so far in 2018. The Bloomberg Barclays Corporate High Yield Index rose 0.65%, but is down (0.21%) year-to-date.

Even with largely positive first quarter earnings reports, U.S. equities struggled to manage more than slight gains in April. If equity returns remain muted and interest rates continue to rise, investors may be enticed to reallocate assets away from riskier investments, such as stocks, to those perceived as safer, like bonds.