



## February 2017: Market Review

Global equity markets were strongly positive in February as investors anticipated policies from the new Congress and president will lower taxes and boost corporate earnings. The Dow rose steadily above 20,000, closing the month up 5.17% and pushing its year-to-date performance to 5.82%. The S&P 500 Index gained 3.97% and has added 5.94% in 2017. The NASDAQ Composite was up 3.75% in February and is up 8.22% year-to-date.

In U.S. economic news, the Federal Reserve indicated in the minutes of its first meeting of the year that it would consider raising interest rates “fairly soon” if economic indicators remain strong and inflation picks up. Inflation, as measured by personal-consumption expenditures, is near the Fed’s 2% annual target rate for the first time since 2012. Futures markets are pricing in close to a 70% probability that the Fed raises rates in March. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.21% in December, while on a year-over-year basis, prices were 5.85% higher than a year ago. Among commodities, WTI crude oil ended February at \$54 a barrel, up slightly from January’s closing price of \$53. Gold closed the month at \$1,253 per troy ounce, up from \$1,209 at the end of January.

Growth-style equities outperformed value-style equities across all capitalizations in February. Among large cap stocks, the Russell 1000 Growth Index added 4.15% during the month and has risen 7.66% year-to-date, while the Russell 1000 Value Index gained 3.59% and is up 4.33% for the year. For small cap stocks, the Russell 2000 Growth Index rose 2.45% and has added 4.12% so far in 2017, while the Russell 2000 Value Index added 1.45% in February and is up 0.72% year-to-date. The Russell Midcap Index closed the month up 2.83% and has appreciated 5.31% year-to-date.

International equity markets were positive in February. The MSCI EAFE Index ended the month up 1.43%, moving its gain for 2017 up to 4.37%. The MSCI Europe Index rose 1.19% during February and is up 3.30% year-to-date. The MSCI Pacific Index added 1.78%, lifting its gain so far this year to 6.23%. The MSCI Emerging Markets Index gained 3.06% in February on strength in India (up 5.91% for the month), Brazil (up 4.36%), and China (up 3.54%). Russia was off (6.35%) in the month as Congress called for an investigation into possible communication between members of the Trump administration and Russian officials prior to the U.S. election. The EM Index is up 8.70% in 2017.

U.S. fixed income markets also were positive in February, rising for the second straight month following the weakness of 4Q 2016. The yield on the 10-Year Treasury closed the month at 2.36%, down from January’s closing yield of 2.45%. The Bloomberg Barclays U.S. Aggregate Bond Index added 0.67% and is up 0.87% year-to-date. The Bloomberg Barclays U.S. Treasury Index rose 0.49% during February and has added 0.72% for the year. The Bloomberg Barclays Treasury 20+ Year Index gained 1.61% and has risen 2.02% in 2017. The Bloomberg Barclays Corporate High Yield Index was up 1.46% for the month and has gained 2.93% year-to-date.

While global equity markets continue to rally, they may be experiencing the “honeymoon” period that often follows a U.S. presidential election. Investors will soon expect to see concrete policies out of the Trump administration that encourage growth in the economy to improve and the markets’ rally to continue.