Fourth Street Performance Partners
Independent Investment Consultants

January 2017: Market Review

Global equity markets were mostly positive in January, as Donald Trump took office, U.S. growth slowed, and the European Central Bank held steady on stimulus. The Dow hit 20,000 for the first time in its history in January, although it closed the month below that mark, ending up 0.62%. The S&P 500 Index gained 1.90% and also hit an all-time high during the month. The NASDAQ Composite was up 4.30% in January.

In U.S. economic news, the Federal Reserve is concluding its first meeting of the year on Feb 1st. After increasing the rate in December, no change is expected at the meeting, but rate hikes are expected later in the year. The first estimate of fourth quarter real GDP came in at 1.9% annualized growth, down from the third quarter's 3.5% rate and lower than economists' expectation of 2.2%. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.24% in November, while on a year-over-year basis, prices were 5.64% higher than a year ago. Among commodities, WTI crude oil ended January at $53 a barrel, down slightly from $54 at the end of December. Gold closed the month at $1,209 per troy ounce, up from December's month-end price of $1,150.

Growth-style equities outperformed value-style equities across all capitalizations in January, a change from value's strong leadership in 2016. Among large cap stocks, the Russell 1000 Growth Index added 3.37% during the month, while the Russell 1000 Value Index gained 0.71%. For small cap stocks, the Russell 2000 Growth Index rose 1.62%, while the Russell 2000 Value Index dipped (0.71%) in January. The Russell Midcap Index closed the month up 2.41%.

International equity markets were positive to open 2017. The MSCI EAFE Index ended the month up 2.90% after gaining just 1.00% in 2016. The MSCI Europe Index rose 2.08% during January. The European Central Bank left interest rates and its stimulus package unchanged in January after adjusting the bond-buying aspect of its program in December. The MSCI Pacific Index added 4.37%. The MSCI Emerging Markets Index gained 5.47% in January on strength in Brazil (up 10.74% for the month) and China (up 6.79%).

U.S. fixed income markets were also positive in January. The yield on the 10-Year Treasury closed the month at 2.45%, unchanged from December's closing yield, but up from 1.93% at the end of January 2016. The Bloomberg Barclays U.S. Aggregate Bond Index added 0.20%. The Bloomberg Barclays U.S. Treasury Index rose 0.23% during January, while longer-term government bonds, as measured by the Bloomberg Barclays Treasury 20+ Year Index, gained 0.40%. The Bloomberg Barclays Corporate High Yield Index was the best-performing bond index for the month, up 1.45%.

While global equity markets were largely positive at the start of 2017, many questions about the policies of the Trump administration still exist. So far the new president has issued controversial executive orders on immigration, building a wall on the U.S.-Mexico border, and reducing federal regulations, all of which could have an effect on U.S. trade and growth. As the new administration continues to establish itself, investors will gain a better feel for the impact of its policies on business, growth, trade, and equity markets.