



## March 2017: Market Review

Global equity markets were mixed in March as investors reacted to Republicans' failed attempt to reform healthcare, which created concern about the Trump administration's ability to enact other planned legislation. The Dow ended March down (0.60%), but has gained 5.19% year-to-date. The S&P 500 rose 0.12% and has added 6.07% in 2017. The S&P 500's streak of 110 straight trading sessions without a decline of 1% or more, the longest such streak since 1995, ended during the month. The NASDAQ Composite was up 1.48% in March and is up 9.82% year-to-date.

In U.S. economic news, the Federal Reserve raised short-term interest rates to a range between 0.75% and 1% at its March meeting. The Fed also indicated it would aim to raise rates two more times in 2017, citing strengthening labor market conditions and near-target inflation. The final reading of fourth quarter 2016 real gross domestic product increased at a 2.1% annualized rate, better than economists' projections of 2.0%, but down from the third quarter's 3.5% rate. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.16% in January, while on a year-over-year basis, prices were 5.87% higher than a year ago and are at a 31-month high. Among commodities, WTI crude oil ended March at \$51 a barrel, down from February's closing price of \$54. Gold closed the month at \$1,247 per troy ounce, down slightly from \$1,253 at the end of February.

Growth-style equities outperformed value-style equities across all capitalizations in March, just as they did in January and February. Among large cap stocks, the Russell 1000 Growth Index added 1.16% during the month and has risen 8.91% year-to-date, while the Russell 1000 Value Index dipped (1.02%), but is up 3.27% for the year. For small cap stocks, the Russell 2000 Growth Index rose 1.18% and has added 5.35% so far in 2017, while the Russell 2000 Value Index lost (0.85%) in March and is down (0.13%) year-to-date. The Russell Midcap Index closed the month off (0.16%), but has appreciated 5.15% year-to-date.

International equity markets continued their positive performance in March. The MSCI EAFE Index ended the month up 2.75%, moving its gain for 2017 up to 7.25%. The European Central Bank committed to keeping interest rates low and maintaining its bond-buying program through the end of the year, with the hope of supporting a firming recovery in the face of a challenging political environment. The MSCI Europe Index rose 4.02% during March and is up 7.44% year-to-date. The MSCI Pacific Index added 0.65%, lifting its gain so far this year to 6.92%. The MSCI Emerging Markets Index gained 2.52% in March, aided by strong performance in Mexico (up 9.80% for the month), India (up 5.98%), and South Korea (up 5.25%). The EM Index is up 11.44% in 2017.

U.S. fixed income markets were negative in March. The yield on the 10-Year Treasury closed the month at 2.40%, up from February's closing yield of 2.36%. The Bloomberg Barclays U.S. Aggregate Bond Index lost (0.05%), but is up 0.82% year-to-date. The Bloomberg Barclays U.S. Treasury Index dipped (0.05%) during March, but has added 0.67% for the year. The Bloomberg Barclays Treasury 20+ Year Index dropped (0.59%), but has risen 1.41% in 2017. The Bloomberg Barclays Corporate High Yield Index was down (0.22%) for the month, but has gained 2.70% year-to-date.

Investors are concerned about rising rates, stretched valuations, and the ability of the Trump administration to push through reform on taxes and infrastructure spending. However, non-U.S. markets could stand to benefit if some of the Trump administration's other proposed policies, like a protectionist trade agenda, are abandoned.