



March 2018: Market Review

Global equity markets were mostly negative in March, as the Trump administration's tariffs on foreign steel and aluminum imports were met with threats of similar measures on U.S. goods by China and the European Union, raising fears of a global trade war. The S&P 500 Index fell (2.54%) and is down (0.76%) year-to-date. The Dow Jones Industrial Average was down (3.59%) in March, leaving it with a (1.96%) return so far in 2018. The NASDAQ Composite dipped (2.79%) during the month, but has added 2.59% for the year.

In U.S. economic news, the Federal Reserve raised the federal funds rate to a range between 1.50% and 1.75% at its March meeting. Fed officials also indicated that rate increases may need to occur more quickly in coming years if the U.S. economy continues to strengthen. The most recent S&P/Case-Shiller National Home Price Index report showed that on a month-over-month basis, home prices were up 0.1% in January, while on a year-over-year basis, prices were 6.2% higher than a year ago. Among commodities, WTI crude oil ended March at \$65 a barrel, up from February's closing price of \$62. Gold closed the month at \$1,323 per troy ounce, up from \$1,316 at the end of February.

Value-style equities generally outperformed growth stocks in March, except in small cap. Among large cap stocks, the Russell 1000 Value Index fell (1.76%) in March, dropping its 2018 performance to (2.83%). The Russell 1000 Growth Index lost (2.74%), which brought its year-to-date return to 1.42%. For small cap stocks, the Russell 2000 Growth Index added 1.35% for the month and is up 2.30% on the year. The Russell 2000 Value Index gained 1.24%, but is down (2.64%) so far in 2018. The Russell Midcap Index was up 0.06% in March, but remains negative on the year, down (0.46%).

International equities struggled in March. The MSCI EAFE Index was down (1.80%) and is off (1.53%) for the year. The MSCI Europe Index lost (1.20%) in March and is down (1.98%) this year. The MSCI Pacific Index fell (2.78%) and is now negative for the year, down (0.68%). The MSCI Emerging Markets Index fell (1.86%), but is up 1.42% so far in 2018. Major EM countries like South Africa (-6.52%), Russia (-3.74%), and China (-3.29%) were negative in March.

U.S. fixed income markets were mostly positive in March, as bond yields dipped during the month due to weaker-than-expected wage and inflation data. The yield on the 10-Year Treasury closed March at 2.74%, down from February's close of 2.87%. The Bloomberg Barclays U.S. Aggregate Bond Index added 0.64% for the month, but is down (1.46%) this year. The Bloomberg Barclays U.S. Treasury Index gained 0.94% in March, but has fallen (1.18%) year-to-date. The Bloomberg Barclays Treasury 20+ Year Index rose 3.13% during the month, but is off (3.36%) in 2018. The Bloomberg Barclays Corporate High Yield Index fell (0.60%) and is down (0.86%) year-to-date.

The increased volatility in global equity markets witnessed in January and February continued in March. Investors will be closely watching the reaction of other nations to the trade policies enacted by President Trump. In addition, market volatility and the pace of interest rate hikes will be key indicators of where markets are headed.