Monthly Market Review

U.S. Equity

- Domestic equity markets bounced back from last month's sell-off, increasing more than 8% in January, as represented by the S&P 500 Index (S&P).
- S&P sector performance was positive in all 11 sectors. The Industrials and Energy sectors performed the best, returning 11.41% and 11.11% respectively. Utilities and Healthcare lagged, returning 3.43% and 4.84% respectively.
- By market capitalization, small-caps led the rally, returning 11.25% (Russell 2000 Index), followed by mid-caps returning 10.79% (Russell Mid Cap Index), and large-caps returning 8.38% (Russell 1000 Index). Growth stocks outperformed value stocks across all market capitalizations.

Non-U.S. Equity

- Non-U.S. equity markets ended the month up by 7.56% (MSCI ACWI ex-U.S.). Developed markets finished up by 6.57% (MSCI EAFE Index), while emerging markets (EM) returned 8.75% (MSCI Emerging Markets Index).
- Within the ACWI ex-U.S. Index, all 11 sectors posted positive returns. Energy and Information Technology were the best performers in January, returning 9.67% and 9.24% respectively. Consumer Staples and Healthcare lagged, returning 5.06% and 5.54%, respectively.
- EM Latin America and EMEA were the best performing regions in January, returning 14.95% and 10.78% respectively. Japan and Europe ex-U.K. were the worst performing regions, returning 6.10% and 6.40% respectively in January.

Fixed Income

- It was a strong month for credit as markets continued to recover from fourth-quarter weakness. The Bloomberg Barclays U.S. Aggregate Index (the Aggregate) returned 1.06% in January.
- Investment grade (IG) credit within the Aggregate returned 2.16%, driven by positive returns across all qualities within the IG credit spectrum. AAA-rated bonds returned 0.77%, AA-rated bonds returned 1.44%, A-rated bonds returned 2.13%, and BBB-rated bonds returned 2.60%. High Yield (HY) returned 4.52% (Bloomberg Barclays U.S. Corporate HY Index).
- Yields across the U.S. Treasury yield curve saw little movement in January. Generally, yields in the 3-month to 10-year range decreased by between two and five basis points (bps) over the month.

Alternatives and Other Asset Classes

- In January, real estate investment trusts (REITs) returned 11.75% (FTSE NAREIT Index). Returns were positive for all nine real estate sectors. Industrial and Office REITs were the strongest performers returning 15.32%, and 14.53% respectively. The worst performer of the month was Self-Storage, which had a return of 6.43%, followed by Data Centers which returned 7.43% in the month.
- The active contract for West Texas Intermediate (WTI) Crude closed at $53.79 per barrel, up from $45.41 per barrel in December.

Items to Watch

- The Federal Reserve (FOMC) met in January and provided more dovish-than-expected guidance for the rest of the year (projection materials were not released following the January meeting). The statement and Chairman Powell's comments at the press conference indicated that the Fed is on hold for the time being. Unlike previous guidance, which suggested two rate increases in 2019, current guidance is that the Fed is on hold unless actual inflation picks up (previously, the Fed was expected to move based on inflation expectations). Also, unlike comments following the December meeting where Powell stated that the balance sheet reduction was on auto-pilot, current guidance is that the Fed may adjust its monthly reduction in the balance sheet based on market conditions.
- The U.S. and China concluded recent trade talks in late January with no resolution. The President and economic advisors from the White House have expressed optimism about reaching an agreement by March. Chinese Vice Premier Liu closed the talks by saying that China would increase purchases of U.S. soybeans by 5 million metric tons, although no other concrete actions were taken. The lack of resolution on trade issues and its impact on the Chinese economy continues to add to market uncertainty.
- The U.S. saw another strong jobs report in January, with 304,000 jobs added to the economy, and average hourly wage growth up 3.2% (YoY). The unemployment rate ticked up to 4%, partly influenced by the government shutdown.
- According to FactSet Earnings Insight (as of February 1, 2019), S&P 500 companies are expected to report earnings growth of 12.4% for the fourth quarter of 2018, marking the fifth straight quarter of double-digit earnings growth. However, S&P 500 blended earnings growth for the first quarter of this year is now projected to decline by about 0.8% year-over-year (YoY), with low, single-digit earnings growth projected in the second and third quarter of 2019.
- Global growth concerns that rattled the markets in the fourth quarter of 2018 continue as the Eurozone and China face growth headwinds. Eurozone Gross Domestic Product (GDP) grew at 1.2% in 2018, its slowest pace in five years. Continued uncertainty surrounding Brexit negotiations, a recession in Italy, and slowing industrial output in Germany have all contributed to the slowdown. GDP growth in China in 2018 was the weakest it has been in nearly 30 years at 6.6% (YoY).

Total Return of Major Indices as of 1/31/19

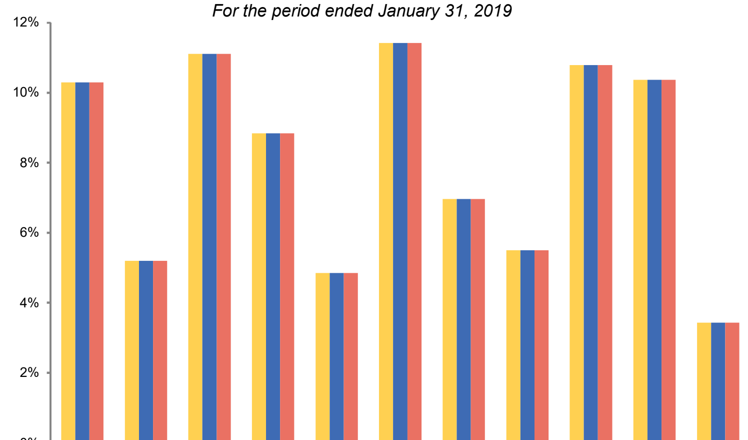
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	8.01%	8.01%	8.01%	-2.32%
Russell 3000	8.58%	8.58%	8.58%	-2.27%
Russell 2000	11.25%	11.25%	11.25%	-3.54%
Russell 1000	8.38%	8.38%	8.38%	-2.18%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	7.56%	7.56%	7.56%	-12.58%
MSCI EAFE	6.57%	6.57%	6.57%	-12.51%
MSCI Emerging Markets	8.75%	8.75%	8.75%	-14.24%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	1.06%	1.06%	1.06%	2.25%
Bloomberg Barclays Global Agg	1.52%	1.52%	1.52%	-0.88%
Bloomberg Barclays U.S. HY	4.52%	4.52%	4.52%	1.73%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	11.75%	11.75%	11.75%	11.23%
Bloomberg Commodity	5.23%	5.23%	5.23%	-10.11%

Economic Indicators

Domestic	Current	Previous
Unemployment Rate (%)	4.0%	3.9%
Initial Jobless Claims (4 week avg)	220.3 K	215.3 K
CB Leading Economic Indicators	-0.1	0.2
Capacity Utilization	78.7%	78.6%
GDP (annual growth rate)	3.4%	4.2%
University of Michigan Consumer	91.2	98.3
Confidence New Home Starts	657 K	562 K
Existing Home Sales	5 MM	5.3 MM
Retail Sales (YoY)	4.9%	6.0%
U.S. Durable Goods (MoM)	0.8%	-4.3%
Consumer Price Index (YoY)	1.9%	2.2%
Producer Price Index (MoM)	-0.3%	-0.8%
Developed International*	**9/30/2018**	**6/30/2018**
Market GDP (annual rate)	1.5%	2.1%
Market Unemployment	4.7%	4.8%

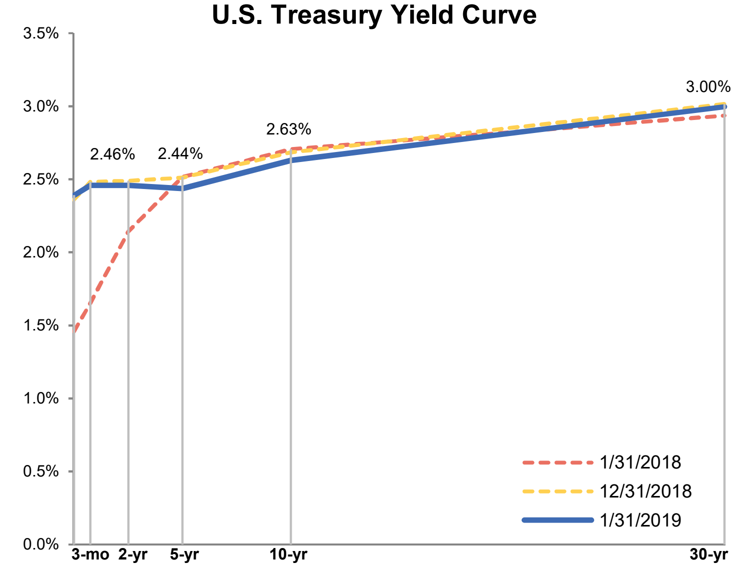
Stock Market Sector Performance (S&P 500)

For the period ended January 31, 2019

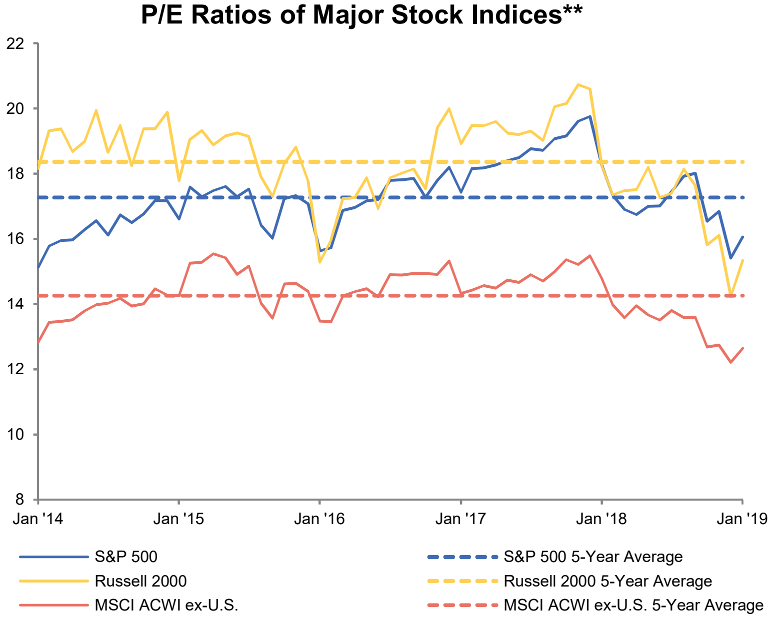


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	10.30%	5.19%	11.11%	8.84%	4.84%	11.41%	6.96%	5.49%	10.79%	10.37%	3.43%
QTD	10.30%	5.19%	11.11%	8.84%	4.84%	11.41%	6.96%	5.49%	10.79%	10.37%	3.43%
YTD	10.30%	5.19%	11.11%	8.84%	4.84%	11.41%	6.96%	5.49%	10.79%	10.37%	3.43%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of January 31, 2019, unless otherwise noted.
*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. index. Most current data is as of September 30, 2018 due to release dates of numerous countries.
**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.