

MARKET REVIEW & COMMENTARY

JANUARY 2019



TELEMUS[®]

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MARKET REVIEW

JANUARY

The 'January effect' took hold this month as U.S. Equities had the best start to a year since 1987. Equity markets were universally positive as U.S. stocks outperformed international equities, but slightly lagged emerging markets. In the U.S., small caps did better than large, and 'growth' outperformed 'value' across capitalizations. Bonds were positive as interest rates fell across the curve. Real assets and hedge fund results were generally positive as well.

The S&P 500 increased +8.01% in January, while the tech-heavy NASDAQ gained +9.79%. High dividend payers rose +7.13%. From a style standpoint, 'growth' beat 'value' across capitalizations. Large cap growth rose +8.99%, outperforming large cap value, which increased +7.78%. Mid cap growth stocks rose +11.49% versus mid cap value stocks gaining +10.30%. Small growth increased +11.86% while small value stocks were up +11.25%. Among international markets, the MSCI Europe gained +6.59%, and the broader MSCI EAFE rose +6.57%. Emerging markets were up +8.76%, while frontier markets had more muted appreciation of +4.76%.

Bonds were universally positive in January as interest rates declined. Longer maturity paper outperformed shorter durations. Corporates performed best, ahead of municipals and Treasuries across durations. High yield bonds were

particularly strong rising +4.52%. Specifically, 1-5 year credit rose +1.00%, while 1-5 year municipals were up +0.63%, and 3-5 year Treasuries gained +0.41%. The Bloomberg/Barclays Long Credit Index is off to a solid start up +3.46% versus a +0.77% rise in the Bloomberg/Barclays Long Treasury Index and a gain of 1.09% in 10-year municipals. TIPS increased +1.35%. World government bonds were up +1.41%, in dollar terms, and emerging market debt rose +5.08%.

Real assets were mostly positive in January. The positive results were fueled by global and U.S. real estate, which rose more than 10% in the month, and global natural resources gaining 10.84%. Crude oil was particularly strong increasing +19.25%. The Philly Stock Exchange Gold/Silver Index rose +7.98%, while the Bloomberg Commodity Index gained +5.45%. The dollar was the notable laggard, down -0.62% on the month.

Alternatives were largely positive as the HFRX Equal Weighted Strategies Index was up +1.60%. Among hedge fund strategies, the HFRX Equity Hedge Index appreciated +3.92%, the HFRX Absolute Return Index rose +1.22%, and the HFRX Event Driven Index increased +2.53%. Macro driven hedge fund strategies was one of the rare categories in decline as the HFRX Macro/CTA Index was down -1.91%.

INDEX RETURNS AS OF 1/31/2019

BASIC INDEX RETURNS

	MONTH TO DATE RETURN	QUARTER TO DATE RETURN	YEAR TO DATE RETURN	LATEST 3 YEARS RETURN	LATEST 5 YEARS RETURN	LATEST 10 YEARS RETURN
BALANCED INDEX (50% ACWI, 35% US Gov. Cr 1-5, 5% HFRX, 5% commodity, 5% bill)	4.51%	4.51%	4.51%	21.13%	19.20%	88.09%
HFRX GLOBAL HEDGE FUND INDEX	1.82%	1.82%	1.82%	6.12%	-0.90%	17.42%
CPI - SEASONALLY ADJUSTED	0.00%	0.00%	0.00%	6.14%	7.58%	19.24%
S&P 500 COMPOSITE	8.01%	8.01%	8.01%	48.23%	68.19%	304.63%
LIPPER LARGE - CAP CORE	7.78%	7.78%	7.78%	45.99%	58.66%	265.26%
WISDOM TREE LARGE CAP DIVIDEND	7.13%	7.13%	7.13%	43.48%	63.65%	291.37%
MSCI ALL COUNTRY WORLD INDEX NET	7.90%	7.90%	7.90%	39.08%	38.46%	191.27%
MSCI EAFE NET	6.57%	6.57%	6.57%	25.07%	14.03%	118.04%
BLOOMBERG BARCLAYS MUNICIPAL BOND 5Y (4 - 6)	0.91%	0.91%	0.91%	4.22%	10.26%	33.29%
BLOOMBERG BARCLAYS US AGGREGATE	1.06%	1.06%	1.06%	5.97%	12.79%	43.51%
ICE BANK OF AMERICA / MERRILL LYNCH US T - BILL 3MONTH	0.20%	0.20%	0.20%	3.28%	3.37%	4.02%

EXTENDED INDEX RETURNS

	MONTH TO DATE RETURN	QUARTER TO DATE RETURN	YEAR TO DATE RETURN	LATEST 3 YEARS RETURN	LATEST 5 YEARS RETURN	LATEST 10 YEARS RETURN
RUSSELL 1000 GROWTH	8.99%	8.99%	8.99%	58.49%	84.02%	374.90%
RUSSELL 1000 VALUE	7.78%	7.78%	7.78%	39.05%	49.17%	251.35%
RUSSELL MIDCAP GROWTH	11.49%	11.49%	11.49%	54.48%	63.00%	377.23%
RUSSELL MIDCAP VALUE	10.30%	10.30%	10.30%	39.29%	46.24%	318.65%
RUSSELL SMALL CAP COMP GROWTH	11.86%	11.86%	11.86%	63.93%	57.72%	400.65%
RUSSELL SMALL CAP COMP VALUE	11.25%	11.25%	11.25%	42.61%	38.25%	271.22%
MSCI EM (EMERGING MARKETS) NET	8.76%	8.76%	8.76%	51.66%	26.22%	151.50%
BLOOMBERG BARCLAYS US TREASURY BILL 6 MONTH	0.23%	0.23%	0.23%	3.78%	4.24%	5.90%
BLOOMBERG BARCLAYS US AGENCY	0.39%	0.39%	0.39%	3.84%	9.19%	24.99%
JP MORGAN EMERGING MARKET BOND INDEX(EMBI) + COMPOSITE	5.08%	5.08%	5.08%	17.34%	29.76%	112.10%
CITI GROUP WORLD GOVERNMENT BOND	1.41%	1.41%	1.41%	8.34%	4.02%	23.32%
BLOOMBERG COMMODITY	5.45%	5.45%	5.45%	8.20%	-33.68%	-24.22%
ALERIAN ENERGY MLP	12.64%	12.64%	12.64%	22.73%	-23.38%	144.02%
PHILADELPHIA STOCK EXCHANGE GOLD / SILVER	7.98%	7.98%	7.98%	66.01%	-15.89%	-38.47%
LIPPER GLOBL NAT RES	10.84%	10.84%	10.84%	26.45%	-16.44%	46.28%
LIPPER PRECIOUS METAL FUND	8.32%	8.32%	8.32%	49.87%	-2.97%	-6.93%
MSCI WORLD REAL ESTATE	10.53%	10.53%	10.53%	27.97%	41.50%	210.42%
LIPPER REAL ESTATE FUND	10.91%	10.91%	10.91%	23.82%	49.51%	238.44%

Note: The data is cumulative not annualized. All data in U.S. dollars.

MARKET REVIEW

CONCLUSION

We reiterate virtually the same paragraph from last month here. Over the past month, the economy has shown signs of hitting a stabilization point. While quantitative tightening (QT) continues and unemployment remains low at 4.0%, some economic indicators have started to level off. The market is paying close attention to corporate earnings outlooks, the outcome of trade negotiations and the direction of Fed policy. These uncertainties are likely to lead to episodes of volatility. Therefore, asset allocations need to reflect our risk tolerances now - we will not know if a 20% decline has ended or is merely on its way to a 50% decline while it is happening.



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