

# **DeMarche Dashboard**

Data and Commentary for Periods Ended 03/31/18

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## **Global Overview**

- **Volatility** remained a presence in global markets in March. Equity markets around the world were mainly negative during the month. By the end of March, growing concerns over the impact of escalating tariffs between the world's two largest economies combined with inflation and rising interest rates in pushing down markets. In addition, geopolitical concerns increased, with deteriorating relations between the West and Russia in particular highlighting tensions.
- **Developed markets** – The Federal Reserve increased a key short term rate in March, a move that was widely expected. They also left unchanged their estimate of additional interest rate increases in 2018, a position that will likely be tested given rising inflation expectations. Japan and the United Kingdom were impacted by strength in the pound sterling and the yen, with growing speculation that the Bank of England would accelerate its pace of interest rate hikes.
- **Emerging Markets** – Emerging countries performed roughly in line with developed international markets in dollar terms. Oil prices continued their recovery, while countries such as Brazil benefitted from changing political environments. Russia declined after a strong start to 2018, as additional sanctions were imposed by Western countries. India declined as the ruling party fared poorer than expected in state level elections, while China declined on worries over trade.

## **U.S. Economy and Markets**

- The S&P 500 Index declined 2.5% in March. Eight out of 11 sectors were negative for the month.
  - Real Estate, Utilities, and Energy were the strongest performing sectors. Financials, Materials, and Information Technology were the weakest performing sectors.
- Small cap stocks posted positive gains in March. Value stocks led growth across all market capitalization ranges with the exception of small cap.
- The Russell 2000 Index gained 1.3%. Ten out of 11 sectors were positive.
  - Utilities, Telecommunications, and Financial Services were strongest performing sectors. Biotechnology was the sole negatively performing sector.
- Payrolls increased by 103,000 in March, below consensus expectations, while the unemployment rate was unchanged at 4.1%. Wages grew by 2.7 % year over year, marginally higher than in February. Employment increased in manufacturing, health care, and mining. Labor force participation was 62.9%, little changed over the past year.



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- The Consumer Confidence Index decreased in March. The Index stands at 127.7 vs. 130.8 in February. Consumers' views of current conditions declined slightly as did assessments of business conditions. Long term outlooks remained solid, and the index remains near historical highs.
- The 10-year Treasury yield was somewhat volatile in March, ultimately ending the month lower at 2.75%. Investment grade corporate spreads widened to their highest level in since June 2017, reaching 117 basis points. High-yield spreads widened as well, climbing to 379 basis points above comparable Treasury rates.
- The Bloomberg Barclays Aggregate Index gained 0.6% for the month, while the Investment Grade Corporate Index rose 0.3%, and the Bloomberg Barclays U.S. High Yield Index fell 0.6%.

## International Markets

- In March the MSCI EAFE Index posted a decline of 1.8% in dollar terms. Europe was stronger on a relative basis than Japan. Overall, only Portugal, Italy, and the Netherlands posted positive absolute returns. Israel and Australia were the weakest performing countries in the Index. Small cap stocks outperformed large cap EAFE stocks for the second month in a row, with the MSCI EAFE Small Cap falling 1.1% in dollar terms.
- By style, international developed market growth stocks did better than value. The MSCI EAFE Growth Index lost 1.2%, while the MSCI Value Index fell 2.4%.
- The MSCI Japan Index dropped 2.1%, while Asia excluding Japan fell 1.5%. The Europe-wide index declined 1.2%, and the United Kingdom fared better, dropping 0.3%.
- The MSCI Emerging Markets Index performed roughly in line with non U.S. developed markets, dropping 1.9%. Egypt, Qatar, and Peru were the strongest performing countries. Greece, Turkey, and Indonesia were the weakest performing countries.
- MSCI's China Index fell 3.3% in dollar terms, while mainland Chinese equities (A Shares) dropped 3.8%.
- Frontier countries again delivered stronger performance than either developed or emerging countries in March. The MSCI Frontier Markets Index gained 0.9%. Tunisia, Kenya, and Vietnam were the strongest performing countries.



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## Looking Ahead

- Focus is expected to increasingly shift to politics as midterm elections draw closer in the United States. Generally, the sitting President's party fares poorly in such elections, and results for special elections held over the past few months indicate this year will not be an exception. Investors will be watching to see if the current Congress produces any significant policy during the remainder of its term, particularly regarding infrastructure.
- Geopolitical concerns will become increasingly important, as several areas around the globe draw greater attention. The United States and Europe tightened sanctions on Russia, worsening already strained relations. The now seven yearlong conflict in Syria continues as a flashpoint between both regional and global powers. China has responded to all new tariffs from the United States with its own trade restrictions.
- Central banks will play a prominent role in 2018, as they will have to now navigate both widespread signs of sustained global growth and increasing inflation, along with potential trade wars among the largest economies. The Bank of Japan has signaled its monetary support will remain in place, although longer dated bond purchases have been reduced. Investors will be watching how a higher yen impacts BOJ policy, given its prominent role in depressing global yields. The Federal Reserve will have to balance a weak dollar, possible higher energy prices, and the impacts of trade restrictions against a continued strong economic outlook in the U.S.

## Economic Indicators

	GDP				Unemployment Rate	Interest Rates	Exchange Rates per US \$	
	Latest	Qtr.	2018 <sup>A</sup>	2019 <sup>A</sup>	(Most recently available)	Sovereign Bonds, 10 Year <sup>B</sup>	Current	1 Year Ago
<b>United States</b>	2.50	2.50	2.80	2.40	4.10	2.75	-	-
<b>China</b>	6.80	6.60	6.60	6.40	3.90	3.78	6.27	6.89
<b>Japan</b>	2.00	1.60	1.40	1.10	2.40	0.10	106.20	111.36
<b>United Kingdom</b>	1.40	1.60	1.50	1.50	4.30	1.43	1.40	1.25
<b>Euro Area</b>	2.70	2.40	2.50	2.00	8.60	1.27	1.23	1.07
<b>Germany</b>	2.90	2.40	2.50	2.10	3.60	0.50	1.23	1.07
<b>France</b>	2.50	2.80	2.20	1.90	9.00	0.73	1.23	1.07
<b>Italy</b>	1.60	1.30	1.50	1.30	11.10	1.79	1.23	1.07
<b>Canada</b>	2.90	1.70	2.20	1.90	5.80	2.24	1.29	1.33
<b>India</b>	7.20	6.60	7.20	7.60	6.10	7.39	65.05	65.80
<b>Mexico</b>	1.50	3.20	2.10	2.50	3.30	7.34	18.17	18.67
<b>Brazil</b>	2.10	0.20	2.60	2.80	12.20	9.45	3.30	3.12

A. The Economist or The Economist Intelligence Unit estimate/forecast

B. Most recently available data

Sources: Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, and The Economist



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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	-2.18	-1.28	-1.28	13.59	7.97	9.70	5.90
	BBgBarc US Agg Bond TR USD	0.64	-1.46	-1.46	1.20	1.20	1.82	3.63
	Russell 3000 TR USD	-2.01	-0.64	-0.64	13.81	10.22	13.03	9.62
	DJ Industrial Average TR USD	-3.59	-1.96	-1.96	19.39	13.48	13.32	9.86
	NASDAQ Composite PR USD	-2.87	2.33	2.33	19.50	12.96	16.67	11.98
	MSCI EAFE NR USD	-1.80	-1.53	-1.53	14.80	5.55	6.50	2.74
	Citi Treasury Bill 3 Mon USD	0.13	0.35	0.35	1.07	0.49	0.31	0.31
	Bloomberg Commodity TR USD	-0.62	-0.40	-0.40	3.71	-3.21	-8.32	-7.71
Domestic Equities	S&P 500 TR USD	-2.54	-0.76	-0.76	13.99	10.78	13.31	9.49
	S&P MidCap 400 TR	0.93	-0.77	-0.77	10.97	8.96	11.97	10.90
	S&P SmallCap 600 TR USD	2.04	0.57	0.57	12.68	10.76	13.56	11.35
	Russell 1000 TR USD	-2.27	-0.69	-0.69	13.98	10.39	13.17	9.61
	Russell 1000 Growth TR USD	-2.74	1.42	1.42	21.25	12.90	15.53	11.34
	Russell 1000 Value TR USD	-1.76	-2.83	-2.83	6.95	7.88	10.78	7.78
	Russell Mid Cap TR USD	0.06	-0.46	-0.46	12.20	8.01	12.09	10.21
	Russell Mid Cap Growth TR USD	-0.16	2.17	2.17	19.74	9.17	13.31	10.61
	Russell Mid Cap Value TR USD	0.25	-2.50	-2.50	6.50	7.23	11.11	9.81
	Russell 2000 TR USD	1.29	-0.08	-0.08	11.79	8.39	11.47	9.84
	Russell 2000 Growth TR USD	1.35	2.30	2.30	18.63	8.77	12.90	10.95
	Russell 2000 Value TR USD	1.24	-2.64	-2.64	5.13	7.87	9.96	8.61
	International Equities	MSCI ACWI Ex USA NR USD	-1.76	-1.18	-1.18	16.53	6.18	5.89
MSCI EAFE NR USD		-1.80	-1.53	-1.53	14.80	5.55	6.50	2.74
MSCI EAFE Growth NR USD		-1.20	-1.04	-1.04	17.51	6.73	7.14	3.44
MSCI EAFE Value NR USD		-2.41	-2.03	-2.03	12.19	4.30	5.78	1.97
MSCI Japan NR USD		-2.11	0.83	0.83	19.64	8.36	8.92	4.10
MSCI AC Asia Ex Japan NR USD		-1.51	0.67	0.67	25.82	9.22	8.20	5.52
MSCI Europe NR USD		-1.20	-1.98	-1.98	14.49	4.79	6.37	2.06
MSCI United Kingdom NR USD		-0.34	-3.88	-3.88	11.92	3.10	3.87	2.28
MSCI EAFE Small Cap NR USD		-1.13	0.24	0.24	23.49	12.25	11.10	6.48
MSCI EM NR USD		-1.86	1.42	1.42	24.93	8.81	4.99	3.02
Fixed Income	BBgBarc US Govt/Credit TR USD	0.65	-1.58	-1.58	1.38	1.22	1.84	3.65
	BBgBarc US Govt/Credit Interm TR USD	0.36	-0.98	-0.98	0.35	0.94	1.25	2.92
	BBgBarc US Govt/Credit Long TR USD	1.65	-3.58	-3.58	5.09	2.13	4.09	6.79
	ICE BofAML US HY Master II TR USD	-0.62	-0.91	-0.91	3.69	5.18	5.01	8.12
	Credit Suisse HY USD	-0.63	-0.85	-0.85	3.68	5.16	4.89	7.81
	S&P/LSTA Leveraged Loan TR	0.28	1.45	1.45	4.43	4.20	3.89	5.62
	Citi WGBI NonUSD USD	1.84	4.42	4.42	12.93	5.02	1.36	1.82
	BBgBarc Gbl Agg Ex USD TR USD	1.43	3.62	3.62	11.75	4.63	1.23	1.85
REITs	FTSE NAREIT All REITs TR	3.74	-6.66	-6.66	-0.95	3.09	6.52	7.03
	Wilshire US REIT TR USD	4.10	-7.48	-7.48	-3.64	0.97	6.13	6.22

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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