

# WEEKLY MARKET COMMENTARY

For the Week of February 12, 2018

## THE MARKETS

After a dramatic week on Wall Street with stocks bouncing up and down, the major indexes climbed more than 1 percent Friday. Despite the day's gains, the S&P saw its biggest weekly percentage drop since January 2016. For the week, the Dow fell 5.08 percent to close at 24,190.90. The S&P lost 5.10 percent to finish at 2,619.55, and the NASDAQ dropped 5.06 percent to end the week at 6,874.49.

Returns Through 2/09/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-5.08	-1.90	22.79	13.75	14.36
NASDAQ Composite (PR)	-5.06	-0.42	20.28	13.30	16.57
S&P 500 (TR)	-5.10	-1.84	15.78	10.87	13.89
Barclays US Agg Bond (TR)	-0.10	-1.92	1.04	1.22	1.83
MSCI EAFE (TR)	-6.19	-2.80	17.94	6.15	6.37

Source: Morningstar.com. \*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

**Big Month** — Seventy-five percent of the individual stocks in the S&P 500 were up in January, including 17 percent of the index (85 stocks) that were up at least 10 percent and 2 percent (eight stocks) that gained at least 20 percent (source: BTN Research).

**Sales Price** — The median sales price of existing homes sold in the United States in December 2017 was \$246,800, down from an all-time peak median sales price of \$263,300 in June 2017. The low point for this statistic during the 2008-2012 real estate crisis: \$154,600 in January 2012 (source: National Association of Realtors, BTN Research).

**Ties the Record** — The S&P 500 gained 5.7 percent (total return) in January 2018, the index's 15th consecutive up month. A 15-month streak has been achieved only one other time in the all-time history of the S&P 500, a record originally set between March 1958 and May 1959 (source: BTN Research).

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## WEEKLY FOCUS – What Goes Up Will Likely Come Down

We all knew it would happen sooner or later. The markets' dizzying ride to the top couldn't last forever. Financial strategists warned stocks were overvalued. On her last day as Chair of the Board of Governors of the Federal Reserve System, Janet Yellen expressed concern over how high the market surged under her watch. The S&P had gained 53 percent since she assumed the chair of the central bank in 2014. From President Trump's election last November to its record closing high on Jan. 26, the Dow Jones Industrial gained 45 percent.

Shock waves interrupted Wall Street's ascent on Feb. 2 when the Dow dropped 2.5 percent and stocks closed their worst week in two years. The wild ride continued last Monday when the Dow plunged 4.6 percent.

Ironically, it appears this negative shift was set off by a very positive jobs report. More jobs (200,000) were created than expected last month. The unemployment rate is the lowest since 2000, and Americans' hourly earnings rose 2.9 percent over the last year. This seemed to lead investors to expect more interest hikes than previously predicted, making it costlier for businesses to borrow and making bonds more attractive investments. Some speculated businesses may be forced to pay still higher wages as fewer candidates are available for open positions.

Still others pointed to Treasury Secretary Mnuchin's comments about devaluing the dollar at the World Economic Forum in late January, since a weaker dollar makes it less appealing for foreigners to buy U.S. debt. Regardless of the specific causes, the three major indexes rebounded Tuesday in the biggest one-day advance for the year, then slipped Wednesday, plunged Thursday and climbed more than 1 percent Friday.

Knowing a drop was coming doesn't make it pleasant when it happens. After the long, positive run stocks have had, it's easy to forget market volatility is normal and investors who have held a diversified portfolio for the long term have reaped rewards historically.

While market turbulence isn't a reason in itself to sell quality investments, it can provide a reminder to ensure your portfolio is properly balanced for your current situation. Please feel free to contact our office if you'd like to review your investments to make sure they fit your long-term goals and address future market volatility.

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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright February 2018. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SA# 2025405.1