



# Monthly Market Review

## U.S. Equity

- Domestic equity markets, as represented by the S&P 500 Index (S&P), increased 3.21% in February.
- Sector performance within the S&P during the month of February was positive in all 11 sectors. The Information Technology and Industrials sectors performed best, returning 6.89% and 6.40% respectively. Consumer Discretionary and Communication Services lagged during the month, returning 0.78% and 0.82% respectively.
- By market capitalization, small-caps (Russell 2000 Index) performed best, returning 5.19%, followed by mid-caps (Russell Mid Cap Index), returning 4.29%, and large-caps (Russell 1000 Index), returning 3.39%. Growth stocks outperformed value stocks across all market capitalizations.

## Non-U.S. Equity

- Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., ended the month up 1.95%. Developed markets, represented by the MSCI EAFE Index finished up 2.55%, while emerging markets, represented by the MSCI Emerging Markets Index, returned 0.22% in February.
- Within the MSCI ACWI ex-U.S. Index, nine of 11 sectors posted positive returns. Healthcare and Information Technology were the best performers in February, returning 3.49% and 2.87% respectively. Communication Services and Utilities lagged in February, returning -0.81% and 0.30%, respectively.
- Pacific ex-Japan and the UK were the best performing regions in February, returning 3.77% and 3.39% respectively. Emerging markets (EM) Latin America and Emerging Europe, Middle East, and Africa were the worst performing regions, returning -3.73% and -3.44% respectively in February.

## Fixed Income

- The Bloomberg Barclays U.S. Aggregate Index returned -0.06% in February.
- Investment grade (IG) credit within the Aggregate returned 0.22%. Within the IG credit spectrum, returns were positive across all qualities except AAA. AAA-rated bonds returned -0.09%, AA-rated bonds returned 0.01%, A-rated bonds returned 0.13%, and BBB-rated bonds returned 0.38%. High Yield (HY), represented by the Bloomberg Barclays U.S. Corporate HY Index, returned 1.66% in February.
- Yields across the U.S. Treasury yield curve saw modest movement in February. Aside from the 12-month yield which declined one basis point (bp), yields across the curve grew between four and 10 bps over the month.

## Alternatives and Other Asset Classes

- Real estate investment trusts (REITs) represented by FTSE NAREIT index returned 0.73% in February. Returns were positive for six out of the nine real estate sectors. Data Centers and Lodging/Resorts REITs were the strongest performers returning 4.89% and 4.23% respectively. The worst performing REIT of the month was Healthcare, which had a return of -2.99%, followed by Diversified REITs which returned -1.65% in the month.
- The active contract for West Texas Intermediate (WTI) crude closed at \$57.22 per barrel, up from \$53.79 per barrel in January.

## Items to Watch

- U.S. Real gross domestic product (GDP) grew at an annualized rate of 2.6% in the fourth quarter of 2018, beating expectations of 2.2%. Despite weak December retail sales, consumer spending rose 2.8%. Nonresidential business investment was up a solid 6.2%. However, residential investment was down 3.5%, providing more evidence of a beleaguered housing market. Overall, GDP grew 2.9% in 2018, but the outlook for 2019 is mixed given a strong labor market, softening consumer confidence, and slowing manufacturing.
- Federal Reserve (Fed) Chairman Jerome Powell testified before Congress in February, reiterating that the Fed will remain patient as it considered monetary policy changes. Powell also noted that while the Fed "view[s] current economic conditions as healthy and the economic outlook as favorable," economic conditions are now "less supportive of growth than they were earlier last year," largely due to rising uncertainty and declining consumer confidence around the world.
- The U.S. and China appear to be nearing a trade deal that would result in most U.S.-imposed sanctions on Chinese imports being lifted. China would also lower tariffs in return on U.S. auto, chemical, farm, and other products. The White House said that President Donald Trump could leave tariffs on some \$200 billion worth of Chinese goods at 10%. The resolution of trade frictions between the U.S. and China will be a positive tailwind to global manufacturing and trade activity.
- Fresh uncertainty was injected into Brexit negotiations in February, as Prime Minister Theresa May agreed to allow Parliament to delay the UK's exit from the EU if lawmakers again reject her divorce agreement with the bloc. The British pound reached its highest level against the U.S. dollar since October, rising 1% to \$1.32, as investors see the chance of leaving the EU without a deal as less likely.
- February jobs data showed an unemployment rate of 3.8%, which improved from 4.0% in January. The labor force participation rate held steady at 63.2%, while average hourly earnings rose by 3.4%.

### Total Return of Major Indices as of 2/28/19

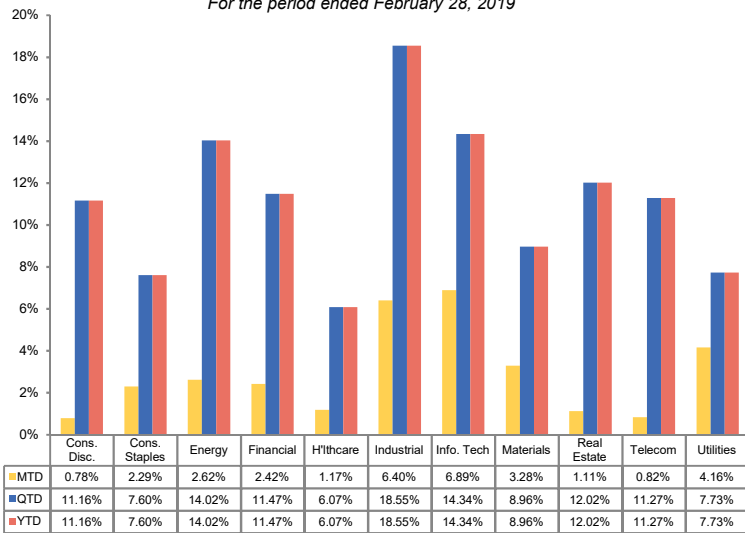
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	3.21%	11.48%	11.48%	4.67%
Russell 3000	3.52%	12.40%	12.40%	5.04%
Russell 2000	5.19%	17.02%	17.02%	5.54%
Russell 1000	3.39%	12.05%	12.05%	4.99%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	1.95%	9.66%	9.66%	-6.46%
MSCI EAFE	2.55%	9.29%	9.29%	-6.04%
MSCI Emerging Markets	0.22%	9.00%	9.00%	-9.89%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-0.06%	1.00%	1.00%	3.17%
Bloomberg Barclays Global Agg	-0.58%	0.94%	0.94%	-0.57%
Bloomberg Barclays U.S. HY	1.66%	6.26%	6.26%	4.31%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	0.73%	12.56%	12.56%	21.40%
Bloomberg Commodity	0.82%	6.09%	6.09%	-7.66%

### Economic Indicators

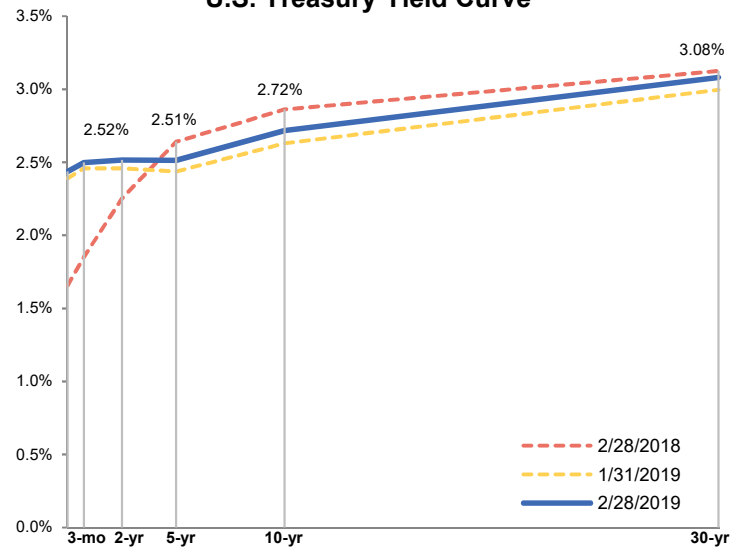
Domestic	Current	Previous
Unemployment Rate (%)	3.8%	4.0%
Initial Jobless Claims (4 week avg)	226 K	229 K
CB Leading Economic Indicators	0.0	-0.1
Capacity Utilization	78.2%	78.8%
GDP (annual growth rate)	2.6%	3.4%
University of Michigan Consumer	93.8	91.2
Confidence New Home Starts	621 K	599 K
Existing Home Sales	4.9 MM	5 MM
Retail Sales (YoY)	2.0%	4.7%
U.S. Durable Goods (MoM)	1.2%	0.9%
Consumer Price Index (YoY)	1.6%	1.9%
Producer Price Index (MoM)	-0.7%	-0.1%
Developed International*	12/31/2018	9/30/2018
Market GDP (annual rate)	1.0%	1.5%
Market Unemployment	4.6%	4.7%

### Stock Market Sector Performance (S&P 500)

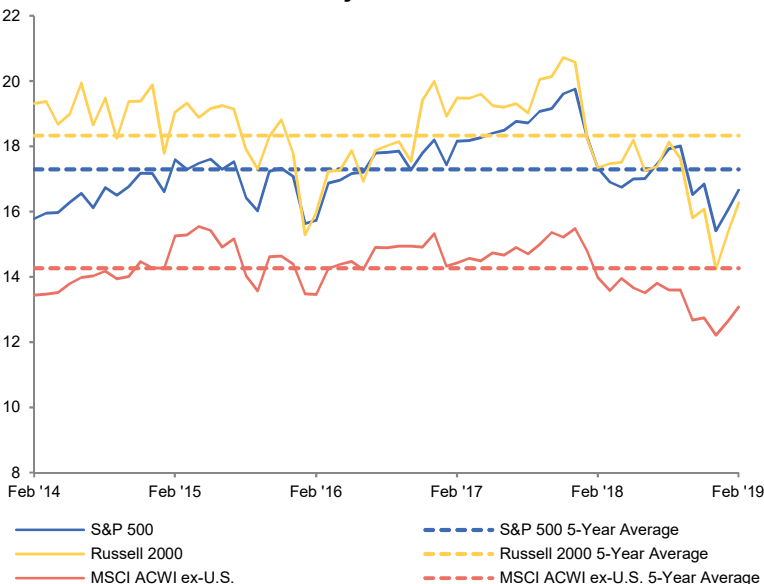
For the period ended February 28, 2019



### U.S. Treasury Yield Curve



### P/E Ratios of Major Stock Indices\*\*



Source: Bloomberg. Data as of February 28, 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 December 31, 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.

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