

March 2018

EQUITY MARKETS

The S&P 500 Index declined in March for the second consecutive month pushing the overall results for this widely followed U.S. equity index into negative territory for the first quarter of 2018. This was the first negative quarter for the S&P 500 since the third quarter of 2015 and stands in contrast to the record highs seen in January, a month that saw the S&P 500 gain for the 15th consecutive month following the presidential election in 2016. Most major U.S. stock indices, including the S&P 500, Dow Jones Industrial Average, NASDAQ, Russell 1000, and Russell 3000 closed lower in March. The Russell 2000 Index, a measure of small capitalization stocks, stood out with gains in March. In the latter part of March, the S&P 500 came close to retesting the lows from the 10% sell-off in early February, but the index bounced off those levels to close out the month. However, this late month move was not enough to overcome all the declines that occurred earlier in the month, and this index closed out March and the first quarter in negative territory. While not matching the levels from February, volatility remained elevated in March after it had been rather dormant during 2017. International stocks struggled in March as well, although emerging market equities still enjoyed positive results over the first quarter of 2018. One recent trend reversed as small cap U.S. equities outperformed large caps in March and on a year-to-date basis. Growth stocks still hold an advantage over value stocks for the first three months of 2018, although results were more mixed for the month.

FIXED INCOME MARKETS

The notable rise in 10-year U.S. Treasury yields that began 2018 paused in March. After closing 2017 near 2.4% and hitting a multi-year high of around 2.95% during February, the yield on the 10-year U.S. Treasury moved lower in March, closing the month at about 2.74%. Overall, this decrease in interest rates led to most fixed income sectors enjoying positive returns in March, despite most remaining in negative territory year to date. The Bloomberg Barclays U.S. Aggregate Bond Index and U.S. Treasuries turned in solid gains in March, but high-yield bonds declined. Conversely, year-to-date results were largely negative across most fixed income sectors, but high yield bonds (while negative) still showed some of the best relative performance compared to longer-dated U.S. Treasuries and investment grade corporate bonds.

ECONOMIC DATA

The economy continued to grow in February. The labor market saw an exceptionally strong reading of 313,000 job additions in February, well above consensus expectations of 205,000. Additionally, 39,000 more jobs were added to the original payroll numbers for January. The unemployment rate held steady at 4.1% when it was expected to tick modestly lower to 4.0% as the labor force participation rate rose unexpectedly in February. Average hourly earnings came in below expectations. The third reading on fourth quarter 2017 GDP was released in late March and it surprised to the upside coming in at an annualized growth rate of 2.9%. Once again, the ISM Manufacturing Index and ISM Non-Manufacturing Index remained elevated and continued to show solid economic growth in February. The Federal Open Market Committee met in March under the leadership of new Chairman Jerome Powell and policy rates were increased as expected.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	Feb	205,000	313,000	200,000	239,000
Unemployment	Feb	4.0%	4.1%	4.1%	
ISM Manufacturing	Feb	58.7	60.8	59.1	
ISM Non-Manufacturing	Feb	59.0	59.5	59.9	
Retail Sales ex Auto & Gas	Feb	0.3%	0.3%	-0.2%	-0.1%
Average Hourly Earnings YOY	Feb	2.8%	2.6%	2.9%	2.8%
JOLTS Job Openings	Jan	5,917,000	6,312,000	5,811,000	5,667,000
PPI MOM	Feb	0.1%	0.2%	0.4%	
PPI MOM ex Food & Energy	Feb	0.2%	0.2%	0.4%	
PPI YOY	Feb	2.8%	2.8%	2.7%	
PPI YOY ex Food & Energy	Feb	2.6%	2.5%	2.2%	
CPI MOM	Feb	0.2%	0.2%	0.5%	
CPI MOM ex Food & Energy	Feb	0.2%	0.2%	0.3%	
CPI YOY	Feb	2.2%	2.2%	2.1%	

CPI YOY ex Food & Energy	Feb	1.8%	1.8%	1.8%	
Industrial Production	Feb	0.4%	1.1%	-0.1%	-0.2%
Housing Starts	Feb	1,290,000	1,236,000	1,326,000	1,329,000
Building Permits	Feb	1,320,000	1,298,000	1,396,000	1,377,000
New Home Sales	Feb	620,000	618,000	593,000	622,000
Existing Home Sales	Feb	5,400,000	5,540,000	5,380,000	
Leading Index	Feb	0.5%	0.6%	1.0%	0.8%
Durable Goods Orders	Feb (P)	1.6%	3.1%	-3.6%	-3.5%
S&P CoreLogic CS 20-City YOY	Jan	6.15%	6.40%	6.30%	6.31%
Personal Income	Feb	0.4%	0.4%	0.4%	
Personal Spending	Feb	0.2%	0.2%	0.2%	
GDP Annualized QOQ	4Q (T)	2.7%	2.9%	2.5%	
Univ. of Mich. Sentiment	Mar (F)	102.0	101.4	102.0	

P = Preliminary, T=Third, F = Final

Source: Bloomberg

Forward looking statements are not guaranteed. Clark Capital Management Group, Inc. is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about Clark Capital's advisory services can be found in its Form ADV which is available upon request. Material presented has been derived from sources considered to be reliable, but the accuracy and completeness cannot be guaranteed. Nothing herein should be construed as a solicitation to buy, sell or hold any securities, other investments or to adopt any particular investment strategy or strategies. For educational use only. CCM-993