

February 2017

EQUITY MARKETS

The post-election rally continued as stocks increased again in February. Duplicating last month, large caps stocks continued to outpace small cap stocks and growth stocks outperformed value stocks. International equities underperformed domestic stocks, with emerging markets outperforming developed international markets.

FIXED INCOME MARKETS

The yield curve flattened in February, with rates at the short end of the curve increasing while declining at longer maturities. The yield on the 10-year Treasury declined nine basis points last month to 2.36%. The Barclays Aggregate Bond Index increased in February as both Treasuries and Investment Grade Corporates posted positive returns. High yield bonds, yet again, outpaced more interest rate sensitive fixed income sectors. Municipal bonds declined slightly during the month.

ECONOMIC DATA

The Federal Open Market Committee left the federal funds rate unchanged at its two day meeting that concluded on February 1st. The second reading of Fourth quarter GDP remained at only a 1.9% rate. Housing was solid, with starts, permits and existing home sales all increasing from the prior month. The ISM Manufacturing and Non-Manufacturing indices signaled continued improving business conditions, and the University of Michigan Consumer Sentiment Index continued to reflect optimism. Manufacturing was mixed, with Durable Goods Orders rebounding and Industrial Production declining.

| Event | Period | Estimate | Actual | Prior | Revised |
|---|---------|------------------|------------------|------------------|------------------|
| Nonfarm Payroll | Jan | 180,000 | 227,000 | 156,000 | 157,000 |
| Unemployment | Jan | 4.7% | 4.8% | 4.7% | |
| ISM Manufacturing | Jan | 55.0 | 56.0 | 54.7 | 54.5 |
| ISM Non-Manufacturing | Jan | 57.0 | 56.5 | 57.2 | 56.6 |
| Retail Sales ex Auto & Gas | Jan | 0.3% | 0.7% | 0.0% | 0.1% |
| PPI MoM | Jan | 0.3% | 0.6% | 0.3% | 0.2% |
| PPI MoM ex Food & Energy | Jan | 0.2% | 0.4% | 0.2% | 0.1% |
| PPI YoY | Jan | 1.5% | 1.6% | 1.6% | |
| PPI YoY ex Food & Energy | Jan | 1.1% | 1.2% | 1.6% | |
| CPI MoM | Jan | 0.3% | 0.6% | 0.3% | |
| CPI MoM ex Food & Energy | Jan | 0.2% | 0.3% | 0.2% | |
| CPI YoY | Jan | 2.4% | 2.5% | 2.1% | |
| CPI YoY ex Food & Energy | Jan | 2.1% | 2.3% | 2.2% | |
| Industrial Production | Jan | 0.0% | -0.3% | 0.8% | 0.6% |
| Housing Starts | Jan | 1,226,000 | 1,246,000 | 1,226,000 | 1,279,000 |
| Building Permits | Jan | 1,230,000 | 1,285,000 | 1,210,000 | 1,228,000 |
| New Home Sales | Jan | 571,000 | 555,000 | 536,000 | 535,000 |
| Existing Home Sales | Jan | 5,550,000 | 5,690,000 | 5,490,000 | 5,510,000 |
| Leading Index | Jan | 0.5% | 0.6% | 0.5% | |
| Durable Goods Orders | Jan (P) | 1.6% | 1.8% | -0.5% | -0.8% |
| S&P CoreLogic CS 20-City YoY | Dec | 5.40% | 5.58% | 5.27% | 5.20% |
| Personal Income | Jan | 0.3% | 0.4% | 0.3% | |
| Personal Spending | Jan | 0.3% | 0.2% | 0.5% | |
| GDP Annualized QoQ | 4Q (S) | 2.1% | 1.9% | 1.9% | |
| Univ. of Mich. Sentiment | Feb (F) | 96.0 | 96.3 | 95.7 | |

P = Preliminary, S = Second, F = Final,

Source: Bloomberg

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Monthly Recap

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