Clark Capital Management Group

Monthly Recap

January 2018

EQUITY MARKETS

January marked the 15th consecutive month of gains for the S&P 500. The major U.S. stock indices, including the S&P 500, Dow Jones Industrial Average, NASDAQ, Russell 1000, Russell 2000, and Russell 3000 again hit record highs during the month. Despite some late-month weakness, returns for the full month of January were positive across the board. Growth stocks, which dominated value stocks in 2017, continued that trend of outperformance for the month. International stocks, both developed and emerging, surpassed domestic equity returns in 2017. However, U.S. equities modestly outpaced developed market stocks in January, while emerging markets continued to stand out compared to U.S. and developed international equity market results.

FIXED INCOME MARKETS

The yield on the 10-year Treasury rose sharply in January and broke above 2.7% for the first time since 2014. The yield on this benchmark indicator closed the month at 2.72% compared to the prior month's close at 2.40%. Overall, this increase in interest rates put pressure on most fixed income sectors for the month. The Bloomberg Barclays Aggregate Bond Index, U.S. Treasuries and investment grade corporates all turned in negative results in January. High yield bonds managed to gain +0.60% for the month as credit exposure was once again rewarded. The yield curve flattened dramatically over the course of 2017 though this trend reversed course in the first month of 2018 as the 3-month/10-year spread widened by 25 basis points to 126 basis points.

ECONOMIC DATA

The economy continued to grow in December. After the labor market experienced two consecutive months of job growth in excess of 200,000, job gains in December were more muted coming in just under 150,000, but the unemployment rate remained at 4.1%. Both the ISM Manufacturing Index and ISM Non-Manufacturing Index continue to show economic grow. After back-to-back quarters of gross domestic product (GDP) growth above 3%, the preliminary reading of fourth quarter 2017 GDP growth was somewhat disappointing at 2.6%. The housing market slowed somewhat, as existing and new home sales declined. Housing starts also contracted but building permits, an important indicator of future construction, remained flat at healthy levels. As expected, the Federal Open Market Committee (FOMC) maintained the fed funds target rate at a range of 1.25% to 1.50% at its first meeting of 2018. The FOMC meeting in January marked the last for Janet Yellen as Jerome Powell will take over the chairmanship of the Federal Reserve in February. The next scheduled meeting concludes on March 21st and there is a fairly high likelihood of a rate increase at that meeting.

Event	Period	Estimate	Actual	Prior	Revised
Nonfarm Payroll	**Dec**	**190,000**	**148,000**	**228,000**	**216,000**
Unemployment	**Dec**	**4.1%**	**4.1%**	**4.1%**	
ISM Manufacturing	**Dec**	**58.2**	**59.7**	**58.2**	
ISM Non-Manufacturing	**Dec**	**57.6**	**55.9**	**57.4**	**57.3**
Retail Sales ex Auto & Gas	**Dec**	**0.4%**	**0.4%**	**0.8%**	**1.2%**
PPI MOM	**Dec**	**0.2%**	**-0.1%**	**0.4%**	
PPI MOM ex Food & Energy	**Dec**	**0.2%**	**-0.1%**	**0.3%**	
PPI YOY	**Dec**	**3.0%**	**2.6%**	**3.1%**	
PPI YOY ex Food & Energy	**Dec**	**2.5%**	**2.3%**	**2.4%**	
CPI MOM	**Dec**	**0.1%**	**0.1%**	**0.4%**	
CPI MOM ex Food & Energy	**Dec**	**0.2%**	**0.3%**	**0.1%**	
CPI YOY	**Dec**	**2.1%**	**2.1%**	**2.2%**	
CPI YOY ex Food & Energy	**Dec**	**1.7%**	**1.8%**	**1.7%**	
Industrial Production	**Dec**	**0.5%**	**0.9%**	**0.2%**	**-0.1%**
Housing Starts	**Dec**	**1,275,000**	**1,192,000**	**1,297,000**	**1,299,000**
Building Permits	**Dec**	**1,295,000**	**1,302,000**	**1,298,000**	**1,303,000**
New Home Sales	**Dec**	**675,000**	**625,000**	**733,000**	**689,000**
Existing Home Sales	**Dec**	**5,700,000**	**5,570,000**	**5,810,000**	**5,780,000**
Leading Index	**Dec**	**0.5%**	**0.6%**	**0.4%**	**0.5%**

Durable Goods Orders	**Dec (P)**	**0.8%**	**2.9%**	**1.3%**	**1.7%**
S&P CoreLogic CS 20-City YOY	**Nov**	**6.30%**	**6.41%**	**6.38%**	**6.32%**
Personal Income	**Dec**	**0.3%**	**0.4%**	**0.3%**	
Personal Spending	**Dec**	**0.4%**	**0.4%**	**0.6%**	**0.8%**
GDP Annualized QOQ	**4Q (A)**	**3.0%**	**2.6%**	**3.2%**	
Univ. of Mich. Sentiment	**Jan (F)**	**95.0**	**95.7**	**94.4**	

P = Preliminary, A=Advance, F = Final Source: Bloomberg