# Monthly Scorecard

March 6, 2019 | Portfolio Advisory Group – U.S. Equities

## Performance (Total return % change)

| Index | 2/28/19 | 1 mo. | 3 mos. | YTD | 1 yr. | 2 yrs. |
|---|---|---|---|---|---|---|
| Dow (DJIA) | 25,916.00 | 4.03 | 2.03 | 11.62 | 5.95 | 30.43 |
| S&P 500 | 2,784.49 | 3.21 | 1.41 | 11.48 | 4.67 | 22.56 |
| NASDAQ | 7,532.53 | 3.60 | 3.06 | 13.74 | 4.74 | 32.25 |
| Russell 2000 | 1,575.55 | 5.19 | 3.11 | 17.02 | 5.54 | 16.63 |
| Russell 3000 | 1,649.22 | 3.52 | 1.94 | 12.40 | 5.04 | 22.07 |
| S&P 500 Equal Wgt. | 4,208.52 | 3.68 | 2.82 | 13.89 | 5.26 | 18.66 |
| MSCI AC World | 503.48 | 2.73 | 3.11 | 10.87 | -0.28 | 19.10 |
| MSCI Europe | 125.87 | 3.55 | 5.19 | 9.98 | -5.07 | 15.34 |
| MSCI EAFE | 1,873.72 | 2.58 | 4.09 | 9.36 | -5.50 | 14.12 |
| MSCI Asia-Pacific | 158.69 | 1.46 | 3.81 | 8.41 | -7.87 | 15.77 |
| MSCI Emerg. Mkts. | 1,050.95 | 0.10 | 5.65 | 8.82 | -12.07 | 12.24 |
| 60/40 Allocation[1] | N/A | 1.9 | 1.99 | 7.29 | 4.07 | 15.01 |
| **S&P 500 Sector** | **2/28/19** | **1 mo.** | **3 mos.** | **YTD** | **1 yr.** | **2 yrs.** |
| Consumer Disc. | 867.03 | 0.78 | 1.85 | 11.16 | 6.18 | 29.69 |
| Consumer Staples | 559.56 | 2.29 | -2.20 | 7.60 | 5.21 | 4.87 |
| Energy | 479.94 | 2.62 | -0.43 | 14.02 | 0.87 | -1.95 |
| Financials | 439.26 | 2.42 | -1.11 | 11.47 | -6.35 | 12.29 |
| Health Care | 1,058.77 | 1.17 | -3.06 | 6.07 | 10.82 | 26.69 |
| Industrials | 640.33 | 6.40 | 5.83 | 18.55 | 1.59 | 18.11 |
| Information Tech. | 1,240.23 | 6.89 | 4.67 | 14.34 | 5.83 | 44.20 |
| Materials | 344.05 | 3.28 | 1.44 | 8.96 | -5.81 | 9.25 |
| Real Estate | 214.74 | 1.11 | 3.72 | 12.02 | 19.67 | 16.05 |
| Comm. Services[2] | 154.00 | 0.82 | 3.16 | 11.27 | 4.15 | -1.06 |
| Utilities | 287.53 | 4.16 | 3.39 | 7.73 | 20.35 | 17.95 |
| **FI, FX, & Commod.** | **2/28/19** | **1 mo.** | **3 mos.** | **YTD** | **1 yr.** | **2 yrs.** |
| U.S. Treasuries[3] | 2.72% | -0.27 | 2.35 | 0.20 | 3.23 | 2.65 |
| Invest-Grade Credit[4] | 3.91% | 0.22 | 4.08 | 2.57 | 2.63 | 4.89 |
| High-Yield Credit[4] | 6.54% | 1.66 | 3.98 | 6.26 | 4.31 | 8.67 |
| WTI Crude Oil[5] | $57.22 | 6.38 | 12.35 | 26.01 | -7.17 | 5.94 |
| Dollar Index[5] | $96.16 | 0.61 | -1.15 | -0.02 | 6.12 | -4.91 |
| Gold[5] | $1,313.31 | -0.60 | 7.43 | 2.41 | -0.38 | 5.21 |

[1] 60% S&P 500 and 40% Bloomberg Barclays U.S. Aggregate.
[2] Communication Services returns include data from the previously labeled Telecom sector for returns including dates prior to 9/30/18. [3] Yield reflects 10-year U.S. Treasury, total returns reflect Bloomberg Barclays U.S. Treasury Index. [4] Yield and total returns reflect that of the respective Bloomberg Barclays Index. [5] Spot prices and price returns.
Source - Bloomberg, RBC Wealth Management

Priced (in USD) as of February 28, 2019, market close (unless otherwise stated).

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# It's not how you start

U.S. equity markets have had relatively smooth sailing as volatility has dissipated from the Christmas Eve lows. In February, the S&P 500's 3.2% total return assisted in the index's 18.9% run from the 52-week low. Small caps, as measured by the Russell 2000, climbed even higher, gaining 5.2% for the month and 24.7% for the current recovery. The NASDAQ eked out a small win relative to the S&P 500 while maintaining its 2019 leadership position, and the Dow Jones jumped 4.0% in February. Given the strong equity performance of the last two and a half months, an episodic period of consolidation within the current expansion should not be a surprise, in our view.

Global equities, as measured by the MSCI All Country World Index, lagged U.S. peers while still managing 2.7% on a total-return basis. Given the U.S. leadership that is included in this index, Europe was the only other leading geography with its 3.6% monthly gain. The Asia-Pacific region gained a relatively meager 1.5% and emerging markets were flat for the month after their 13.0% climb from the end of October through January.

U.S. leadership in February was most notable in Technology stocks (+6.9%) as the sector climbed on strength in Software (+7.6%) and Semiconductor (+7.4%) equities. Industrials (+6.4%) took home the silver, led by Defense stocks (+9.4%), and the Utilities sector gained 4.2%. The decline in volatility, as measured by the VIX Index, was also a tailwind. The average reading for the month was 16.2, the lowest monthly average since September's 13.6.

U.S. laggards were underscored by Consumer Discretionary gaining a modest 0.8% on weakness in the Internet Retail and Automobiles industries. Amazon.com (-4.6%) and Booking.com (formerly Priceline, -7.4%) accounted for nearly all of the Retail industry's monthly weakness. Communication Services (+0.8%) was relatively weak on Media and Entertainment stocks, while the Real Estate

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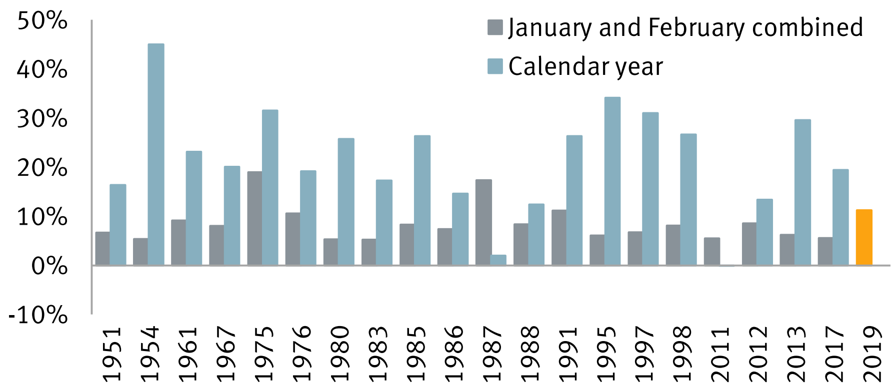
Since 1950, the S&P 500 has started the year with a gain better than 5% 21 times; in 18 of the previous 20 instances there have been further gains in the ensuing 10 months.

sector (+1.1%) struggled to gain traction as the U.S. 10-year Treasury climbed 10 basis points (bps) to 2.72%. Additionally hindering the bond proxy, the yield curve—as measured by the 2-year rate minus the 10-year rate—steepened to 20 bps, its widest reading in 2019.

### Strong starts actually indicate strong finishes

S&P 500 returns since 1950 when Jan./Feb. combined returns are greater than 5%




Source - RBC Wealth Management, Bloomberg; data as of 2/28/19 at 11:15 AM CST

The 11.2% year-to-date gain for the S&P 500 marks the best two-month start to the year since 1991's 11.2% advance. Surprisingly, a strong start to the year is historically a positive indicator for full-year returns. In fact, since 1950 there have only been 21 instances in which the combined January and February return on the S&P 500 surpassed 5%. Of the previous 20 occasions, the only time the S&P 500 declined for the full year was in 2011 when the annual return was -0.002%. Meanwhile, the average full-year return of those 20 periods was 21.7%. Furthermore, 18 of them saw the S&P 500 end the year higher than it closed in February. The only exceptions were in 1987 and 2011, with the index's 20.5% decline on Black Monday 1987, and the U.S. government credit rating downgrade/European debt crisis in 2011.

Suffice it to say that while we may have received a large chunk of 2019's full-year returns, by no means are we able to say it's time to pack it in because we've squeezed out all the gains to be had this year. To be clear, a near-term period of consolidation would not be surprising, and would in fact be healthy, in our view. Sharp recoveries in the market generally leave investors skeptical of short-term returns (the next few months), but as long as this time isn't different, further returns for the rest of the calendar year appear to be more likely than not. In fact, past periods similar to those of 2019 suggest another 10% gain into year-end is not out of the question. We simply have to exercise patience because there are 10 more months until the year ends, and as we all know, it's not how you start, but rather how you finish that matters. Bottom line: we still like a start that indicates further gains with 90% historical accuracy.

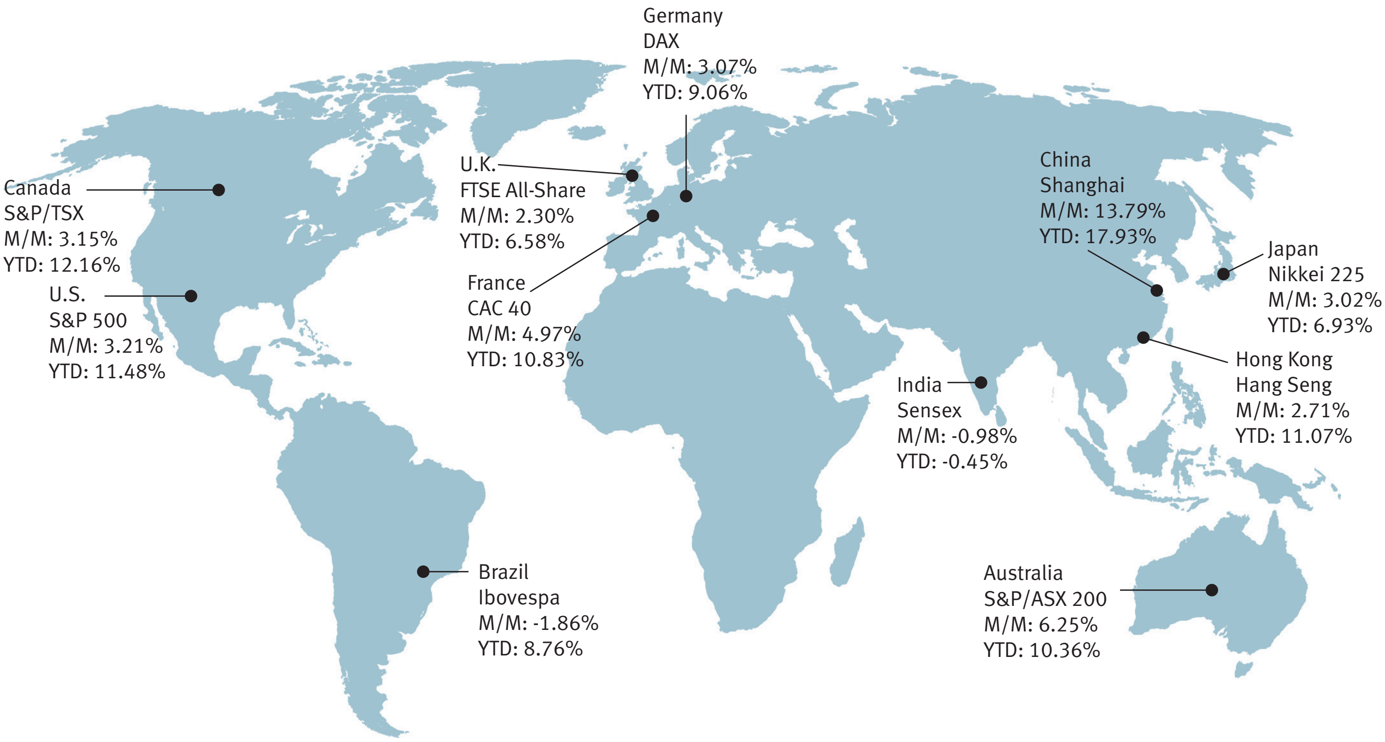
### S&P 500 returns since 1950 when first two months' return is greater than 5%

| | January/February combined return* | March–December return | Calendar year return |
|---|---|---|---|
| Maximum | 19.0% | 39.6% | 45.0% |
| Minimum | 5.3% | -15.3% | 0.00% |
| Average | 8.6% | 13.3% | 21.7% |
| 2019 | 11.2% | TBD | TBD |

Source - RBC Wealth Management, Bloomberg; data through 2/28/19; *includes 2019 data

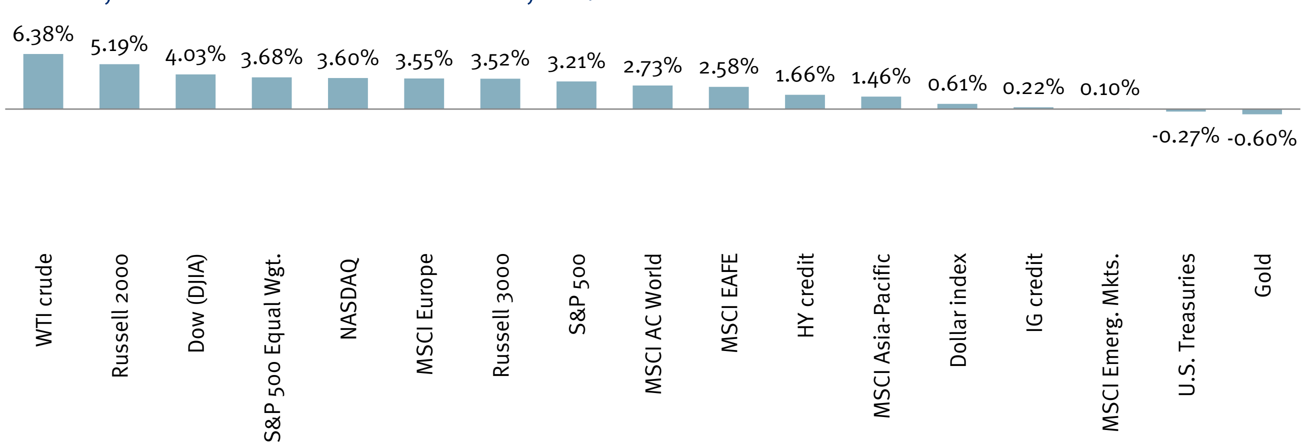
# World markets

## February month-over-month and year-to-date total return




Source - Bloomberg; priced in local currency

## Total monthly returns for select indexes – February 2019




Source - Bloomberg

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