SELECTOR® Money Management
2017 First Quarter Review

2017 Opened With The Best Quarter Of The Past Three Years

Rather then pulling back in January, which had been the case the two previous years, equity markets found their footing early in 2017. Large cap growth equities led the way, followed by mid cap and small cap growth. Large cap value and mid cap value equities picked up on their lead and also had positive first quarters. Gains were modest in January and February before a mild correction took hold mid-March. The exception was small cap value equities, which struggled to hold ground gained in the first six weeks following the Election. At the end of the first quarter major domestic equity indexes, while off their best prices, were firmly in positive territory. The S&P 500 LargeCap Index gained +6.07%, the S&P 400 MidCap Index advanced +3.94%, and the S&P 600 SmallCap Index gained +1.06%.

Sector Rotation Was Very Evident In The First Quarter

Leadership continued to reside in those sectors normally associated with economic expansions such as technology, financials, industrials and basic materials. But, in the course of the first quarter, traditionally defensive sectors such as health care, utilities, and real estate securities also picked up the pace. This was particularly evident during the mild correction that occurred in March. The impact on the general equity market was positive as the advancing sectors provided additional breadth. Once again, however, there was a very obvious exception. The energy sector had been quick to move into a leadership position in November and December, but by the end of the first quarter most of those gains had been surrendered. In the first quarter the Dow Jones Technology Index gained +12.84%, the Dow Jones U.S. Health Care Index gained +8.54%, and the Dow Jones U.S. Oil & Gas Index fell -6.59%.

International Equity Markets Were Also Quite Positive

Emerging markets equities, led by the Latin sector, made broad advances in January and February. That push allowed them to break out of a trading range that had been containing prices for the past eight months. The breakout included a successful test during the March correction after which emerging markets equities quickly rebounded. European equities also took advantage of the global advance to break out of their trading range the first week in March. The global equity advancement further broadens the U.S. stock market success. During the first quarter the MSCI Emerging Markets Index gained +11.44%, with the S&P Latin America 40 Index contributing +14.33%. The S&P Europe 350 Index gained +7.37%.

Bond Markets Had A Much Quieter Experience In The First Quarter

After a strong fourth quarter advance, the U.S. Dollar settled back into a trading range with a slightly negative tilt the first quarter of 2017. That gave an edge to foreign bond markets, including emerging markets bonds and global high yield bonds. In the U.S., the Federal Reserve Board finally implemented a quarter point increase in federal funds interest rate, which had a neglible impact on bond prices. The high yield bond sector was the best performing domestic bond fund sector in the quarter, albeit returns were modest across the board. Municipal bonds finally dug in their heels and starting rebuilding bases after their declines during the second half of 2016. The Bloomberg Barclays U.S. Corporate High Yield Bond Index gained +2.70%. The Bloomberg Barclays U.S. Aggregate Bond Index was up +0.82%. The Bloomberg Barclays Municipal Bond Index gained +1.58%.

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