SELECTOR
Real-Time Money Management

# Monthly Commentary

## April 18, 2017

*"Good investors gather information, put that information into current and historical context, then make sound decisions."*

**As anticipated, in the March Commentary, domestic equity markets are in a correction, albeit a mild one thus far.** The S&P 500 Index has pulled back -3.25%, measuring back to the March 1st high. The S&P MidCap 400 Index declined by -5.00%, while the S&P Small Cap 600 Index fell -5.95%. The question that remains is whether this correction is over. While it appears that a short-term bottom may have been put in place the last week of March, as Yogi was fond of saying, "It ain't over till it's over." At this writing, major equity indexes have not yet exited the other end of the tunnel. The technical damage has been minimal, with breaks in short-term uptrends and 50-day moving averages. And while almost all of the momentum indicators reversed, all of the long-term technical indicators are intact.

**Also as expected, international equities have tagged along with the domestic equity correction.** Because they have been trailing U.S. equities by several weeks, their most recent market rally carried them farther into the month of March. As a result, they have declined for a shorter time and to a smaller degree. The S&P Europe 350 Index has pulled back only -1.43% so far, while the MSCI Emerging Markets Index has fallen -3.33%. The broader MSCI EAFE Index is down -1.79% from its late March high point. But while the international indexes have yet to cross any short-term trendlines or moving averages, their corrections have not yet established distinct bottoms. It will be interesting to see how quickly they respond should U.S. equities stage a significant rally from current levels.

**During this correction the defensive sectors, such as utilities, consumer staples and real estate, have all held their ground.** This positive rotation speaks well of the equity market's overall health and long-term outlook. While the defensive equity market sectors have not moved into leadership roles, their relative strength is a good indicator that institutional investors have been rebalancing, hopefully in anticipation of the next bullish push higher following this correction.

**Bond markets have also been 'playing their proper role.'** Short, intermediate-term, and long-term investment grade bond indexes have all moved higher over the past month. Investment grade corporate bonds have advanced very nicely and broken free from the trading ranges that had captured them during the Election Rally. Municipal bonds made excellent progress as well. Meanwhile, long-term bonds remain entrenched, but continue to build a base. High yield corporate bonds initially declined with equities but were quick to rebound.

**A quick current synopsis of equity markets would have to include the words 'sloppy' and 'unresolved.'** Equity markets are still in the correction tunnel. Thus far the impact has been mild and there are positive returns across the board. Volatility has not been extreme, though it has stepped up. Expectations are generally positive.

***"Consider me your guide, your Park Ranger, in this journey through the financial forest."***

**I realize that I have inserted a good deal of technical jargon in this Commentary.** Long time readers are probably hanging with me, but everyone should feel free to contact me with your questions. There are very few things that I enjoy more than translating financial markets. Consider me your guide, your Park Ranger, in this journey through the financial forest. Have you ever met a Park Ranger that wasn't enthusiastic about taking questions, who wanted you to have a good experience, all the time while staying as safe as possible? The same stands for me.

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Sources: Bloomberg, Marketwatch.com, StockCharts.com, Stock Traders Almanac