SELECTOR® Money Management
2017 Year End Review

2017 Was A Banner Year For Equities, By Any Measure

The fourth quarter was a very strong continuation of the price movement that we witnessed through the first three quarters of the year. Once again, large cap equities led the way, followed by mid cap and small cap. There was no hesitation during the quarter, with the strongest pushes occurring in December. Institutional investors unabashedly 'window-dressed' portfolios with those equities that had been demonstrating the strongest performances year-to-date. The expansion in breadth that we discussed at the end of the third quarter continued through year-end.

Nearly Every Domestic Equity Sector Contributed In The Fourth Quarter

Technology continued to lead the charge throughout the quarter. Financial services, basic materials, industrials, and consumer discretionary sectors followed closely. The energy sector finally broke its extended downtrend, formed a quick base, and broke into an uptrend the end of December. The relative laggards were the historically defensive sectors, including real estate, consumer staples, and utilities. The worst singular performance of the quarter occurred in the biotechnology sector, which pulled back sharply in October and held back the entire health care group.

International Equities Were Quieter In The Fourth Quarter

International equities continued to hold their spots at the top of the leaderboard for the year, but slowed their pace in the fourth quarter, especially in Europe. European equities spent most of the fourth quarter in a trading range, after a very strong nine month advance. Emerging markets, on the other hand, had an outstanding final quarter, aided by the global strength in technology, basic materials, and financials. The only laggard was Latin American equities, which pulled back rather sharply in October and November after a torrid run in the third quarter. Going into the final week of the year, however, every international sector raced across the finish line in fine form.

With So Much Attention On Equities It Is Not Surprising That Bonds Were Largely Overlooked

While their returns were positive across the board during the fourth quarter, only global bond indexes managed to gain more than one percent. Short term interest rates were the only ones that increased during the quarter, which contributed to their total return numbers. The U.S. Dollar broke its intermediate-term downtrend in the fourth quarter, but remains near three-year lows, which contributed to global bond performance. Corporate, government, and municipal bond indexes remain stuck in a six-month trading range. Floating-rate bonds and high yield experienced sharp pullbacks in November before rebounding.

The Year Ended On A Strong Note For Equities

Whether you credit the passage of the Tax Bill, a traditional Santa Claus Rally, or institutional end-of-quarter window dressing, the momentum was positive. 2017 was highlighted by a remarkable lack of fireworks accompanied by dogged, persistent advances. This is not a traditional backdrop for the end of a Bull Market, although ours dates back to 2009. There are definable reasons why it has taken so long to get this far, and it doesn't appear that we are done yet. Which we find to be quite excellent and promising.

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