January 2017

MEEDER
INVESTMENT MANAGEMENT

Monthly Market Commentary

Discussion Points

» Low Volatility in Equity Markets
» New Presidential Administration
» DJIA Hits 20,000

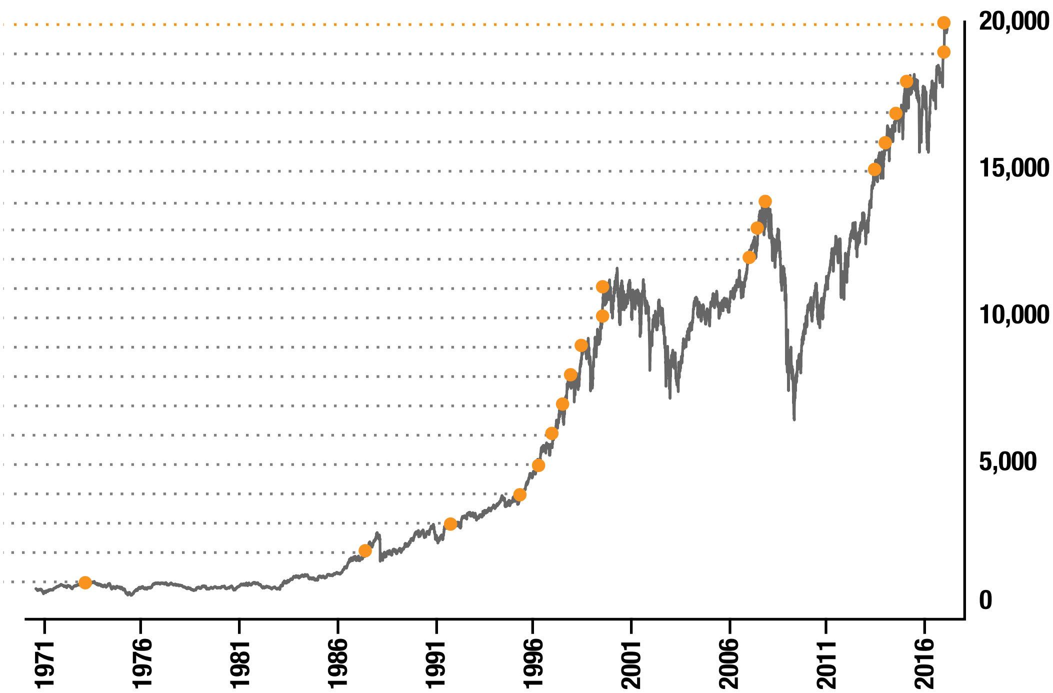
This first month of 2017 ushered in a changing of the guard for the United States. The transition of power from one Presidential administration to another occurred on January 23, 2017. Regardless of your political persuasion, this transition of power has been especially polarizing and has caused a lot of uncertainty in the minds of investors. Yet, in spite of all of the headlines, cabinet member hearings and tweets, something very eerie has occurred. The S&P has had very little movement. According to Bloomberg, this is the least volatile January since 1995 and if you look back to 1928, there have been only four other instances in previous years when the month of January began with this little volatility. While investors may be feeling anxious about the new investing era we have entered, the markets certainly aren't reflecting it.

Equites in emerging markets as represented by the MSCI EM Index led the way with a 5.47% return. Developed international markets outpaced domestic markets with a positive 2.90% for the month. Domestic equity markets continued their streak of hitting new all-time highs as they accomplished this feat once again in the first month of 2017. The Dow Jones Industrial Average was finally able to eclipse the elusive 20,000 point milestone, and finished the month up 0.62%. The more broadly S&P 500 Index posted a return of 1.90%. With regard to domestic equities, large-, mid- and small-cap growth styles each outperformed their respective peers in the value space. These gains were supported by a solid amount of economic data throughout the month.

The Climb to 20,000

1,000-Point Milestones of The Dow®

Milestone	Date	Days Between 1k Milestones
20K	01.25.2017	42
19K	11.22.2016	483
18K	12.23.2014	108
17K	07.03.2014	153
16K	11.21.2013	139
15K	05.07.2013	1,460
14K	07.19.2007	59
13K	04.25.2007	127
12K	10.19.2006	1,879
11K	05.03.1999	24
10K	03.29.1999	246
9K	04.06.1998	182
8K	07.16.1997	105
7K	02.13.1997	85
6K	10.14.1996	226
5K	11.21.1995	189
4K	02.23.1995	975
3K	04.17.1991	1,080
2K	01.08.1987	3,573
1K	11.14.1972	21,652



Source: Marketwatch, S&P Dow Jones Indices LLC.

Payroll numbers for January surprised analysts to the upside as the U.S. created 227,000 jobs versus just 175,000 expected. In addition, the consumer sentiment index reflected this optimism as it reported strong levels of 98.5. The ISM manufacturing index report improved to 56.0 from just 54.5 in December. The ISM non-manufacturing index which measures the productivity of the services industry remained virtually the same at 56.6 from December's 56.5 level. When either of these two economic reports are above 50 it is a signal that the industry is expanding. While these statistics are expanding at a moderate pace, they fall in line with the December 2016 GDP coming in at 1.9%.

The 10-year treasury ended January with a yield of 2.45% and the Bloomberg Barclay's U.S. Aggregate Bond Index finished the month up 0.20%. The Federal Reserve did not raise rates during their first scheduled meeting of the year. However, they did comment that inflation has improved recently but is still below their 2% target threshold. Wage growth continues to be stagnant and will likely be a key driver in the Fed's future decisions. While the Fed expects the economy to continue to expand at a moderate rate, at this time they continue to believe that only moderate rate increases in the Federal Funds overnight lending rate will be necessary. At the time of this writing, according to Bloomberg, the probability for the Fed to raise the Federal Funds overnight lending rate at the March meeting has risen to just 24%.

Unemployment increased slightly from 4.7% to 4.8% in January. While most of the time we would expect this to be a negative sign, it is actually reassuring. The main reason that the unemployment rate ticked up is due to the fact that more unemployed people were encouraged enough about the current economy to begin looking for employment, which they had not done so previously.

While the future always brings a level of uncertainty, we anticipate that the Federal Reserve and the new U.S. Presidential administration will provide many news headlines in 2017. Regardless of what occurs, know that we will continue to follow our time-tested models and apply our disciplined investment process to the management of our investment portfolios.

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