January 2019

MEEDER
INVESTMENT MANAGEMENT

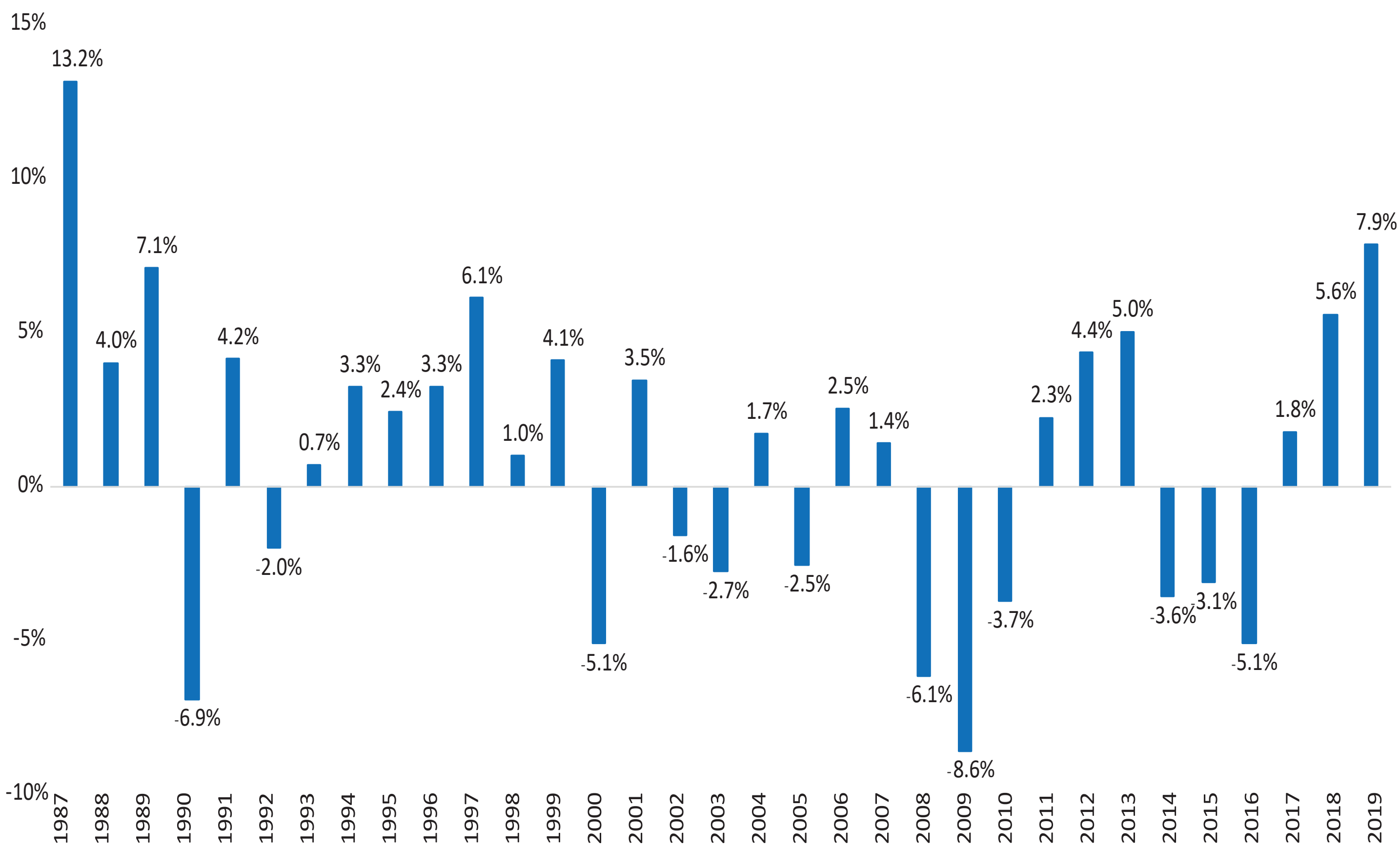
Monthly Market Commentary

Discussion Points

- S&P's Best January Since 1987
- China: Slowest Growth in 28 Years
- January Payrolls Exceed Expectations

In January, equity markets as represented by the S&P 500 Index climbed nearly 8% resulting in the best start to the year since 1987. What is unusual is that this record-breaking performance occurred while the U.S. Government experienced its longest shutdown ever. This shutdown began on December 22, 2018 and lasted until January 25, 2019. Despite this headwind, small-cap stocks led other market capitalizations as the Russell 2000 Index total return was 11.25% for January. The Russell Mid-Cap Index total return followed closely behind at 10.46%. The energy sector emerged as one of the best performing sectors for the month. This was a reversion from the 4th quarter of 2018 when the price of crude slid nearly 40%. In 2019, crude oil made up some of this ground by finishing January above $53 a barrel for more than a 17% gain. Growth stocks continued their recent trend of outperforming value stocks, although the performance differential among the styles was only slight.

S&P 500 Index Price Return - Each January by Year



Source: Bloomberg

A strong January has historically been used as a predictive indicator of market performance for the remainder of the calendar year. Last year however, markets bucked the trend as they experienced solid performance in January and yet finished the year in negative territory after fears of slowing global growth. China's slowing economy continued to dominate the news throughout the fourth quarter. China's GDP growth of 6.4%, was its weakest in the last 28 years. Exports slowed and are likely the result of continued U.S.-China trade tensions where there appears to be no agreement in sight. International markets as represented by the MSCI EM and MSCI EAFE Indices were positive by 8.77% and 6.57% respectively.

The Fed left rates unchanged at their January meeting and provided insight that investors have longed to hear for quite some time. Global economic and financial developments are leading the committee to be patient in determining future adjustments to the federal funds rate. This suggested that the Fed could start taking market volatility into consideration. Fixed income markets welcomed the news as yields fell at the end of January giving the Bloomberg Barclay's US Aggregate Bond Index a year-to-date return of 1.06%.

The U.S. economy continues to show strength from a variety of economic data. The January payrolls report nearly doubled expectations of 165,000, by creating 304,000 jobs. This was the second month in a row that more than 300,000 jobs were created. While the Fed will be paying attention to market conditions this continued strength in the economy could put pressure on the Federal Reserve to continue tightening monetary policy. The unemployment rate increased to 4.0% but is thought to likely have been a result of the government shutdown. The ISM Manufacturing Index exceeded estimates of 54.0, with a result of 56.6. A reading result above 50 represents growth in the index. While this metric continues to show expansion, the rate of growth has started to decline. This is the same scenario when looking at the Conference Board's Index of Leading Indicators. Absolute readings for December remain near all-time highs at 111.7, however the rate of change has slowed considerably from 7.1% at the end of September to 4.3% at the end of 2018. While the level is still very positive, the growth may have started to moderate.

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