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WEEKLY MARKET COMMENTARY

THE WEEK IN REVIEW: February 24 - March 2, 2019

Market	YTD	2018	2017	2016	5 years
US Stocks (large cap) (SPY)	12.20%	-4.56%	21.70%	12.00%	10.70%
US Stocks (small cap) (IWM)	18.18%	-11.11%	14.59%	21.60%	7.59%
Foreign Stocks (dev) (EFA)	9.94%	-13.81%	25.10%	1.37%	2.09%
Foreign Stocks (EM) (EEM)	8.78%	-15.31%	37.28%	10.87%	3.63%
Foreign Stocks (frontier) (FM)	8.60%	-17.75%	36.19%	2.02%	0.44%
US Bonds (AGG)	0.38%	0.10%	3.61%	2.41%	2.17%
Global Bonds (FWDB)	4.61%	-2.76%	6.13%	6.21%	2.99%
US Bonds (HY) (HYG)	6.05%	-2.02%	6.07%	13.41%	3.32%
US REIT (IYR)	12.05%	-4.30%	9.34%	7.03%	8.32%
Foreign REIT (IFGL)	8.69%	-6.37%	20.02%	1.42%	4.08%
Gold (GLD)	.52%	-1.94%	12.81%	8.03%	-0.92%
Commodities (DBC)	8.90%	-11.62%	4.86%	18.56%	-9.36%

THE WEEK IN REVIEW: STRONG START TO THE YEAR CONTINUES

February was another good-but-not great month for stocks, with the S&P 500 ending up 3.21 percent. But while February was good, trading was very quiet. The S&P closed above its 10-day moving average for 38 straight sessions, the longest such streak in years. This has been the best first two months of a year since 1987, [the year of Black Monday](#). Each sector in the S&P 500 gained for the second consecutive month for the first time since 2013, and leaders included industrials (+19 percent), energy (+14 percent) and technology (+14 percent).

Eight S&P 500 companies rose more than 40 percent in the first two months of the year: Coty, Xerox, Hanesbrands, Xilinx, Mattel, Hess, General Electric and Chipotle. Eight companies fell at least 10 percent: Kraft Heinz, Macy's, Take-Two, AbbVie, CenturyLink, Newell Brands, CVS Health, and ResMed. Currently, [90 percent of S&P 500 stocks are above their 30-day moving average.](#)

The Dow, Nasdaq and Russell 2000 have each climbed in eight consecutive weeks. This is the first such occurrence for the Dow since 1964, first for the Nasdaq since 1976 and first ever for the Russell, according to Dow Jones Market Data.

Major domestic stock indexes were mostly positive last week. The tech-heavy Nasdaq performed best, while smaller-cap benchmarks lagged. Within the S&P 500, utilities stocks outperformed while materials shares lagged.

Stocks jumped at the start of trading Monday, following tweets from President Trump announcing that he would delay the implementation of higher tariffs on certain Chinese goods scheduled for March 1. President Trump cited "substantial progress" on a range of issues, including intellectual property protection, technology transfer, currency manipulation, and promised increases in Chinese purchases of U.S. agricultural products and services.

Stocks fell back Wednesday after the administration's chief trade negotiator, Robert Lighthizer, told a congressional committee that "much still needs to be done" before an agreement can be reached. However, Bloomberg reported on Thursday afternoon that U.S. officials were drafting a deal that both presidents could sign as early as mid-March.

Several important economic releases were published last week. December data were generally disappointing while more current data were more promising. The manufacturing sector remained a weak spot, with two separate gauges of manufacturing activity in February falling more than expected.

Data released last week showed [U.S. home building starts in December](#) were the lowest since September 2016, and the 11.2 percent fall from November was the biggest one-month decline since January 2007. But U.S. building permits rose by 0.3 percent, showing a divergence between the number of actual building constructions started and the number of permits filed to build.

The [U.S. economy grew](#) at a strong 2.9 percent rate in 2018, just missing President Trump's 3 percent goal, but only grew at a 2.6 percent clip in 4Q. Growth is slowing, but not as much as feared. However, [business investment dwindled throughout 2018.](#) U.S. home ownership also climbed to the [highest level in nearly five years](#) in the fourth quarter.

Longer-term U.S. Treasury yields moved higher last week, with the yield on the benchmark 10-year note moving from 2.67 percent at the start of the week to 2.76 percent at Friday's close.

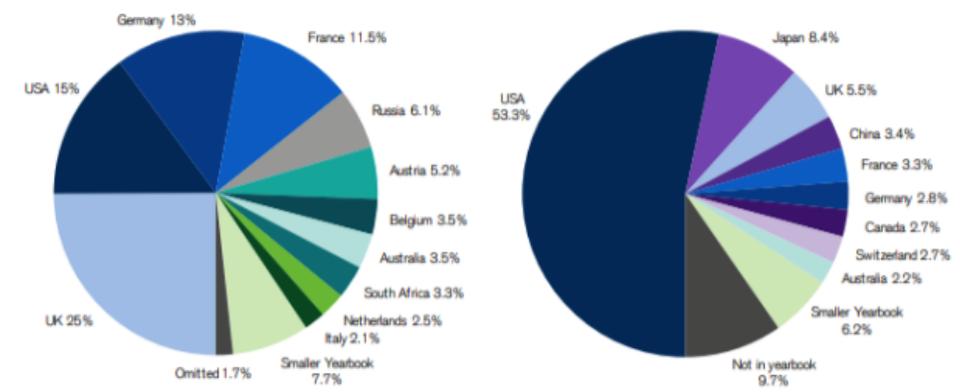
Overseas, the pan-European STOXX Europe 600 rose despite escalating tensions between Pakistan and India and the abrupt end to the U.S.-North Korea summit. Renewed hopes for a U.S.-China trade agreement buoyed stocks, and Japanese stocks were up modestly as well.

Mainland Chinese stocks entered bull market territory, with the major indexes up over 20 percent from their recent lows. This follows MSCI's announcement that it would quadruple the weighting of China shares in its widely used global benchmarks this year.

For the week, the Shanghai Composite Index surged 6.77 percent, while the large-cap CSI 300 added 6.52 percent. Buying from foreign investors ahead of MSCI's decision helped drive both indexes higher on Friday, capping a stellar month for Chinese stocks. U.S. dollar- and yuan-denominated Chinese A shares rose 14.89 percent and 25.34 percent, respectively, making them among the best year-to-date performers in emerging markets, according to MSCI data.

CHART OF THE WEEK

Figure 10: Relative sizes of world stock markets, end-1899 (left) versus start-2019 (right)



Source: [Global Investment Returns Yearbook](#)

FROM THE HEADLINES

- The latest annual edition of the [Global Investment Returns Yearbook](#) has been released.
- China's latest purchasing managers index showed [activity slumped further](#) while new export orders also slid. Meanwhile, U.S. companies are planning their [lowest rate of expansion in China](#) since 2016. Imports and exports from China [plummeted in February](#).
- The Congressional Budget Office says the [U.S. will run out of money by September](#) without a debt limit increase.
- Even though U.S. employment is near half-century lows and companies are routinely complaining of labor shortages, [labor's share of domestic income](#) has been declining since 1970.

- Federal Reserve officials are considering whether to allow inflation to [rise above their 2 percent target](#) more often.
- A new study finds that [clients prefer fee-based relationships](#) to commissions.
- Bank of America is [phasing out the 105-year-old Merrill Lynch brand](#).
- The SEC is [reviewing a series of bond trades](#) by three insurance companies tied to Guggenheim Partners. The regulator also asked a court to hold Tesla CEO Elon Musk in [contempt for a February 19 tweet](#) that said Tesla would make about half a million cars in 2019.
- New research suggests that [the retirement crisis is real](#). Millennials are the most concerned.
- [The government may be the key player](#) in the U.S. economy in the decade ahead.
- [Financial advisors are 23 percent more stressed](#) than the national average.
- British Prime Minister Theresa May promised to have another [Brexit vote in Parliament by March 12](#).
- Pakistan and India came [closer to the precipice of war](#) last week than they have in decades.
- Gap will [split into two public companies](#): the Old Navy brand and everything else.

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AE Wealth Management, LLC, 2950 SW McClure Rd, Topeka, KS 66614

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