Without Missing A Beat, Global Equities Continued Their Rally Into 2018
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- After rising 1.5% in December and finishing the year 24% higher, the global equity market roared out of the gate in January climbing 5.5% and notching its best start to a new year since 1994.
- Emerging market equities lead the way, rising nearly 10% before finishing the month up 8.2%. That brings its 12-month return to 41.3%, its best since April 2010.
- With the exception of emerging market equities, volatility edged slightly higher around the globe in January, but remained in a historically low range. The VIX reached its highest level since August.
- In the US, consumer discretionary stocks lead all sectors, rising 9.2% on the month, while interest-rate sensitive utilities lagged as the majority of the yield curve pushed sharply higher.
- The Fed left its interest rate unchanged at its Jan. 31 meeting, but noted that, “Inflation on a 12-month basis is expected to move up this year and to stabilize around the committee’s 2 percent objective over the medium term.”

Global Equity Markets: 2018 YTD % Δ

30-Day Volatility: 5 Year Historical Range

Rolling 3 Month Correlation to S&P 1500

Managed Risk Investing
Low equity-market volatility meant that the S&P 500 Managed Risk Index, which has an 18% vol cap and no fixed allocation to bonds, maintained a 100% equity allocation for the eighteenth consecutive month. It matched the return and volatility of the S&P 500 during the month while rising interest rates helped it outperform a 70/30 stock/bond\(^*\) blend by 212 bps, but with higher volatility.

Over the last 10 years, the Managed Risk Index has exhibited a slightly lower average monthly volatility than a 70/30 blend, while generating an average excess monthly return of 21 bps.

Already down 8.5% in 2017, the US dollar fell another 3.4% in January, its largest monthly decline in almost two years.

The spot price of crude oil climbed again in January and now sits 41% higher than it did just five months ago.

Likely due at least in part to the weakening dollar and rising oil price, bond-market inflation expectations have risen to a three-year high.

*As measured by the S&P 500 Index and the S&P US Aggregate Bond Index.

### S&P 500 Managed Risk (MR) vs. 70/30 Blend\(^*\) (B)

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<tbody>
<tr>
<td>1 Month</td>
<td>5.7%</td>
<td>5.7%</td>
<td>2.9%</td>
<td>2.5%</td>
<td>5.0%</td>
<td>8.2%</td>
<td>5.5%</td>
<td>-1.0%</td>
<td>6.4%</td>
<td>-3.4%</td>
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<td>3 Months</td>
<td>10.2%</td>
<td>10.2%</td>
<td>6.9%</td>
<td>5.6%</td>
<td>7.8%</td>
<td>12.4%</td>
<td>9.2%</td>
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<td>18.1%</td>
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<td>6 Months</td>
<td>15.4%</td>
<td>15.4%</td>
<td>11.8%</td>
<td>11.9%</td>
<td>12.3%</td>
<td>18.3%</td>
<td>14.3%</td>
<td>-0.2%</td>
<td>32.5%</td>
<td>-2.9%</td>
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<tr>
<td>1 Year</td>
<td>26.4%</td>
<td>26.4%</td>
<td>17.6%</td>
<td>16.6%</td>
<td>28.0%</td>
<td>41.3%</td>
<td>27.4%</td>
<td>2.1%</td>
<td>21.2%</td>
<td>-9.3%</td>
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<td>Volatility</td>
<td>8.3%</td>
<td>8.4%</td>
<td>9.1%</td>
<td>10.9%</td>
<td>6.9%</td>
<td>9.3%</td>
<td>6.9%</td>
<td>2.1%</td>
<td>16.5%</td>
<td>5.1%</td>
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### Oil & Inflation: Trailing 6 Months

- Crude Spot Price ($)
- YoY CPI
- YoY PCE

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