

December 2018 Market Update

Key Takeaways

Despite global GDP growth of 3.7%, worldwide equity markets finished 2018 down 9.4%.

After returning 10.5% for the first 9 months of the year, U.S. equity markets lost 14.0% in the fourth quarter to end the year down 5.0%. Growth stocks continue to outperform value.

International markets markedly underperformed the U.S. market in 2018. Developed market equities ended the year down 13.8% and emerging market equities were down 14.6%.

Bonds staged a strong rally based on recession fears at the end of 2018 to finish the year flat. The 10-year Treasury dropped 32 bps in December to close the year at 2.69%. The equity sell-off forced the FOMC to re-think their stance on monetary policy, the market is beginning to expect a moderation in policy for 2019.

After a terrible beginning to the year, real estate markets rallied to slightly outperform equities in 2018.

Equities ended 2018 relatively cheap on a historical basis with US equities trading at a forward P/E of 14.9 and emerging markets at a 10.5 forward P/E.

Table 1: Benchmark Index Performance as of December 31, 2018

Benchmark Index	1 Mo	3 Mo	2018	5 Yr Ann
Domestic Equities (S&P 1500 Composite)	-9.27%	-13.97%	-4.96%	8.2%
International Developed Equities (MSCI EAFE)	-4.85%	-12.54%	-13.79%	0.5%
Emerging Market Equities (MSCI EM)	-2.66%	-7.47%	-14.58%	1.6%
Fixed Income (Bloomberg Barclays US Aggregate)	1.84%	1.64%	0.01%	2.5%
US Real Estate (S&P US REIT Index)	-8.14%	-6.09%	-3.79%	7.8%
Global Equities (MSCI ACWI)	-7.04%	-12.75%	-9.42%	4.3%

Chart 1: 2018 Market Index Performance

