January 2020 Market Update

January was a tale of two different markets. Equities rallied early in the month, with market indices posting all-time highs through the 17th. Then markets sold off in a flight-to-safety action on news of the Wuhan coronavirus. US equities were up 3.0% early but ended the month with a small 0.3% gain. International developed markets finished at a 2.1% loss and emerging markets were hit hard with a 4.7% loss.

Bond markets benefited from the coronavirus news, ending the month up 1.9%. Ten -year Treasuries started January at 1.92% and finished at 1.51% while 3-month T-bills were unchanged at 1.55%. Real estate markets received a boost from the bond market rally and ended the month up 1.2%.

Other important developments in January include:

U.S. military forces killed Iranian military commander Qasem Soleimani on the 3rd
Phase One of the U.S.-China trade deal was signed on January 15th
The Federal Reserve left interest rates unchanged on the 29th
The UK exited their union with the European Community at the end of the month

We see the coronavirus sell-off and flight-to-quality as over-done. Although US equity valuations are at rich levels, we see no reason to retreat from long-term asset allocations.

Table 1: Benchmark Index Performance as of January 31, 2020

Benchmark Index	***1 Mo***	***3 Mo***	***12 Mo***	***5 Yr Ann***
Domestic Equities (S&P 1500 Composite)	-0.30%	6.36%	20.56%	12.0%
International Developed Equities (MSCI EAFE)	-2.09%	2.23%	12.10%	5.1%
Emerging Market Equities (MSCI EM)	-4.66%	2.31%	3.81%	4.5%
Fixed Income (Bloomberg Barclays US Aggregate)	1.92%	1.80%	9.64%	3.0%
US Real Estate (S&P US REIT Index)	1.17%	-1.06%	12.65%	5.7%
Global Equities (MSCI ACWI)	-1.10%	4.88%	16.04%	8.5%

Chart 1: 12 Month Market Index Performance