

Economic & Market Commentary

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Market Update – March 2018

Global stocks (-1.9%) finished the month down amidst rising geopolitical tensions and fears over a trade war. The S&P 500 (-2.5%) struggled while small and small value stocks had positive returns in March, up 1.3% and 1.4%, respectively. International stocks fell across the board. Bonds produced low stable returns - led by international bonds, up 1.4%. Also, the Federal Reserve raised interest rates for the first time in 2018.

Economy

- The final estimate of fourth quarter real GDP growth came in at an annualized rate of 2.9% - up from the original estimate of 2.6%.
- Inflation, measured by the Consumer Price Index for all goods, rose to 2.3% year-over-year - a positive sign for a strengthening U.S. economy.
- Total nonfarm payroll employment edge up by 103,000 in March with the unemployment rate remaining at 4.1%.
- The 10-year U.S. Treasury yield finished the month near historical lows at just 2.7% - albeit beginning to show life of rising over the last few months.

Stocks

- Both U.S. large growth (-2.5%) and value (-1.9%) stocks struggled in the month of March.
- Emerging markets stocks lost 1.9% in March but continued their impressive run, up 24.9% over the last year, crowning it the top-performing asset class.

Bonds

- Bonds performed well in March. All four sub-asset classes posted positive returns.
- International bonds (+1.4%) led the way followed by TIPS (+1.1%), intermediate-term bonds (+0.4%), and short-term bonds (+0.2%)

Alternatives

- Alternative asset class returns were mixed in the month of March.
- Global REITs posted strong gains, up 2.8%. Reinsurance modestly returned 0.2%. Commodities (-0.6%) and managed futures (-2.6%) were held back.

Sources: Bureau of Economic Analysis (BEA), Federal Reserve, Morningstar Direct, Standard and Poor's, Global Sustainable Investment Alliance.

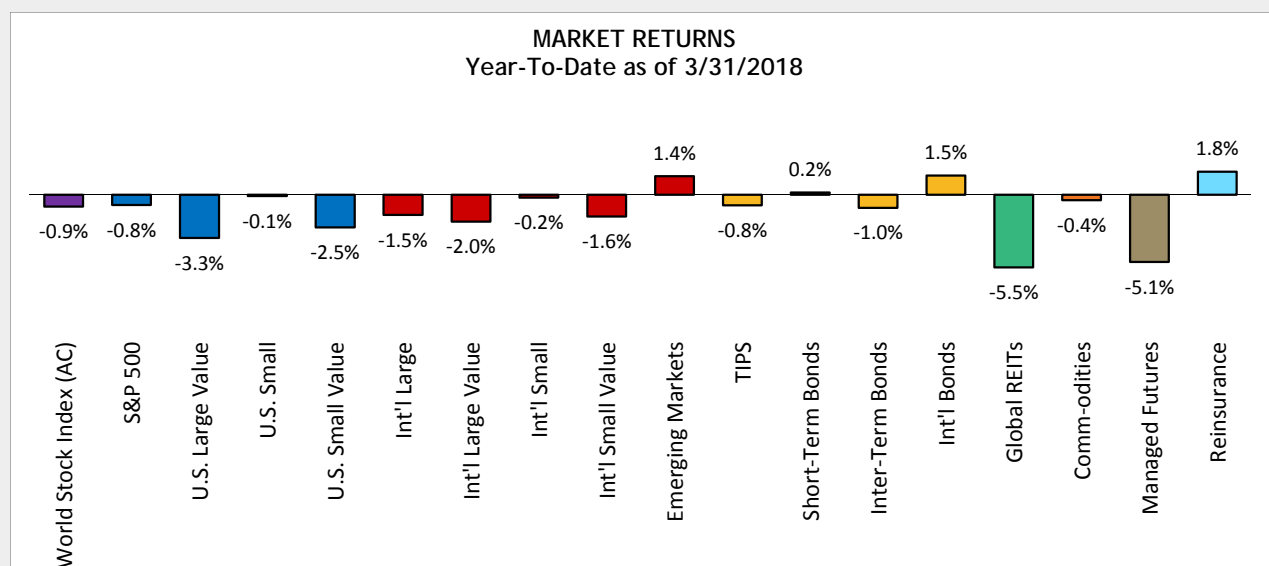
Tariff Travails

On March 1, the United States announced tariffs would be imposed on imported steel and aluminum. Since then, new information has been released that ends weeks of speculation and uncertainty- and minimizes the global impact of what first appeared to be sweeping tariffs. Details emerged that the European Union, Argentina, Brazil, South Korea, and Australia were not subject to the tariffs when they went into effect on March 30. This is viewed as a positive step in avoiding a global trade war that could have negative consequences for the global economy.

What exactly is a tariff? A tariff is a tax imposed by a government on imported goods. Tariffs are used to restrict imports by increasing the price of goods and services purchased from overseas. Governments may impose tariffs in an effort to raise revenue or to protect domestic industries from foreign competition. In an attempt to protect these industries, governments also try to protect the jobs within those industries. By making foreign-produced goods more expensive, tariffs can make purchasing domestic goods more attractive.

However, tariffs can also have unintended consequences. They can make domestic industries less efficient by reducing global competition. A lack of competition tends to push prices higher – hurting domestic consumers. Furthermore, they can generate tensions by favoring certain industries over others, as well as certain regions over others. An attempt to pressure a rival country using tariffs can lead to an unproductive cycle of retaliation which many countries that are now exempt from these tariffs- threatened to do.

Savant believes successful long-term investing requires maintaining a comprehensive and strategic investment plan. When making investment decisions, an investment's merit should always be considered before government policy or tax benefits. We implement these philosophies when building a globally diversified portfolio. Remember that we believe asset allocation – not short-term events - is the primary determinant of long-term investment performance.



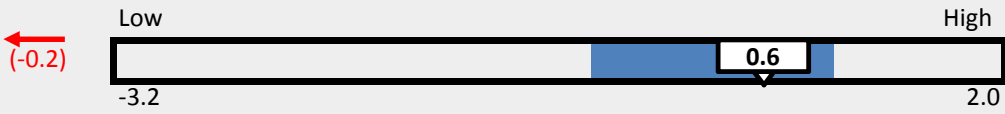
	1 Month	YTD	1 Year	3 Years	5 Years	10 Years	15 Years
EQUITIES							
S&P 500	-2.5%	-0.8%	14.0%	10.8%	13.3%	9.5%	10.1%
U.S. Large Value	-1.9%	-3.3%	8.1%	9.3%	11.3%	8.0%	9.8%
U.S. Small	1.3%	-0.1%	11.8%	8.4%	11.5%	9.8%	11.5%
U.S. Small Value	1.4%	-2.5%	5.0%	7.9%	10.3%	9.6%	11.6%
Int'l Large	-1.8%	-1.5%	14.8%	5.6%	6.5%	2.7%	8.6%
Int'l Large Value	-2.4%	-2.0%	12.2%	4.3%	5.8%	2.0%	8.5%
Int'l Small	-1.3%	-0.2%	23.6%	12.0%	11.4%	6.3%	12.7%
Int'l Small Value	-1.9%	-1.6%	20.1%	11.3%	11.5%	6.2%	13.1%
Emerging Mkts	-1.9%	1.4%	24.9%	8.8%	5.0%	3.0%	12.9%
World Stock Index (AC)	-1.9%	-0.9%	15.0%	8.3%	9.3%	5.9%	9.7%
FIXED INCOME							
TIPS	1.1%	-0.8%	0.9%	1.3%	0.0%	2.9%	4.2%
Short-Term Bonds	0.2%	0.2%	0.5%	0.3%	0.2%	0.5%	1.4%
Interm-Term Bonds	0.4%	-1.0%	0.4%	0.9%	1.2%	2.9%	3.4%
International Bonds	1.4%	1.5%	3.9%	2.8%	4.1%	4.3%	4.3%
ALTERNATIVES							
Global REITs	2.8%	-5.5%	0.9%	2.0%	5.3%	4.9%	9.6%
Commodities	-0.6%	-0.4%	3.7%	-3.2%	-8.3%	-7.7%	-0.5%
Managed Futures	-2.6%	-5.1%	-3.2%	-3.5%	3.7%	2.4%	6.0%
Reinsurance	0.2%	1.8%	1.3%	4.2%	5.3%	6.9%	7.4%

Source: Morningstar Direct. Indices used in above graphs: S&P 500 Index, U.S. Large Value-MSCI U.S. Prime Market Value Index, U.S. Small-Russell 2000 Index, U.S. Small Value-MSCI U.S. Small Value Index, Int'l Large-MSCI EAFE Index, Int'l Large Value-MSCI EAFE Value Index, Int'l Small-S&P EPAC Small Index, Int'l Small Value-S&P EPAC Small Value Index, Emerging Mkts-MSCI Emerging Markets Index, World Stock Index-MSCI All Country World IMI Index, TIPS-Barclays Gbl Infl Linked US TIPS Index, Short-Term Bonds-Ibbotson 1 Yr Treasury Const Mtg Index, Interm-Term Bonds-Barclays Interm-Term Govt/Credit Index, International Bonds-JPM GBI Global Ex US Hdg, Global REITs-S&P Global REIT Index, Commodities-Bloomberg Commodity Index, Managed Futures-Credit Suisse Mgd Futures Liquid Index, Reinsurance-SwissRe Global Cat Bond Index.

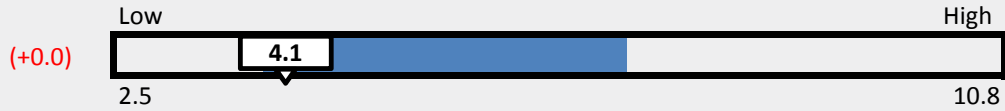
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Economic Indicators

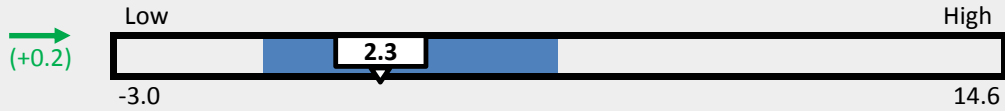
Leading Economic Index (%)



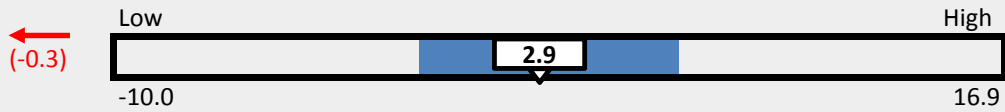
Unemployment (%)



Inflation CPI (YOY %)



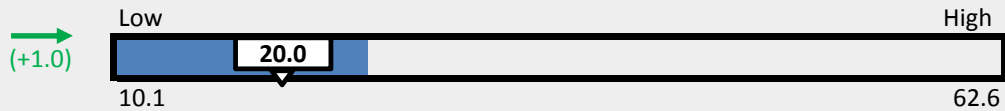
Real GDP Growth (%)



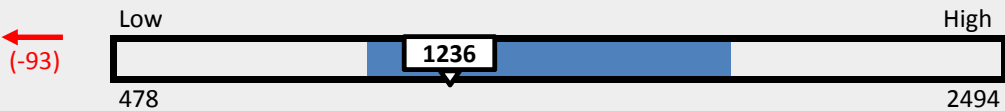
Consumer Confidence



VIX - Market Volatility








Housing Starts (thousands)



10-year Treasury



-  Typical range (within 1 standard deviation of the median)
-  Current Value
-  Historical Range
-  Change in value since last month
- 

*See appendix for sources and data ranges

Appendix

Leading Economic Index

The Leading Economic Index is composed of 10 indicators used to forecast the direction of the economy. A fall in the index over three consecutive months is seen as a sign of a recession. *(Data Source: The Conference Board. Monthly data since 1/1/1959)*

Unemployment

The unemployment rate measures the percentage of workers that are out of work in the U.S. labor force. *(Data Source: U.S. Bureau of Labor Statistics. Monthly data since 1/1/1948)*

Inflation CPI (YOY)

The Consumer Price Index (CPI) measures the change in the price level for a broad basket of goods in the U.S. economy. The value shown represents the percent change in the index from a year ago. *(Data Source: U.S. Bureau of Labor Statistics. Monthly data since 1/1/1948)*

Real GDP Growth

Real GDP Growth represents the change in the market value of all output in the U.S. economy. It is an annualized quarterly measure. *(Data Source: U.S. Bureau of Economic Analysis. Quarterly data since 4/1/1947)*

Consumer Confidence

The Consumer Confidence Index measures the level of optimism among U.S. consumers on the economy and their overall financial situation. *(Data Source: The Conference Board. Monthly data since 1/31/1991)*

VIX

The CBOE Volatility Index (VIX) measures the volatility of the S&P 500 index. An increase in the index level represents a spike in market volatility. Conversely, a decrease in the index represents a move towards stability. *(Data Source: Chicago Board Options Exchange. Daily data since 1/2/1990)*

Housing Starts

The number of housing starts (new construction) in the U.S. each year. *(Data Source: U.S. Bureau of the Census. Monthly data since 1/1/1959)*

10-year Treasury

The annualized return that would be realized for holding a 10-year Treasury bond to maturity. The 10-year Treasury yield is the primary benchmark for measuring interest rate movements. *(Data Source: U.S. Board of Governors of the Federal Reserve System. Daily data since 1/2/1962)*

Disclosure

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