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# **The Concord Advisory Group, Ltd.**

## *December 2017 Market Highlights* *“Year End Predictions”*

The Concord Advisory Group, Ltd.

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# Concord Advisory Group: December 2017 Market Highlights

## Commentary: “Year End Predictions”



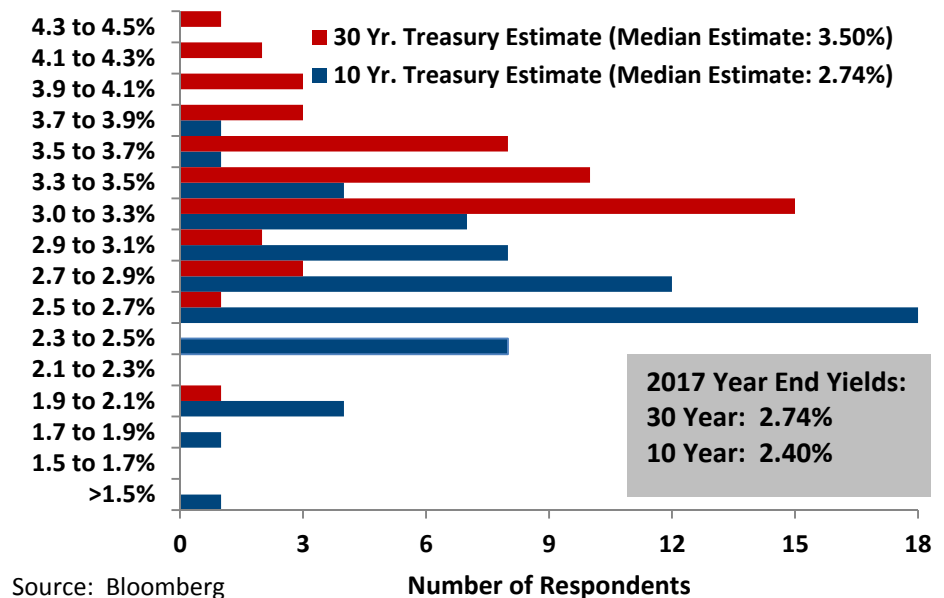
Many people feel compelled to look ahead to the New Year with goals and resolutions. In the investment profession, there is an expectation that investment strategists and economists will make predictions about market performance in the upcoming year. Fortunately, for both investors and the experts making the predictions, investors forget about these predictions about as quickly as most people abandon their New Year’s resolutions.

In the beginning of 2017, Bloomberg surveyed 18 strategists seeking predictions for year-end closing levels for the S&P 500, which ultimately closed the year at 2,674. The mean forecast was only 2,362 and all 18 strategists underestimated the strength in U.S. markets. Last year’s predictions for fixed income yields were also inaccurate. The accompanying chart summarized Bloomberg’s survey of economists’ expectations for year-end interest rate levels, and rates did not increase nearly as much as the professionals anticipated.

Last year was an extraordinarily positive year for almost all investment assets. Following such a positive year we are confident in forecasting that, at some future date, returns will be below the market’s long-term average performance level to allow valuations to normalize, but we do not claim to have clairvoyance as to the timing.

The best investment prediction may be that most expert forecasts about the future path of markets will be wrong. A good investment resolution for the new year is to frame investment decisions almost exclusively by your organization’s specific needs and investment objectives and to ignore the “expert’s” predictions about the future.

**2016 Estimates of Year-end 2017 Treasury Yields**

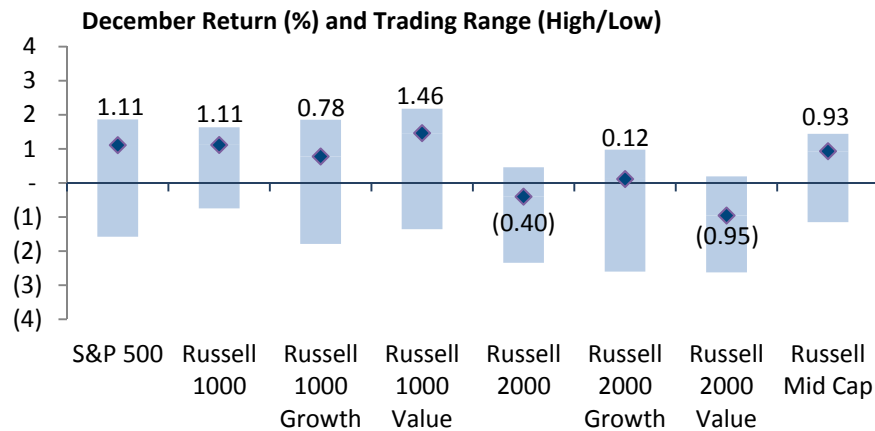


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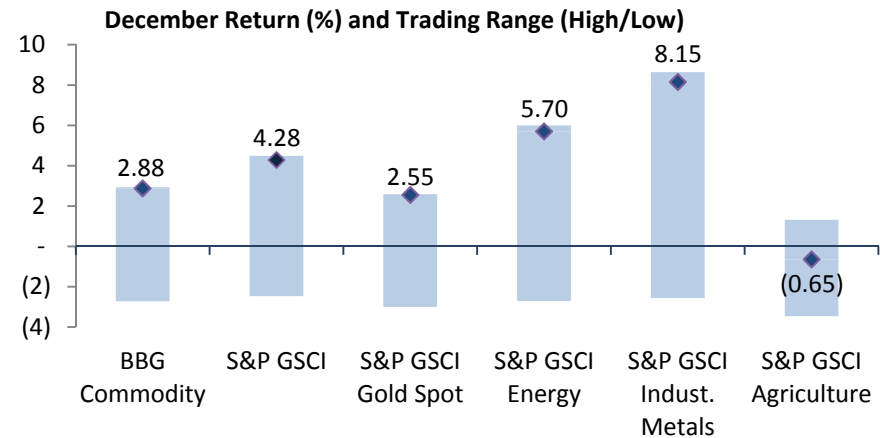
## Monthly Charts



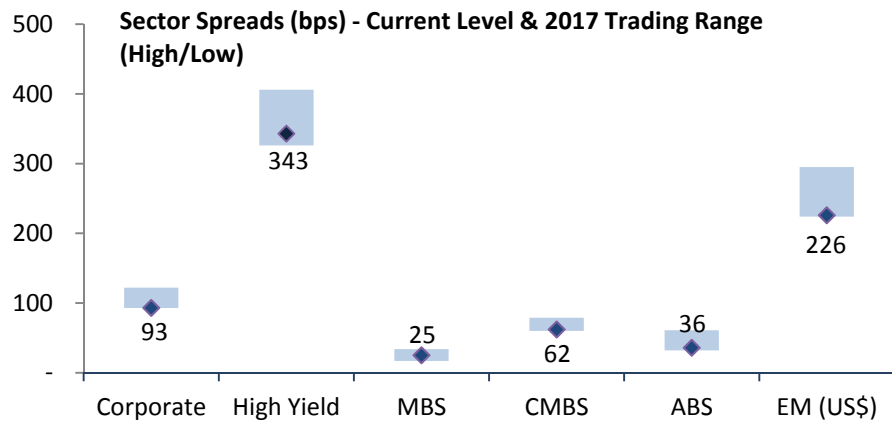
**U.S. Equities:** Passage of tax reform in December cemented gains for U.S. equities to close out 2017 in firmly positive territory. For the first time ever, the S&P 500 finished the year without a negative month.



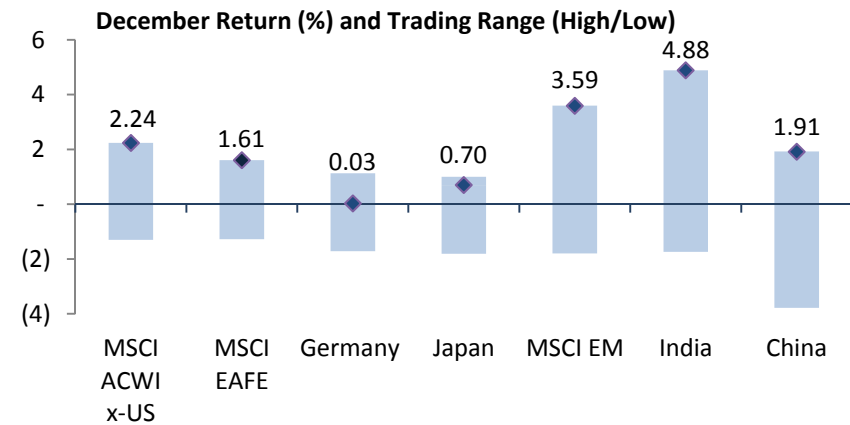
**Commodities:** Broad commodities prices rose in December, boosted by higher industrial metals and energy prices. Oil reached a 30-month high at more than \$60/barrel.



**Fixed Income:** With the 2/10 and 5/30 year yield curve spreads each at only 52bps, the U.S. yield curve is at its flattest level in a decade. Credit spreads ended the year near their tightest levels of 2017.



**International Equities:** Emerging market equities led both developed non-U.S. and U.S. markets. Synchronized economic growth propelled equity markets, globally.

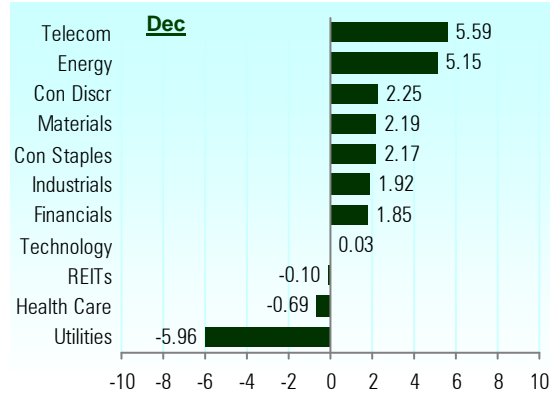


# Concord Advisory Group: December 2017 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	1.11%	6.64%	21.83%	21.83%	11.41%	15.79%
Russell 1000	1.11%	6.59%	21.69%	21.69%	11.23%	15.71%
Russell 1000 Growth	0.78%	7.86%	30.21%	30.21%	13.79%	17.33%
Russell 1000 Value	1.46%	5.33%	13.66%	13.66%	8.65%	14.04%
Russell MidCap	0.93%	6.07%	18.52%	18.52%	9.58%	14.96%
Russell 2000	-0.40%	3.34%	14.65%	14.65%	9.96%	14.12%
Russell 2000 Growth	0.12%	4.59%	22.17%	22.17%	10.28%	15.21%
Russell 2000 Value	-0.95%	2.05%	7.84%	7.84%	9.55%	13.01%
MSCI ACWI	1.61%	5.73%	23.97%	23.97%	9.30%	10.80%
MSCI World	1.35%	5.51%	22.40%	22.40%	9.26%	11.64%
MSCI ACWI Ex-U.S.	2.24%	5.00%	27.19%	27.19%	7.83%	6.80%
MSCI EAFE	1.61%	4.23%	25.03%	25.03%	7.80%	7.90%
MSCI EM	3.59%	7.44%	37.28%	37.28%	9.10%	4.35%
Bloomberg Commodity	2.99%	4.71%	1.71%	1.71%	-5.03%	-8.45%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	0.46%	0.39%	3.54%	3.54%	2.24%	2.10%
Barclays Capital Global Aggregate	0.35%	1.08%	7.39%	7.39%	2.02%	0.79%
Barclays Capital Intermediate Aggregate	0.19%	-0.07%	2.27%	2.27%	1.82%	1.70%
Barclays Capital Universal	0.44%	0.41%	4.09%	4.09%	2.80%	2.49%
Barclays Capital Government	0.30%	0.05%	2.30%	2.30%	1.40%	1.27%
Barclays Capital Credit	0.80%	1.05%	6.18%	6.18%	3.63%	3.23%
Barclays Capital Municipal	1.05%	0.75%	5.45%	5.45%	2.98%	3.02%
Barclays Capital High Yield	0.30%	0.47%	7.50%	7.50%	6.35%	5.78%
Barclays Capital Mortgage	0.33%	0.15%	2.47%	2.47%	1.88%	2.04%
Barclays Capital 1-3 Yr Gov/Credit	0.03%	-0.21%	0.84%	0.84%	0.93%	0.84%
Citigroup 3-Month Treasury Bill	0.09%	0.27%	0.83%	0.83%	0.37%	0.24%
Citigroup World Govt Bond	0.16%	1.04%	7.49%	7.49%	1.74%	0.12%
Barclays Capital U.S. TIPS	0.92%	1.26%	3.01%	3.01%	2.05%	0.13%
ML Investment Grade Convertible	-0.96%	4.64%	20.99%	20.99%	11.98%	14.52%

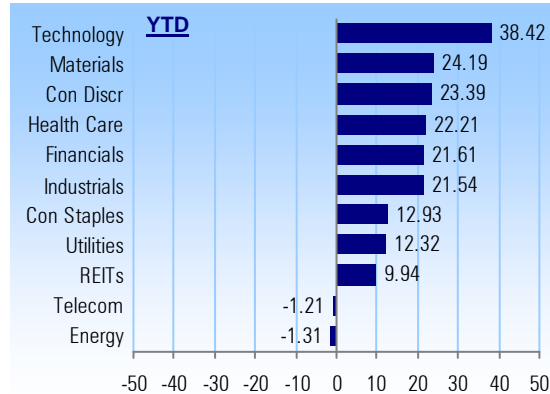
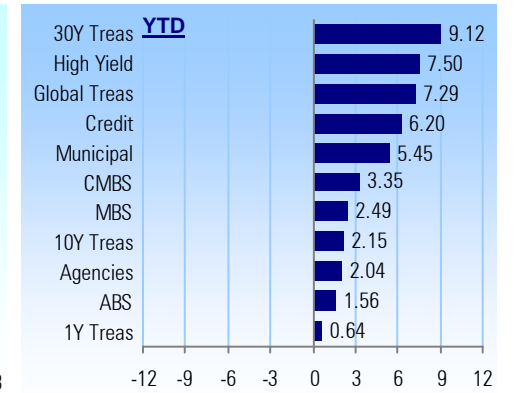
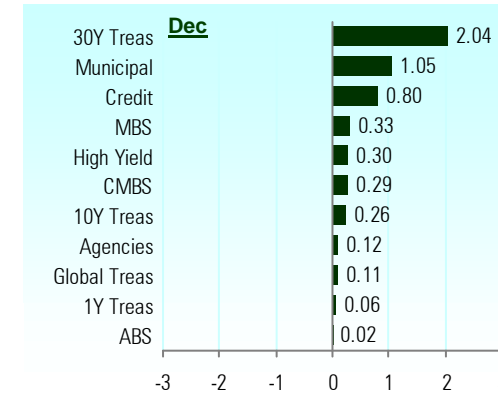
## Equity Sector Returns (%)



## Equity Style Returns (%)

	Value	Core	Growth
Large	1.46	1.11	0.78
Mid	1.24	0.93	0.54
Small	-0.95	-0.40	0.12

## Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	13.66	21.69	30.21
Mid	13.34	18.52	25.27
Small	7.84	14.65	22.17

## Treasury Yield Curve

