



---

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

## *January 2018 Market Highlights* *“Double Pay Raise”*

The Concord Advisory Group, Ltd.

[www.concordadvisory.com](http://www.concordadvisory.com)

700 Alexander Park | Suite 203 | Princeton, NJ 08540

Phone: (609) 987-9000

---

# Concord Advisory Group: *January 2018 Market Highlights*

## Commentary: *“Double Pay Raise”*

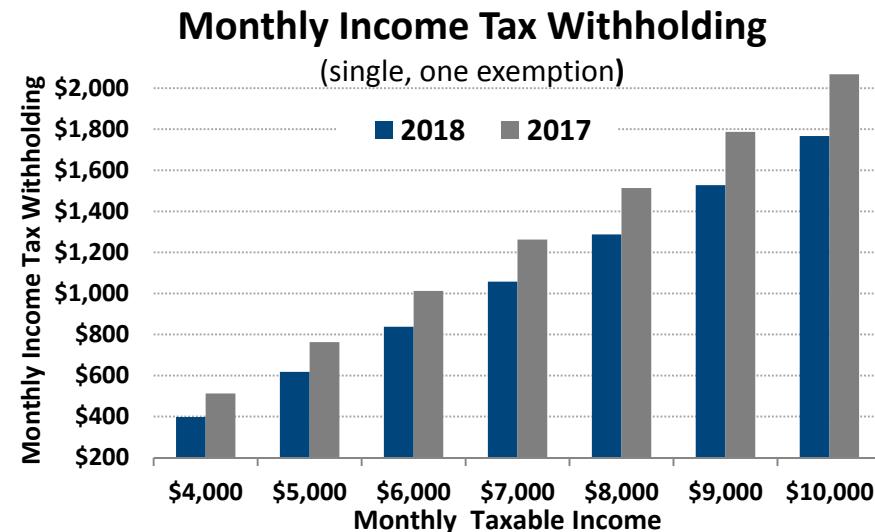


The dominating theme in corporate announcements has been that companies are increasing worker compensation through varying combinations of bonuses, wage increases and improved benefits. Some of the larger companies to announce improved compensation for workers include AT&T, Comcast, FedEx, Home Depot, Starbucks, Verizon, Walt Disney, Wells Fargo, and Walmart.

Taking effect in February, the recently passed tax law will lower the withholding rates for Federal taxes on paychecks (see chart). The combined effect of higher wages and lower withholding means that consumers are going to have significantly more disposable income in 2018.

The U.S. personal savings rate, the percentage of disposable income that consumers are saving, sits at only 2.4 percent, the lowest level since 2005. The low savings rate implies that workers are going to spend their increased take-home-pay, which should cause consumer spending to increase. Economic growth is closely tied with consumer spending, which comprises almost 70 percent of U.S. GDP. Absent something unforeseen happening, growth should accelerate in 2018, which will be constructive for stocks.

So far, for bonds, the tax law has been a negative. However, it may be premature to declare this “the start of the bond bear market” as some have done. Tax reform is only the latest in a series of events (including the zero interest rate policy, the Federal Reserve quadrupling its balance sheet, and 10-years of nearly uninterrupted U.S. growth) that reasonably could have been expected to create inflation and higher interest rates, but thus far have not.

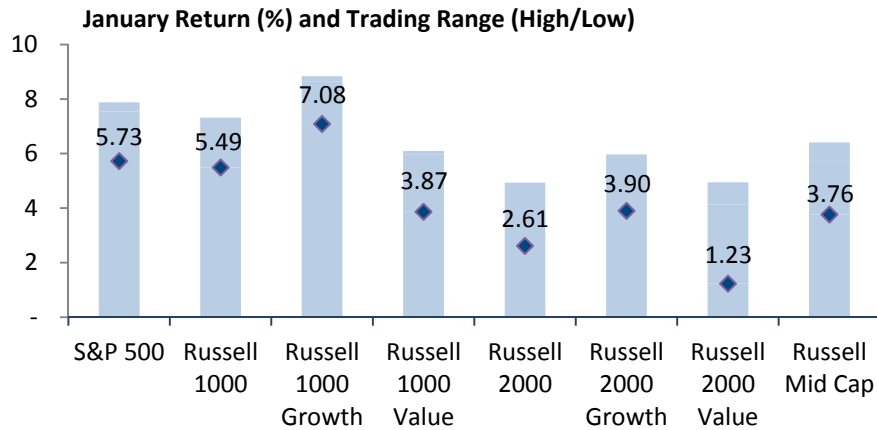


# Concord Advisory Group: January 2018 Market Highlights

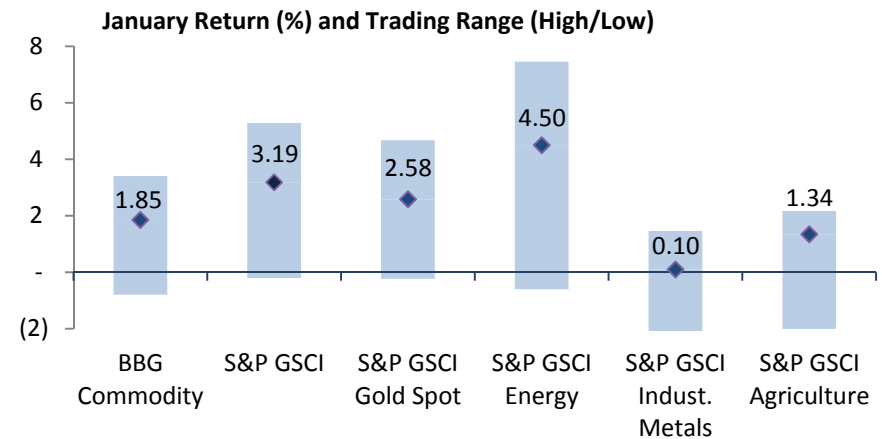
## Monthly Charts



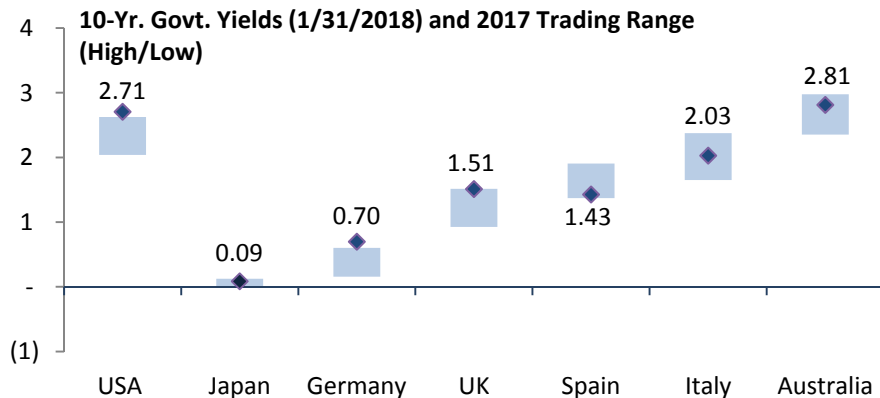
**U.S. Equities:** January provided a strong start to the year for U.S. equity investors. Consumer and Technology sectors led, while interest rate sensitive sectors (REITS and Utilities) trailed.



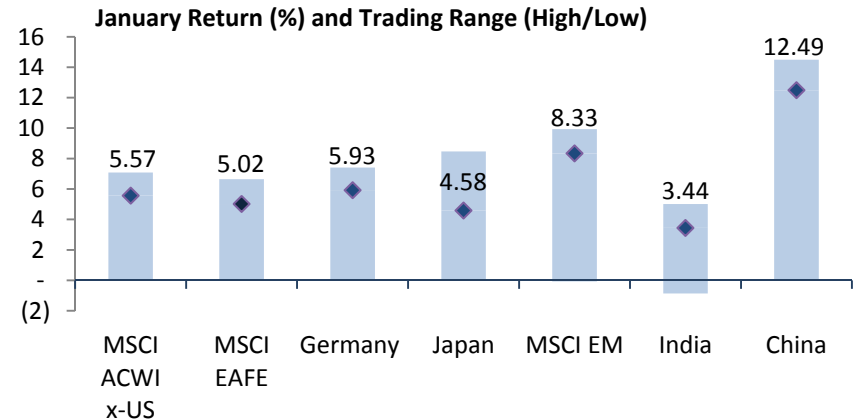
**Commodities:** Lower supply, due to the political and financial crisis in Venezuela, combined with increased demand, propelled crude oil prices higher by approximately \$5 dollars, surpassing the \$65 dollar mark.



**Fixed Income:** Yields increased in tandem with higher inflation expectations in January. Spread sectors, benefitting from improving growth trends, outperformed.



**International Equities:** Further weakening of the U.S. dollar and strengthening global economic growth aided international markets. Emerging markets stocks also benefitted from higher commodities prices.

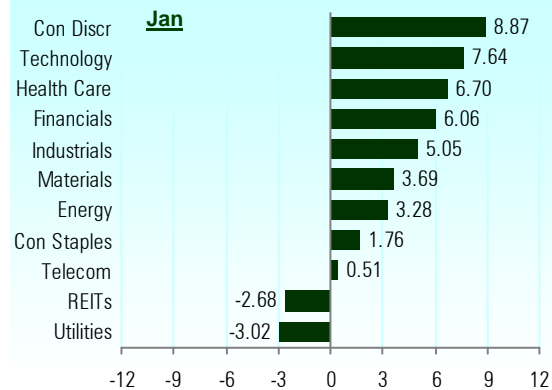


# Concord Advisory Group: January 2018 Market Performance

| Equity Markets      | Past Month | Past 3 Months | YTD   | 1 Yr   | 3 Yrs  | 5 Yrs  |
|---------------------|------------|---------------|-------|--------|--------|--------|
| S&P 500             | 5.73%      | 10.18%        | 5.73% | 26.41% | 14.66% | 15.91% |
| Russell 1000        | 5.49%      | 9.92%         | 5.49% | 25.84% | 14.28% | 15.72% |
| Russell 1000 Growth | 7.08%      | 11.19%        | 7.08% | 34.89% | 17.01% | 17.95% |
| Russell 1000 Value  | 3.87%      | 8.61%         | 3.87% | 17.22% | 11.54% | 13.47% |
| Russell MidCap      | 3.76%      | 8.25%         | 3.76% | 20.08% | 11.52% | 14.29% |
| Russell 2000        | 2.61%      | 5.14%         | 2.61% | 17.18% | 12.12% | 13.33% |
| Russell 2000 Growth | 3.90%      | 7.00%         | 3.90% | 24.90% | 12.56% | 14.62% |
| Russell 2000 Value  | 1.23%      | 3.17%         | 1.23% | 9.95%  | 11.56% | 11.98% |
| MSCI ACWI           | 5.64%      | 9.42%         | 5.64% | 27.48% | 11.90% | 11.02% |
| MSCI World          | 5.28%      | 9.02%         | 5.28% | 25.83% | 11.83% | 11.68% |
| MSCI ACWI Ex-US     | 5.57%      | 8.81%         | 5.57% | 29.68% | 9.85%  | 7.11%  |
| MSCI EAFE           | 5.02%      | 7.82%         | 5.02% | 27.60% | 9.39%  | 7.85%  |
| MSCI EM             | 8.33%      | 12.45%        | 8.33% | 41.01% | 11.83% | 5.74%  |
| Bloomberg Commodity | 1.99%      | 4.55%         | 1.99% | 3.58%  | -3.32% | -8.52% |

| Fixed Income Markets                    | Past Month | Past 3 Months | YTD    | 1 Yr   | 3 Yrs  | 5 Yrs  |
|---|------------|---------------|--------|--------|--------|--------|
| Barclays Capital Aggregate              | -1.15%     | -0.83%        | -1.15% | 2.15%  | 1.14%  | 2.00%  |
| Barclays Capital Global Aggregate       | 1.19%      | 2.67%         | 1.19%  | 7.46%  | 2.48%  | 1.22%  |
| Barclays Capital Intermediate Aggregate | -0.98%     | -1.04%        | -0.98% | 1.09%  | 1.02%  | 1.58%  |
| Barclays Capital Universal              | -0.96%     | -0.68%        | -0.96% | 2.73%  | 1.82%  | 2.40%  |
| Barclays Capital Government             | -1.33%     | -1.17%        | -1.33% | 0.70%  | 0.12%  | 1.16%  |
| Barclays Capital Credit                 | -0.93%     | -0.23%        | -0.93% | 4.84%  | 2.35%  | 3.22%  |
| Barclays Capital Municipal              | -1.18%     | -0.68%        | -1.18% | 3.53%  | 1.97%  | 2.69%  |
| Barclays Capital High Yield             | 0.60%      | 0.65%         | 0.60%  | 6.60%  | 6.33%  | 5.62%  |
| Barclays Capital Mortgage               | -1.17%     | -0.99%        | -1.17% | 1.31%  | 1.20%  | 1.90%  |
| Barclays Capital 1-3 Yr Gov/Credit      | -0.27%     | -0.45%        | -0.27% | 0.39%  | 0.66%  | 0.78%  |
| Citigroup 3-Month Treasury Bill         | 0.10%      | 0.29%         | 0.10%  | 0.90%  | 0.40%  | 0.26%  |
| Citigroup World Govt Bond               | 1.64%      | 3.25%         | 1.64%  | 8.16%  | 2.39%  | 0.70%  |
| Barclays Capital U.S. TIPS              | -0.86%     | 0.18%         | -0.86% | 1.27%  | 0.71%  | 0.10%  |
| ML Invest Grade Convertible             | 2.99%      | 2.59%         | 2.99%  | 21.93% | 13.37% | 14.52% |

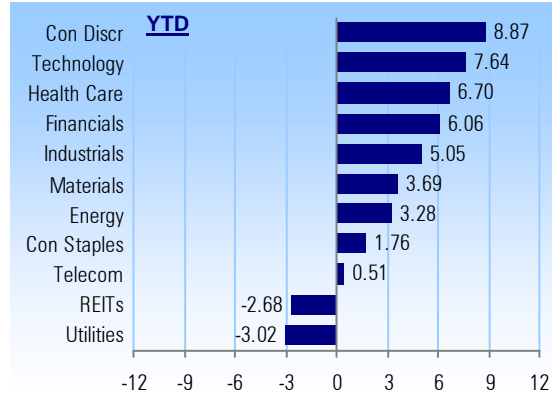
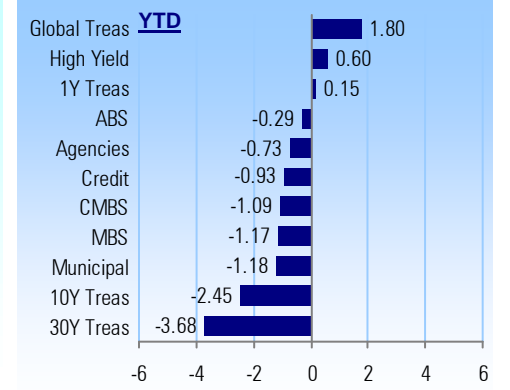
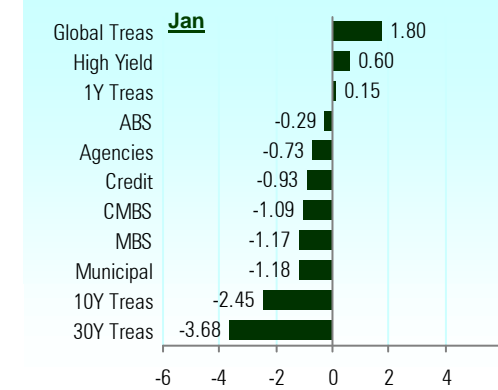
## Equity Sector Returns (%)



## Equity Style Returns (%)

|       | Value | Core | Growth |
|-------|-------|------|--------|
| Large | 3.87  | 5.49 | 7.08   |
| Mid   | 2.30  | 3.76 | 5.66   |
| Small | 1.23  | 2.61 | 3.90   |

## Fixed Income Sector Returns (%)



|       | Value | Core | Growth |
|-------|-------|------|--------|
| Large | 3.87  | 5.49 | 7.08   |
| Mid   | 2.30  | 3.76 | 5.66   |
| Small | 1.23  | 2.61 | 3.90   |

## Treasury Yield Curve

