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

## *March 2017 Market Highlights* *“Unhealthy Inactivity”*

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# Concord Advisory Group: *March 2017 Market Highlights*

## *Commentary: “Unhealthy Inactivity”*

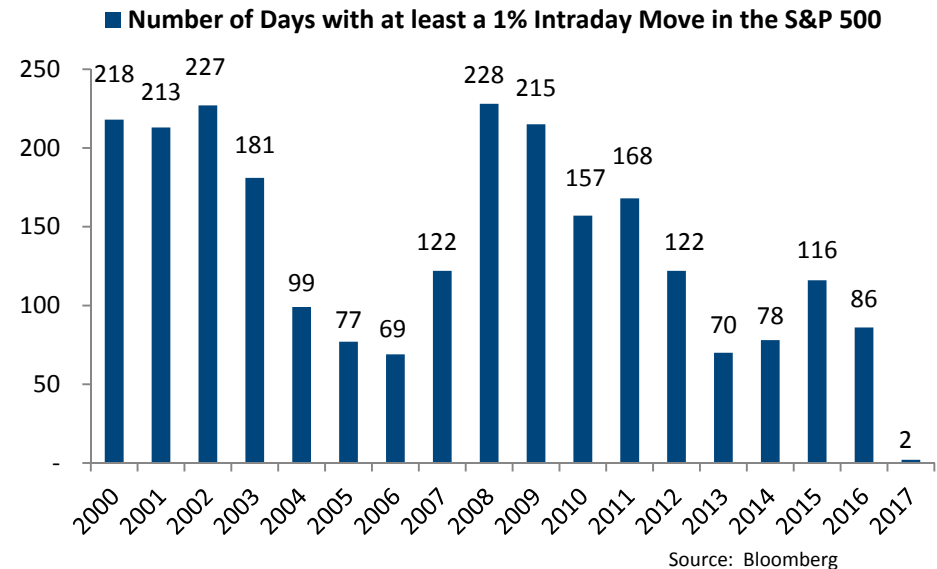


On March 21, the S&P 500 had its first intraday move of more than one percent in 2017 and its first in 64 trading days. Since 2000 the longest such previous streaks were 25 and 26 days, both in 2014. As the chart shows, until recently, one percent intraday moves in markets were common and expected occurrences. No one knows with certainty the reason for the cratering of stock volatility, but low interest rates incentivizing risk taking and large corporate stock buybacks offer partial explanations.

Volatility in markets is desirable and healthy. Normal volatility is analogous to small forest fires. In forestry, small fires remove low-growing underbrush and less-established trees, clearing the forest floor of debris. The clearing of the forest floor reduces the amount of combustible materials, which helps prevent larger, more devastating fires from harming the forest.

In markets, increasing risk asset ownership by entities that must sell if prices fall is the figurative overgrowth of combustible underbrush. Low volatility environments cause complacency about risk. Many alternative investment strategies target specific risk levels and will add levered exposures to risk assets when volatility declines. Because volatility typically spikes when market prices decline, strategies that target specific levels of volatility are weak holders of risk assets, forced to sell when volatility reverts to normal levels.

While not a base-case expectation, sales by levered investors could intensify a market decline, potentially turning a small market correction into a fire sale. If this were to happen, having excess portfolio liquidity would be desirable. The calm upward path of market appreciation has been pleasing to investors, but it would be much healthier to have some small fires along the way to keep everyone appropriately anxious about risk.

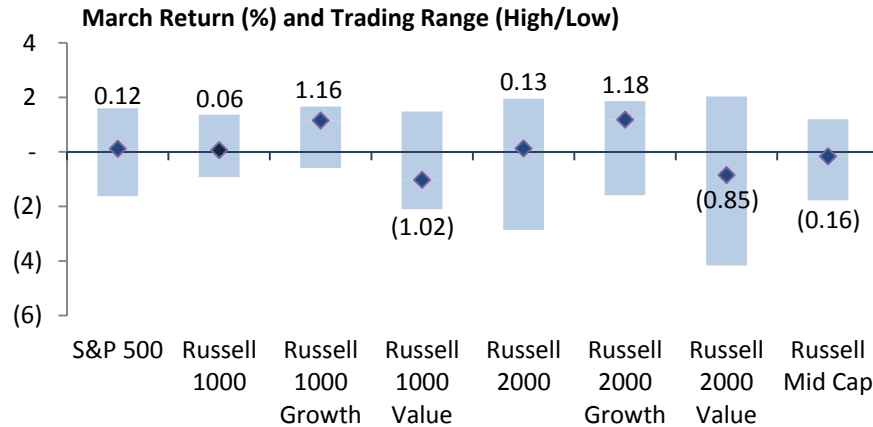


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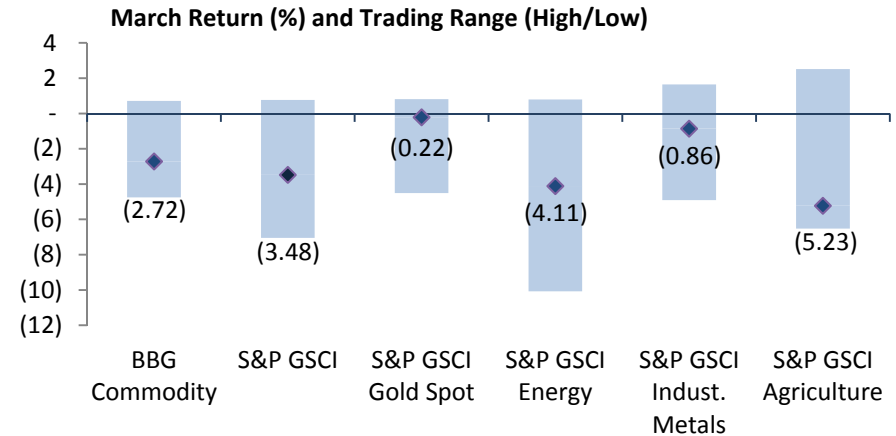
## Monthly Charts



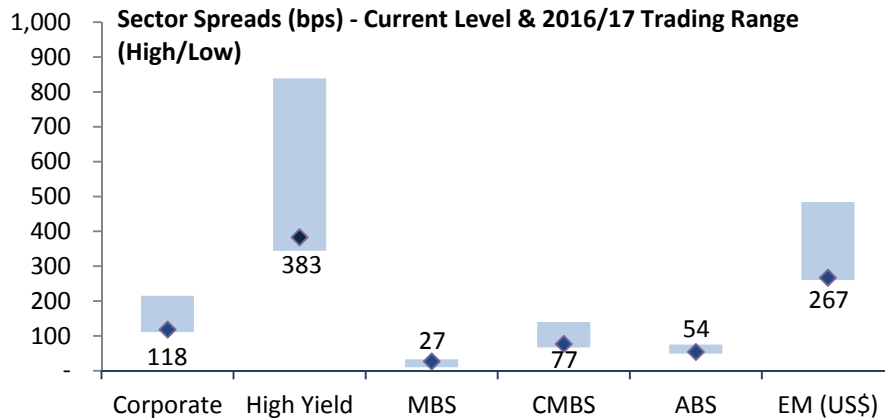
**U.S. Equities:** The rally that began late in 2016 showed signs of slowing in March, as equities ended the month nearly flat. Growth trumped value across the capitalization spectrum.



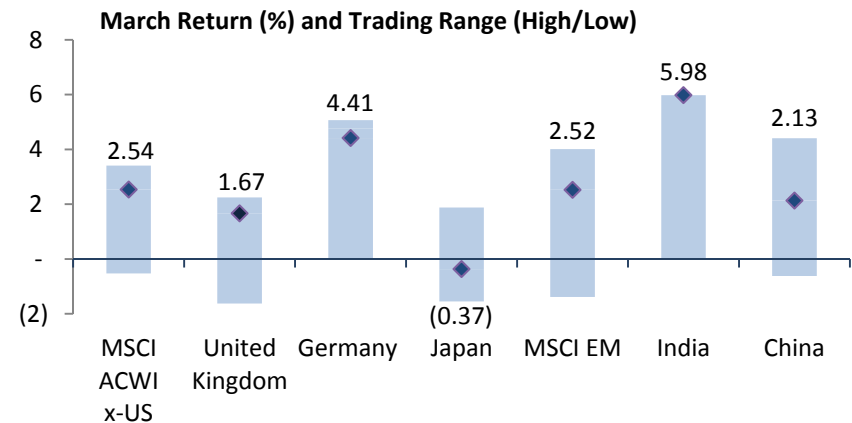
**Commodities:** Commodities prices slumped in the last month of the first quarter, marking the first monthly decline since October. Growing inventories and increasing U.S. supply put pressure on oil prices.



**Fixed Income:** Slightly higher yields and modestly wider credit spreads caused a number of fixed income indexes to produce small negative returns in March.



**International Equities:** Developed and emerging markets outpaced U.S. equities in March, boosted by recently out of favor nations, such as Spain (+11.2%), Mexico (+9.8%), and India.

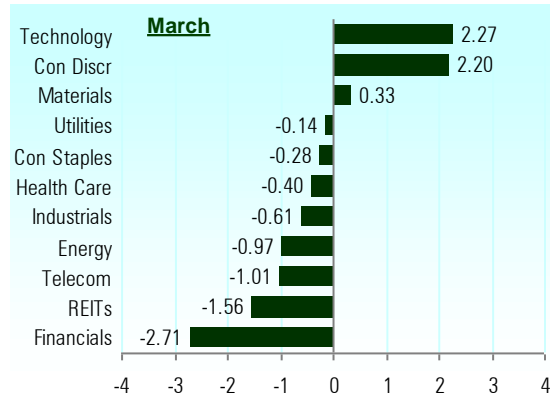


# Concord Advisory Group: March 2017 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	0.12%	6.07%	6.07%	17.17%	10.37%	13.30%
Russell 1000	0.06%	6.03%	6.03%	17.43%	9.99%	13.26%
Russell 1000 Growth	1.16%	8.91%	8.91%	15.76%	11.27%	13.32%
Russell 1000 Value	-1.02%	3.27%	3.27%	19.22%	8.67%	13.13%
Russell MidCap	-0.16%	5.15%	5.15%	17.03%	8.48%	13.09%
Russell 2000	0.13%	2.47%	2.47%	26.22%	7.22%	12.35%
Russell 2000 Growth	1.18%	5.35%	5.35%	23.03%	6.72%	12.10%
Russell 2000 Value	-0.85%	-0.13%	-0.13%	29.37%	7.62%	12.54%
MSCI ACWI	1.22%	6.91%	6.91%	15.04%	5.08%	8.37%
MSCI World	1.07%	6.38%	6.38%	14.77%	5.52%	9.37%
MSCI ACWI Ex-U.S.	2.54%	7.86%	7.86%	13.13%	0.56%	4.36%
MSCI EAFE	2.75%	7.25%	7.25%	11.67%	0.50%	5.83%
MSCI EM	2.52%	11.45%	11.45%	17.22%	1.18%	0.81%
Bloomberg Commodity	-2.66%	-2.32%	-2.32%	8.72%	-13.91%	-9.54%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Barclays Capital Aggregate	-0.05%	0.82%	0.82%	0.44%	2.68%	2.34%
Barclays Capital Global Aggregate	0.15%	1.76%	1.76%	-1.90%	-0.40%	0.38%
Barclays Capital Intermediate Aggregate	0.04%	0.68%	0.68%	0.35%	2.25%	1.95%
Barclays Capital Universal	-0.03%	1.09%	1.09%	1.92%	2.98%	2.83%
Barclays Capital Government	-0.04%	0.68%	0.68%	-1.34%	2.04%	1.59%
Barclays Capital Credit	-0.15%	1.30%	1.30%	2.96%	3.51%	3.69%
Barclays Capital Municipal	0.22%	1.58%	1.58%	0.15%	3.55%	3.25%
Barclays Capital High Yield	-0.22%	2.70%	2.70%	16.39%	4.56%	6.82%
Barclays Capital Mortgage	0.03%	0.47%	0.47%	0.17%	2.69%	2.04%
Barclays Capital 1-3 Yr Gov/Credit	0.05%	0.41%	0.41%	0.71%	0.96%	0.93%
Citigroup 3-Month Treasury Bill	0.04%	0.12%	0.12%	0.33%	0.14%	0.11%
Citigroup World Govt Bond	0.15%	1.55%	1.55%	-3.65%	-1.20%	-0.58%
Barclays Capital U.S. TIPS	-0.05%	1.26%	1.26%	1.48%	2.03%	0.97%
ML Investment Grade Convertible	1.20%	5.52%	5.52%	18.84%	10.78%	12.05%

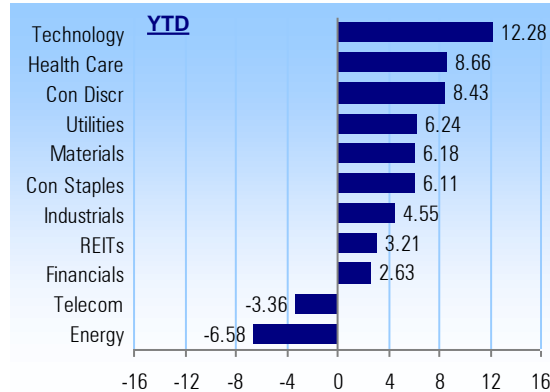
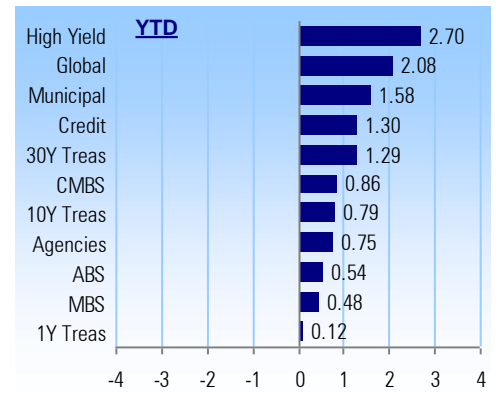
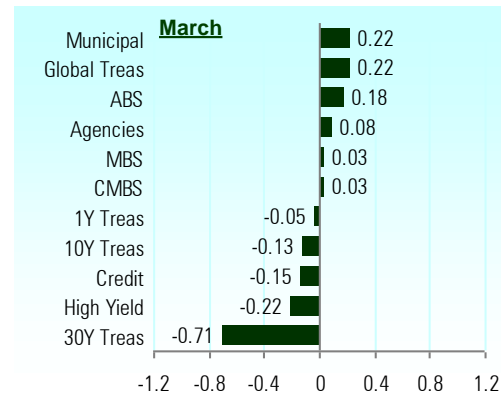
## Equity Sector Returns (%)



## Equity Style Returns (%)

	Value	Core	Growth
Large	-1.02	0.06	1.16
Mid	-0.73	-0.16	0.55
Small	-0.85	0.13	1.18

## Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	3.27	6.03	8.91
Mid	3.76	5.15	6.89
Small	-0.13	2.47	5.35

## Treasury Yield Curve

