MONTHLY MARKET UPDATE

January 2019

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LAMCO ADVISORY SERVICES, INC.

January 2019 - Broad Economic News

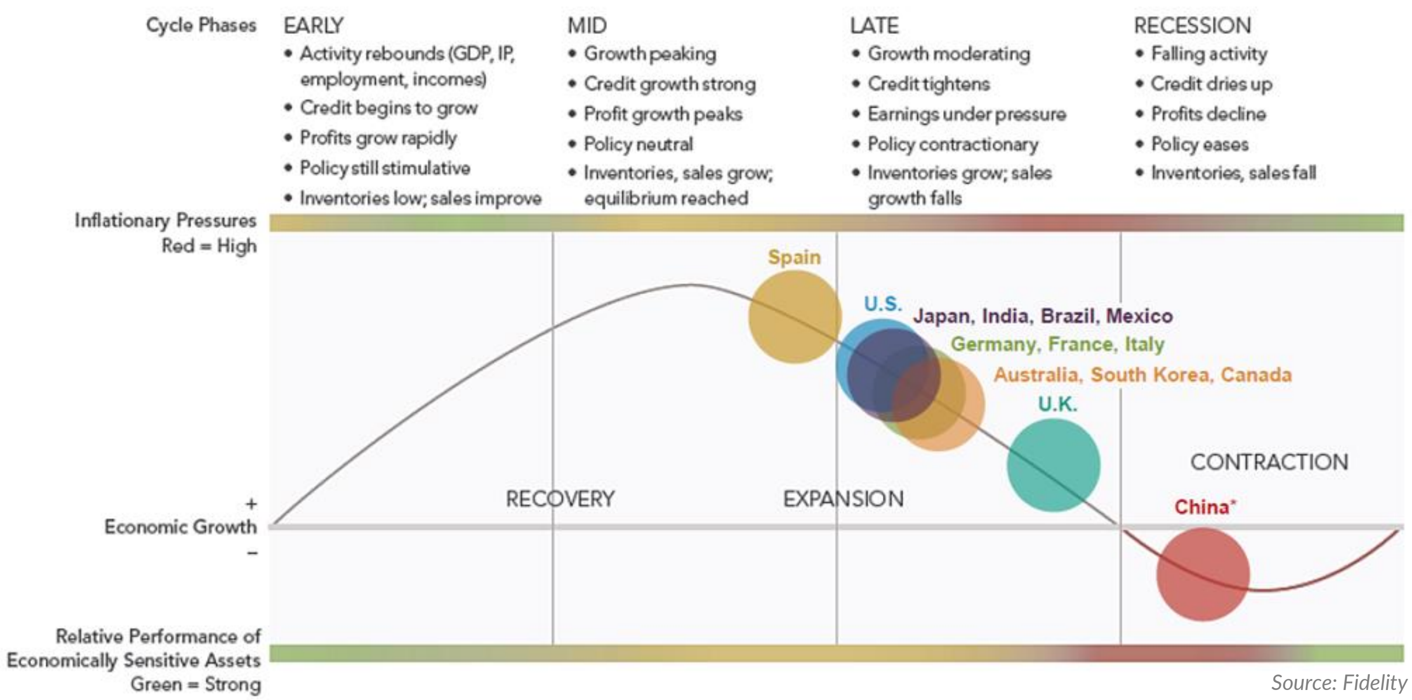
After a difficult December, when the market as measured by the S&P 500 Index lost 9%, January saw a strong bounce back with a positive 8% return. Mid- and small-cap stocks saw similar rebounds for the month. International markets also did well, recovering by more than their December losses. The MSCI EAFE Index returned 6.6% for January, after a 4.9% loss in the previous month. China recovered with an 11% return. Historically, after declines of 5%, U.S. stocks in mid-cycle had a higher probability of positive returns over the next 12 months, while 10% corrections often turn into bear markets.

The healthy U.S. corporate-policy backdrop from 2018 is likely to fade as we continue into 2019, due to a post-corporate-tax-cut boost, global quantitative tightening, trade-policy uncertainty and concerns about the U.S. fiscal deficit. Despite these issues, all U.S. sectors were positive for January, with energy leading the charge, up 10.5%; followed by industrials and consumer discretionary returning 9.5% and 9.3%, respectively.

In the fourth quarter, the Federal Reserve raised policy interest rates for the ninth time of this cycle. Over the past six tightening cycles, the Fed has responded to low unemployment and rising wages by continuing to hike rates. The Fed's behavior has been consistent in the current cycle, even after the U.S. Treasury yield curve became negatively sloped in its short-to-intermediate segment. The Fed held off from taking any action during January, even with a very tight labor market, leading to a growing sense that the Fed may ease its restrictive monetary policy stance and not hike as much as expected in 2019 – expectations now seem to be one to two times for the year.

Even amid uncertainty on monetary policy, most fixed-income performance generally held steady through December and January, with returns ranging between 0% and 2% during each month.

Global growth remains positive, but has become choppier, with major economies progressing toward more advanced stages of the business cycle. The U.S. is in the late-cycle phase and China entered a growth recession in the latter part of 2018, which has weighed on Europe and elsewhere. As we progress into 2019, the U.S. and global business cycles will continue to mature along with heightened uncertainties, including an unclear path for global monetary conditions. Elevated volatility should be expected, which will drive more conservative cyclical allocation adjustments and prioritize portfolio diversification.



Source: Fidelity

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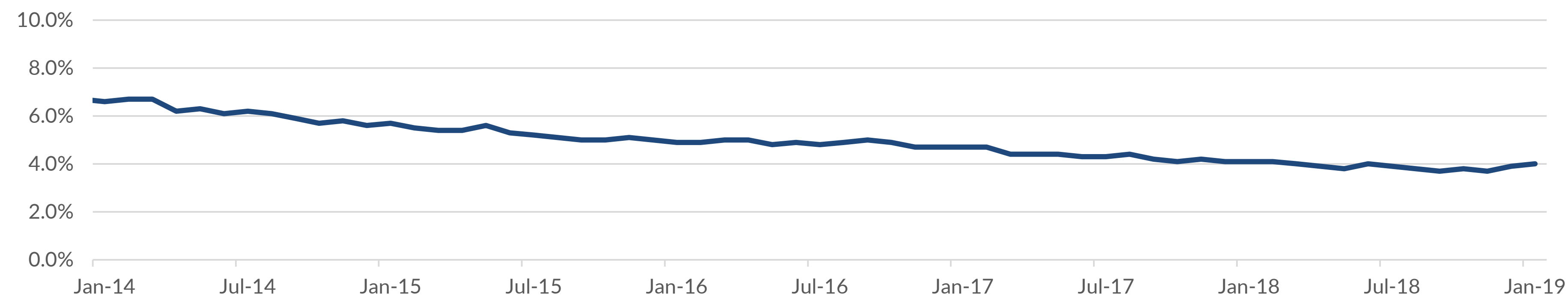
Unemployment Rate



Equities

	January Return
S&P 500 TR USD	8.01%
Russell 1000 TR USD	8.38%
Russell 2000 TR USD	11.25%
MSCI ACWI GR USD	7.93%
MSCI EAFE GR USD	6.59%
MSCI EM GR USD	8.78%

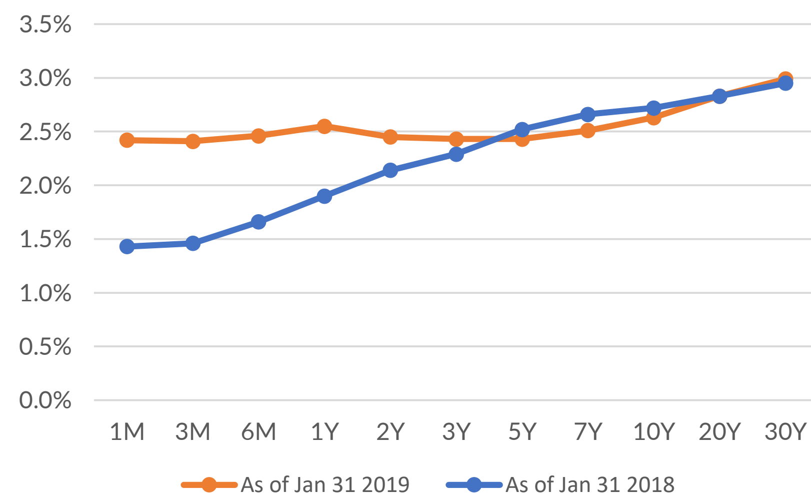
Equity Style Box

	Value	Core	Growth
Large	6.62%	7.48%	8.26%
Mid	10.29%	10.79%	11.49%
Small	10.94%	11.25%	11.55%

Fixed Income

	January Return
ICE BofAML US 3M Treasury Bill	0.20%
Bloomberg Barclays US Govt/Credit 1-3 Yr	0.39%
Bloomberg Barclays US Govt Interm	0.43%
Bloomberg Barclays US Govt/Credit Interm	0.87%
Bloomberg Barclays US Govt/Credit	1.18.%
Bloomberg Barclays US Agg Interm	0.84%
Bloomberg Barclays US Agg Bond	1.06%
Bloomberg Barclays Global Agg Bond	1.52%
Bloomberg Barclays US Treasury	0.47%
Bloomberg Barclays US Treasury US TIPS	1.35%
Bloomberg Barclays US Corporate IG	2.35%
Bloomberg Barclays High Yield Corporate	4.52%
Bloomberg Barclays Municipal	0.76%
Bloomberg Barclays Municipal 7 Yr 6-8	1.13%

Yield Curve



Data Source: Morningstar, Federal Reserve; LAMCO Advisory Services, Inc.

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