



# Forward Focus

## January 2018



### Yearly Market Review

Historic closing highs and strong market gains made 2017 one for the record books. International markets posted stronger gains than the United States for the first time since 2012. For the year, ALL major worldwide averages posted positive returns.

#### Inside this issue:

Page 1

- Yearly Market Review
- Summary of Events
- Market Boxscore

Page 2

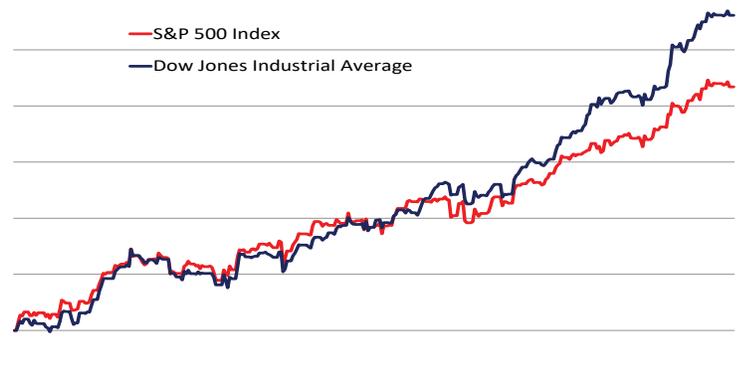
- Raising a Glass to 2017
- Market Milestones
- Globally Synchronized
- Thank You

The Dow Jones Industrial Average increased by 5,000 points during the year. Boeing accounted for 959 points or almost 20% of the indexes gains. Just 5 stocks, Boeing, Caterpillar, United Health, 3M and Home Depot, made up over half of the return.

After years of underperforming the S&P 500 index, the MSCI Emerging Market Index roared back to life in 2017 with a 36% gain. This was the best gain for the index since 2009. The MSCI EAFE index (which measures international developed markets) also posted a solid double-digit gain of 25%. **Forward** believes there is more international upside ahead as global earnings continue to grow and valuations remain attractive.

The best performing sectors last year were Technology and Materials. The worst performing sectors were Energy and Telecommunication.

There were 251 market trading days for 2017. Over 28% of those days (71 days) were all-time record closing highs for the Dow Jones Industrial Average. Adding to the good news, only 3 days were down more than 1% for all of last year! That is remarkable. I am not sure we will see that feat again.



Here is a summary list of events that occurred during the year: President Donald Trump inauguration • Dow hits 20,000 • Brexit Article 50 officially signed • Neil Gorsuch becomes Supreme Court Justice • FBI Director James Comey fired • Mass shooting at Republican congressional baseball practice • North Korea missile launches • Amazon to buy Whole Foods • Unemployment rate hits 17 year low • Diplomat sonic attacks in Cuba • Charlottesville violence • Total solar eclipse - August 21<sup>st</sup> • Hurricane Harvey • Hurricane Irma • Hurricane Maria • Hurricane Katia • Equifax data breach impacts 143 million • Las Vegas mass shooting - deadliest in U.S. history • Singer/Songwriter Tom Petty dies • Sexual misconduct allegations • Mogadishu, Somalia terrorist attack kills 512 - 3<sup>rd</sup> deadliest terrorist attack in world history! • Jerome Powell nominated next Federal Reserve Chairman • Yemen famine • Leonardo Da Vinci painting sold for \$450.3 million • Thomas Fire - largest wildfire in California history • Bitcoin craze • Catalan Independence Vote • Finland celebrates 100 years of independence • Walt Disney to acquire portions of 21<sup>st</sup> Century Fox • President Trump signs Tax Cuts and Job Act into law • U.S. Federal Reserve raises rates 3 times • Largest annual decline in U.S. Dollar in 10 years • Oil hits \$60.42/bbl • Dow has 71 record closing highs in 2017 • Emerging markets best year since 2009 • S&P 500 logs 14<sup>th</sup> straight month of gains • Dow hits 24,000 • All major global markets record positive returns • 10-Year Treasury at 2.4% • Dow & S&P 500 set 9th straight quarterly gain •

#### Full Year 2017

Dow Jones Industrial Average 25.1% • S&P 500 19.4% • MSCI EAFE (International) 25.1%  
Russell 2000 (Small Cap) 13.1% • MSCI EMI (Emerging) 36.4% • Barclays Capital Aggregate Bond 3.6%



## Raising a Glass to 2017

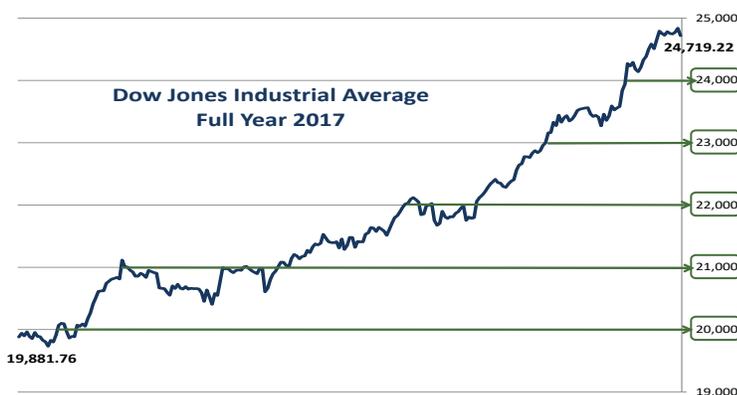
As we embark upon a new calendar year, it is important to take a moment to reflect and be thankful. 2017 was a remarkable year for the U.S. and global stock markets. The S&P 500 ended each month higher than it began and the Dow Jones, S&P 500 and Nasdaq hit all-time highs during the year. We have enjoyed a long and extended bull market and you have been richly rewarded over the past several years. The gains you have today are the culmination of all of the risk, opportunity and uncertainty of the past.

It is important to raise a glass, mark a moment, and celebrate every now and then. To be thankful for the bounty that the economy and market has already provided. For if we do not acknowledge our blessings, we simply look toward the future with unquenched desires, which leads to dissatisfaction, worry, fear, greed and unhappiness. Be thankful and take a moment to enjoy the view from here. It is not the summit, but it sure is a beautiful view.

So we raise a glass to a spectacular 2017 and look toward 2018 with optimism.

### Market Milestones

The Dow Jones Industrial Average hit several 1,000 point milestones last year. It surpassed 20,000 on January 25<sup>th</sup>, 21,000 on March 1<sup>st</sup>, 22,000 on August 2<sup>nd</sup>, 23,000 on October 3<sup>rd</sup>, and 24,000 on November 30<sup>th</sup>. (See chart on right) It eventually reached 25,000 on January 4<sup>th</sup>, 2018, just 3 trading days into 2018.

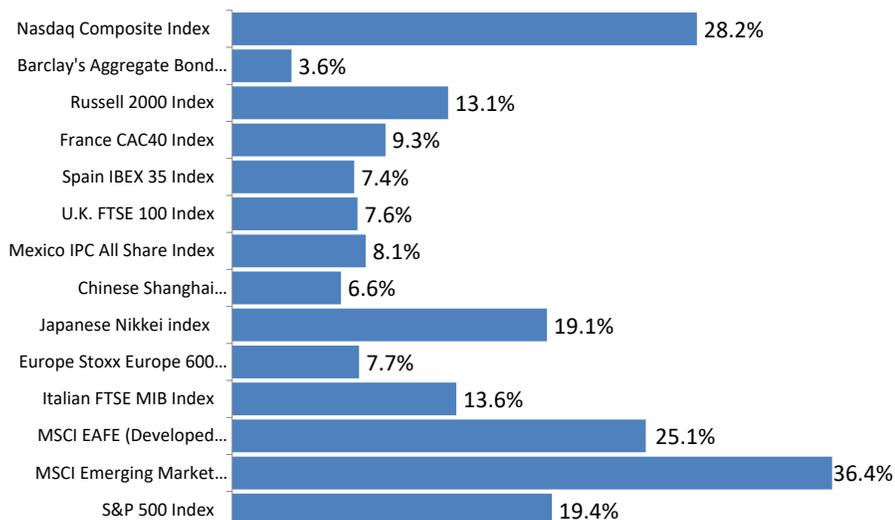


### A Globally Synchronized Expansion

Global stock markets were positive last year, driven largely by a rise in corporate profits around the world. The globally synchronized expansion was also aided by low inflation, continually accommodative monetary policy, and low volatility. Earnings estimates were revised higher throughout the year, but as you can see by the bar chart below that did not equate to double-digit stock market returns in all regions.

Returns in the United States were boosted by rising valuations and exposure to the technology sector. Emerging market returns were enhanced by significant earnings growth and large exposure to technology and financials. In the new year, we should see more gains in European equities as earnings growth continues. After years of strong stock market gains in the United States, valuations in European stocks now look more attractive. As we mentioned earlier, this should bode well for European stocks in 2018.

#### Market Returns - Full Year 2017



### Thank You

Thank you to those of you who were able to attend the 13<sup>th</sup> Annual Christmas Open House last month. Manda and I enjoyed opening up our home and having the chance to spend time with each of you.

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