



Forward Focus

April 2017



Tax Day: Tues, April 18th

Quarterly Market Review

Amidst a lot of change occurring around the world, stock markets in the United States were extraordinarily calm throughout the quarter.

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The 10-Year Treasury Note, which started the year at 2.45% and reached 2.61% just a month ago, ended the quarter lower at 2.40%. The U.S. dollar index, after starting the year at a 14-year high, was down 2.8%.

Most stock markets around the world were positive in the first quarter of 2017. International developed markets were up almost 8% while emerging market stocks performed even better posting solid double-digit returns. In the United States, the Dow Jones Industrial Average breached 21,000 for the first time on March 1st. For the quarter, the Dow Jones Industrial Average and the S&P 500 indices posted just modest gains between 4.0%-6.0%.

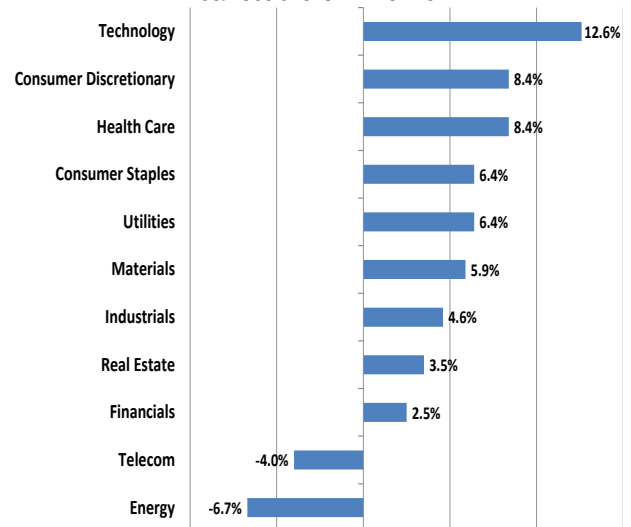
As you can see from the chart on the right, the growth-oriented technology sector, which makes up 22% of the S&P 500 index, was the best performing sector in the first quarter.

Financials, which led the gains in the fourth quarter of last year with a 21% gain, cooled considerably in the first quarter with a gain of only 2.5%.

Energy stocks fell during the quarter due to an increase in rigs coming back online and uncertainty regarding whether OPEC will keep its promise on production cuts.

Growth stocks outperformed value stocks and large companies performed better than smaller companies.

S&P 500 SECTOR RETURNS



Here is a summary list of events that occurred during the quarter: New Year's Eve attack in Istanbul • Sears selling Craftsman to Black&Decker for \$900 million • Ringling Bros ending circus after 146 years • Chelsea Manning sentence commuted • Global temps hottest for third straight year • Donald Trump inauguration • Dow Jones Industrial Average hits 20,000 • Canadian mosque shooting • Famine in Somalia • Queen Elizabeth II Sapphire Jubilee • Kim Jong-nam assassinated in Malaysia • Verizon to buy Yahoo core business • Burger King to buy Popeye's Louisiana Kitchen • SpaceX to orbit moon with 2 civilians in 2018 • 12 straight days of gains for Dow - longest in 30 years • Dow hits 21,000 • US election wiretapping claims • RadioShack files Chapter 11, again • NASA to send people to Mars by 2033 • Dow logs 8 straight days of losses - longest in 5 ½ years • Fed raises interest rates • Article 50 officially signed • Syrian refugees surpass 5 million • Dow closed down 1% only once • Daily movement in Dow lowest since 1965 • Dollar weakens 2.8% • S&P 500 up 5.5% • 10-Year Treasury at 2.4% • Best performing sector: Technology • Worst performing sector: Energy •

First Quarter 2017

Dow Jones Industrial Average 4.6% • S&P 500 5.5% • MSCI EAFE (International) 7.9%
 Russell 2000 (Small Cap) 2.1% • MSCI EMI (Emerging) 11.6% • Barclays Capital Aggregate Bond 0.8%

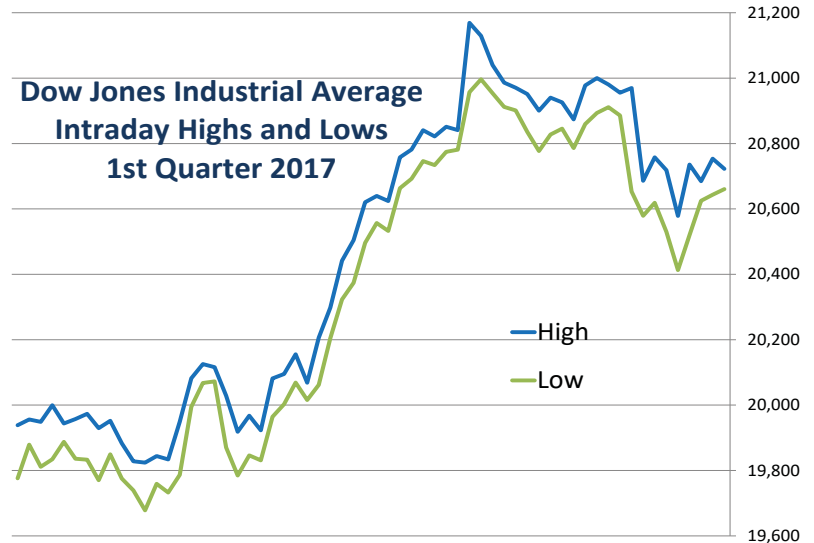
Digging into the Dow's Daily Detail

The first quarter was full of firsts. The Dow Jones Industrial Average (Dow) closed above 20,000 for the first time in history on January 25th. Then, just 24 trading days later on March 1st, the Dow surpassed 21,000. Remarkably, that is the same amount of time that it took for the Dow to go from 10,000 to 11,000 back in 1999. Throughout the quarter, the Dow set 15 all-time record closing highs.

What is interesting amidst this record-setting run is that the intraday movements in the markets were akin to a sloth crossing a football field (i.e. Slow).

The chart on the right shows the difference between the highs and lows during each trading day of the first quarter. The **Blue** line depicts the high of the day and the **Green** depicts the low of the day. As you can see, during the course of each trading day the market did not move very much. In fact, to see such small daily movement in the markets you would have to go back to 1965 to find a quarter as tranquil as this one.

During Q1, the Dow closed the trading day in positive territory on 30 occasions and closed the day in negative territory on 32 occasions.



The Dow recorded the longest stretch of consecutive UP days in 30 years (1987) with 12 straight days of gains (February 9 - February 27). That was the second longest stretch of unbroken up days in history. Although very impressive, the gain over that time was only 3.9%.

The Dow also recorded the longest stretch of consecutive DOWN days in over 5 ½ years with 8 straight days of losses (March 16 - March 27). Although a long stretch, the total decline over that time was a mere 1.9%.

Down Days Do Happen.....Really

Over the past 118 trading days there has only been one day with a loss of 1% or more. Just one. For perspective, a daily loss of 1% or more happened 22 times last year, yet the market still ended the year in positive territory. Daily fluctuations, even of 1% or greater, are a normal part of any market. Let me say that again. It is normal. Don't expect it to be sunny and 78 degrees every day. Don't expect to feel 21 and in perfect health every day. Markets do fluctuate. Expect it. That is why we diversify.

I am writing this because I'm concerned unrealistic mindsets are beginning to emerge. We have not had a down year in 8 years. This creates a desire for greater and greater returns and a perceived comfort level for more risk taking. 'Hey, the market only goes up, right?' However, the fears of 2008 still linger and at the slightest market dip people are clamoring for safety, asking what evasive action should be taken, and wondering if they should get out. These two conflicting mindsets cannot be sustained. One cannot separate risk and reward. They are two sides of the same coin.

So what should one do? Action step: First, take a deep breath and remain calm. Second, I urge you to call or email us to truly talk about your investments. Reviewing your investments together can ensure that your risk/reward matches your true comfort level. It is better to take rational action steps today, then wait till emotions are dictating your decision making. Our number is (608) 833-9400.

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