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**Hartland** is an independent institutional and wealth advisory firm that seeks to meet clients' investment objectives with appropriate risk and in a low-cost manner. Once this has been achieved, we seek superior returns compared to client-specific, market-based and peer group benchmarks. We believe broad diversification reduces portfolio volatility and enhances the opportunity for superior risk-adjusted returns.

“Trump and Tariffs” is the best way to summarize March. January’s optimism seems to have faded with markets lacking a clear catalyst to move higher, and instead finding obstacles in policy uncertainties. The Federal Reserve, perhaps unlike Trump, has been more predictable and continued down the path of normalizing its balance sheet and interest rates, hiking by a quarter-point at the March policy meeting.

Trump’s trade tariff plans led to concerns regarding retaliatory responses and impacted market volatility. So far in his presidency, we have seen Trump provide strong rhetoric in his initial policy proposal, which quickly dissipates into a more reasonable outcome. We will see how tariffs impact each individual country in the coming months but the deals and implementation appear to be far less than Trump’s initial talk. Adding to the chaos was the turnover in personnel at the White House, shaking confidence in the leadership amidst the ongoing uncertainty in trade relationships.

The final reading on U.S. Q4 GDP was revised up to 2.9%<sup>1</sup> which was above expectations and up from the previously reported 2.5%. The largest gain in consumer spending in three years partially offset the drag from increasing imports<sup>1</sup>. The upward revision also reflected less inventory drag than previously reported. The U.S. Economy grew 2.3% for 2017, an acceleration from 1.5% growth for 2016<sup>1</sup>.

Economic growth in the U.S. showed some signs of easing though it is too early to indicate a clear trend. Retail sales were down 0.1% for February<sup>2</sup> and housing starts were weaker, leading some economists to expect a softer Q1-18 U.S. GDP report. The IHS Markit’s Eurozone Manufacturing Purchasing Managers’ Index (PMI) declined to 56.6<sup>3</sup> in March, though the readings are still supportive of global economic activity.

U.S. EQUITY MARKETS				
Index	1 Month	Year-to-Date	1 Year	3 Year
DJIA	-3.6	-2.0	19.4	13.5
S&P 500	-2.5	-0.8	14.0	10.8
Russell 2000	1.3	-0.1	11.8	8.4
Russell 1000 Growth	-2.7	1.4	21.3	12.9
Russell 1000 Value	-1.8	-2.8	6.9	7.9
FTSE NAREIT U.S.	3.7	-6.7	-1.0	3.1
Bloomberg Commodity	-0.6	-0.4	3.7	-3.2

February's turbulence marched right into March with little focus on fundamentals. The S&P 500 Index declined 2.5% for the month, while small caps as measured by the Russell 2000 Index actually advanced 1.3% in what was one of the few positive areas of markets.

With earnings season largely behind us in March, investors had little to focus on except politics and monetary policy. Markets seemingly bounced around without a clear direction, and the enthusiasm in the markets early in 2018 did not resurface. Earnings season concluded with a particularly strong fourth quarter results for the S&P 500, +15.0%<sup>4</sup> with analysts focusing on the potential tax reform tailwind to 2018 earnings. The S&P 500 earnings estimate stands at +17.3% for Q1 and +18.5% for 2018<sup>5</sup>.

Despite being a strong performer for the first quarter and past year, Technology sold off on the Facebook news along with President Trump's rhetoric and concern over certain dominant technology companies. In a reversal from February, Technology declined 3.9% whereas Utilities, Real Estate, and Energy were the best performing, and only positive sectors, in March.

INTERNATIONAL EQUITY MARKETS				
Index	1 Month	Year-to-Date	1 Year	3 Year
MSCI ACWI ex USA	-1.8	-1.2	16.5	6.2
MSCI EAFE	-1.8	-1.5	14.8	5.6
MSCI Emerging Markets	-1.9	1.4	24.9	8.8
MSCI EAFE Small Cap	-1.1	0.2	23.5	12.3

International equity markets declined in March with the MSCI EAFE Index and MSCI Emerging Markets Index returning -1.8% and -1.9%, respectively. Emerging Market equities remain in positive territory for 2018, with year-to-date performance of +1.4%. The threat of tariffs, particularly a trade war with China, creates unease in the markets and certainly bears monitoring and could impact certain regions and economies more than others.

There were no surprises from the European Central Bank, the Bank of England, and the Bank of Japan, and the takeaways seemed to lean dovish. The prospect of quantitative tightening by these central banks is garnering attention as a potential headwind for growth, so the March meetings delivered what appeared to be good news.

FIXED INCOME MARKETS				
Index	1 Month	Year-to-Date	1 Year	3 Year
BarCap US Aggregate	0.6	-1.5	1.2	1.2
BarCap Global Aggregate	1.1	1.4	7.0	3.1
BarCap US High Yield	-0.6	-0.9	3.8	5.2
JPM Emerging Market Bond +	0.7	-2.0	2.2	5.1
BarCap Muni	0.4	-1.1	2.7	2.3

U.S. interest rates declined amidst the risk-off broad market sentiment, which led to the Treasury yield curve flattening. The Bloomberg Barclay's Aggregate Index total return for March was +0.6% whereas the longer duration Bloomberg Barclay's Long Gov't/Credit Index returned 1.7%.

The Federal Reserve increased its Fed Funds rate by 25 basis points during its March policy meeting to a range of 1.50%-1.75%<sup>6</sup>. Expectations are for two additional quarter point rate hikes in 2018<sup>7</sup>. The 10-year U.S. Treasury yield declined 12 basis points to 2.74%, the 30-year declined 15 basis points to 2.97%, and the 2-year U.S. Treasury yield was largely unchanged<sup>8</sup>.

Heavy issuance and market sentiment led to wider corporate bond spreads despite healthy underlying fundamentals. High yield's total return for March was -0.6%. The JPM Emerging Market Bond+ Index returned +0.7% in March. Bank Loans marched on given the interest rate environment and returned +0.3% for the month.

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**Sources:**

- 1 Bureau of Economic Analysis – U.S. Department of Commerce, 3/28/18
- 2 U.S. Census Bureau, 3/14/18
- 3 IHS Markit, 3/22/18
- 4 Factset Insight, 3/29/18
- 5 Factset Insight, 3/29/18
- 6 Federal Reserve, 3/22/18
- 7 Bloomberg
- 8 Bloomberg

**Definitions:**

Markit Eurozone Manufacturing Purchasing Managers' Index: The Eurozone PMI is based on original survey data collected from a representative panel of around 3,000 manufacturing firms.

**Disclosures**

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