

# U.S. Equities January 2019

## KEY HIGHLIGHTS

- The [S&P 500](#)<sup>®</sup> was up 7.87% in January, bringing its one-year return to -4.24%.
- The [Dow Jones Industrial Average](#)<sup>®</sup> gained 7.17% for the month and was down 4.40% for the one-year period.
- The [S&P MidCap 400](#)<sup>®</sup> was up 10.36% for the month and down 6.07% for the one-year period.
- The [S&P SmallCap 600](#)<sup>®</sup> returned 10.55% in January and was off 2.36% for the one-year period.

**Exhibit 1: Index Returns**

INDEX	1-MONTH (%)	3-MONTH (%)	1-YEAR (%)	3-YEAR (%)
S&P 500	7.87	-0.28	-4.24	39.37
Dow Jones Industrial Average	7.17	-0.46	-4.40	51.82
S&P MidCap 400	10.36	0.56	-6.07	39.28
S&P SmallCap 600	10.55	-1.67	-2.63	48.28

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

## MARKET SNAPSHOT

Let's call it an unscientific (but not unquantifiable) dysfunction contest between the market and Washington, although the market's dysfunction stems from a lack of commitment to where the economy and earnings are heading, whereas those in Washington seem to be fully committed to their respective parties. U.S. equities, as measured by the S&P 500, posted a strong January (up 7.87%, and up 15.01% from the Dec. 24, 2018, low), distancing itself from the bear and moving out of correction territory (7.73% below its high). Better yet (although only a short seller would argue with a 7% plus month) is the January barometer (since 1929), which says, "as goes January, so goes the year," with the statistic working 71.1% of the time (but it has not worked recently, as January 2018 was up 5.62%, with the full year down 6.24%; January 2016 was down 5.07%, with the full year up 9.54%; and January 2014 was down 3.24%, with the full year up 11.39%—maybe it works better in odd years, and this year already seems odd).

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*S&P Dow Jones Indices' Market Attributes<sup>®</sup> series provides market commentary highlighting developments across various asset classes.*

January brought two major events, with one that affected trading and one that didn't. The non-trader headline, which is still at halftime and still has potential to affect trading, came from Washington. With smoke rising in the background as politicians fiddled on, the showdown over the shutdown continued, as Trump and Congress came to terms on the 35<sup>th</sup> day—not to end it, but to take a three-week timeout through Feb. 15, 2019, from the shutdown, which had started on Dec. 22, 2018 (this was the 16<sup>th</sup> U.S. government shutdown of more than one day; the average of the prior 15 was 8.2 days). This band-aid permits the government to patch itself back together, workers to get back pay, economic reports to be issued (new release schedules are expected soon), a State of the Union Address to take place Tuesday, Feb. 5, 2019, and most importantly, time to work out a deal to prevent, as Trump put it, either another government shutdown in three weeks or his use of his emergency powers to redirect money to start the Wall. The Street's reaction to the timeout agreement was mild, as had been the reaction over the 35-day shutdown, and the event, while talked about, was not traded about. The timeout band-aid may give Washington time to sort things out, although typically negotiations run to the last minute, with lots of public posturing (and test balloons—sometimes sent up for real, and sometimes for the party's base). For the Street, back-dated economic reports should start to flow through soon, which, while dated, will still have meaning.

The second event was an old friend of the Street's: earnings. While the Street may not always like the results or the current en vogue excuse, earnings is a situation it knows how to play, quantify, and trade, even as predicting the future is only profitable if it is retroactive. With over half of the reports in (by market value; the index is price weighted), actual Q4 2018 earnings are slightly beating estimates (71.5%), which is credited to those who lowered their estimates just enough to permit a beat and not so low as to get P/E fanatics upset. The actual Q4 2018 decline (estimated to be -5.8%) from the record Q3 2018 level does not appear to be the problem—it is the 2019 estimate, which now shows a 7.8% increase compared with 9.4% at year-end 2018 and 12.1% in September 2018. However, the P/E has stayed in an acceptable range, as the market price has moved with it (Q4 2018 market prices were terrible, but January 2019 was nice). The current 2019 P/E estimate was 16.1, versus 14.6 at year-end 2018 and 16.5 in September 2018 (bad quarter, good month). While EPS were getting all the attention, sales remain the bright spot for now, continuing to inch up and setting a new record, even as a slowdown appears to have arrived in some segments.

February is expected to continue the earnings dominance (real and expected), as Washington plays out. However, come Feb. 15, 2019 (the day after Valentine's Day—the S&P 500 historically declines 57.4% of the time on February 14th), that could change. At this point, the Street still believes a deal will be worked out (we'll know the day they stop believing, via the drop), maybe not for the better, but a deal nonetheless. Then, as earnings reports start to trim down (or stop trimming hopefully), the Street can start to focus on the March 1, 2019, Chinese trade deadline (there are rumors of another extension, but Trump said a deal could be reached by then), the budget (with both sides dug in), and whether tax refunds spur short-term growth.

After the worst December (off 9.18%) since 1931 (off 17.48%), the S&P 500 posted its best January (up 7.87%) since 1987 (which was up 13.18%; October 1987 was -21.76%), as hopes turn to "as January goes, so goes the year" (which is correct 71.1% of the time). The S&P 500 closed January at 2,704.10, up 7.87% (8.01% with dividends) from last month's 2,506.85 close, when it declined 9.18% (-9.03%). The gain pushed the index out of correction mode (with breathing room away from the bear), as it was 7.73% away from its closing high (Sept. 20, 2018, at 2,930.75). For the three-month period, the index was down 0.28% (up 0.26% with dividends); for the one-year period, the index was off 4.24% (-2.31%

with dividends), and the change from the close of 2017 was 1.14% (3.28% with dividends), as the index was up 26.39% (32.09%) from the Nov. 8, 2016, election's 2,139.56 close (11.08% and 13.30% annualized, respectively). The Dow<sup>®</sup> closed at 24,999.67, up 7.17% (7.29% with dividends) from last month's 23,327.46 (its best January since 1989, 8.01%), when it was down 8.66% (-8.59%), with the three-month return down 0.46% (0.14%), and the one-year return down 4.40% (-2.19 with dividends).

The war continued between Amazon, Microsoft, and Apple to be the largest publicly traded issue in the world, as Amazon was at USD 840 billion (full values, not adjusted for float; USD 734 billion last month), Microsoft was second with USD 802 billion (USD 780 billion), and Apple was third at USD 787 billion (USD 749 billion); on an index basis, the order is Microsoft, Apple, and then Amazon. Bitcoin closed at USD 3,442, down from last month's USD 3,741, trading as high as USD 4,156 and as low as USD 3,474 (USD 13,850 at year-end 2017 and USD 968 at year-end 2016). The S&P 500 target price was 3,055 (12.98% from here; 3,153 last month), and The Dow target price was 27,884 (11.54% from here; 28,865 last month).

In global news, Trump will hold a second meeting with North Korean leader Kim Jong-un in February 2019 (his first one was in June 2018 in Singapore). U.S.-China negotiations continued, albeit slowly, as the level of officials involved moved up the ladder, with Trump meeting with China's Vice Premier Liu He (in Washington) on trade issues, as they work toward a March 1, 2019, deadline for additional tariffs. Few expect an agreement, but many on the Street (disclaimer—this is politics, and the Street is the market) expect an agreement in February to postpone the scheduled USD 50 billion U.S. tariffs on additional Chinese goods. Talks were underway for Trump's potential meeting with President Xi Jinping, which could take place in February after he meets with Kim Jong-un.

The IMF reduced its 2019 global growth rate to 3.5% from its 3.7% October 2018 forecast, as it also lowered its outlook for Europe to 1.6% for 2019 from the previous 1.9% (with Germany cut to 1.3% from 1.9%), while China and the U.S. were unchanged at 6.2% and 2.5%, respectively. The Bank of Japan left its interest rates (short-term at -0.1%) and stimulus policy unchanged, as expected, while it reduced its 2019 inflation expectation to 0.9% from the previous 1.4% (starting in April 2019), citing lower oil prices. The ECB left interest rates unchanged, as expected, while ECB President Mario Draghi warned that growth was now on the downside and indicated interest rates would not change in 2019.

The U.S. FOMC met and kept interest rates unchanged (unanimously), as it indicated that future interest rate increases were now on hold (“will be patient”), reducing its view of the economy to “solid” from “strong.” The U.S. Federal Reserve also updated its guidance on shrinking its USD 4 trillion in asset holdings (it was permitting USD 50 billion of maturing securities to runoff each month), saying it “is prepared to adjust any of the details for completing balance sheet normalization.”

With 57.7% of the market value reported, earnings are beating the recently lowered estimates, with sales coming in stronger than expected and set to post a quarterly record. To date, 216 issues have reported; 154 (71.3%) have beaten on earnings, 51 have missed, and 11 have met. Sales reports show that 135 of 215 issues have beaten sales estimates (62.8%). The current Q4 2018 estimate calls for a decline of 5.8% over the record Q3 2018 results (it was -2.6% last week), as the year-over-year gain was 15.2% (the first three quarters for 2018 combined were 28.6% over the same period for 2017). Full-year 2018 operating earnings are expected to post a 24.9% gain over 2017 (with taxes getting most of the credit), while 2019 estimates are pointing to a 7.8% gain over 2018 (something the Street is

having difficulty accepting). Sales are expected to set a record, up 2.5% over Q3 2018 and up 6.2% year-over-year.

Apple (AAPL) ended the month off 28.3% from its closing high (Oct. 3, 2018, USD 232.07), as the company reduced its quarterly sales forecast (for the first time in 15 years), citing lower Chinese demand and trade. Apple later said it would reduce its staff working on autonomous vehicles (Project Titan) by 200. Late in the month, Apple slightly missed its own pre-announced estimate, as its forward estimates were less than expected; however, investor concern over growth had grown so much that the release was a relief, as Apple commented that the U.S-China trade situation appeared to have improved. Retail department store Macy's (M) reduced its guidance, as it cited weaker holiday sales (which started strong).

S&P Dow Jones Indices added regional bank First Republic Bank (FRC) and health equipment issue Teleflex (TFX) to the S&P 500, as it removed SCANA (SCG), which is being acquired by Dominion Energy (D), and PG&C (PCG), which is planning to file for bankruptcy.

The 10-year U.S. Treasury Bond closed the month at 2.64%, down from last month's 2.69% (2.41% for year-end 2017 and 2.45% for year-end 2016). The pound closed up at 1.3110 from 1.2754 (1.3498 for year-end 2017 and 1.2345 for year-end 2016); the euro was down to 1.1448 from last month's 1.1461 (1.2000, 1.0520); the yen closed at 108.89 from 109.58 (112.68, 117.00); and the yuan closed at 6.7004 from last month's 6.8785 (6.5030, 6.9448). Oil increased to close at USD 54.13 from last month's USD 45.81 (USD 60.09 for year-end 2017 and USD 53.89 for year-end 2016). U.S. gasoline pump prices (EIA, all grades) decreased, closing the month at USD 2.343 from last month's USD 2.358 per gallon (USD 2.589, USD 2.364). Gold was up, closing at USD 1,324.80 from last month's USD 1,284.70 (USD 1,305.00 for year-end 2017 and USD 1,152.00 for year-end 2016). VIX<sup>®</sup> closed at 16.57, trading as high as 28.53 and as low as 17.17, down from 25.42 last month (11.05 at year-end 2017 and 14.04 at year-end 2016).

## INDEX REVIEW

### S&P 500

The S&P 500 made a 180 degree turn from December's 9.18% decline (worst December since 1931, off 14.53%), as it posted a strong 7.87% gain (8.01% with dividends). The gain pushed the index out of correction mode, with breathing room, as it remained 9.08% away from its closing high, set on Sept. 20, 2018. What changed the index market is up for debate, as the recent rally, as some put it, or rebound, as more put it, or gain before the end starts, as a few put it, has stopped the downward drift, with the market remaining unstable, but not as volatile. While the reason was debated, the one unifying takeaway was that the market paid no attention to those politicians behind the curtain, as it watched, talked about, and appeared to disregard the shutdown. What the market, or at least trades, did pay attention to were earnings, which appeared to be lowered enough to permit them to beat. Not that the numbers or guidance were good, but they were not as bad as expected, as the China excuse became the main explanation, with the slowdown in general remaining the Street's main concern. One positive takeaway for the reports to date was sales, which continue to slowly increase (a hard won battle) and are set to post a new quarterly record.

The S&P 500 closed at 2,704.10, up 7.87% (8.01% with dividends) from last month's 2,506.85 close, when it declined 9.18% (-9.03%). For the three-month period, the index was down 0.28% (up 0.26%

with dividends); for the one-year period, the index was off 4.24% (-2.31% with dividends); the change from the close of 2017 was 1.14% (3.28% with dividends); and the index was up 26.39% (32.09%) from the Nov. 8, 2016, election's 2,139.56 close (11.08% and 13.30% annualized, respectively).

Volatility decreased, as 6 of 21 days moved at least 1% (4 up and 2 down; 2018 had 32 up and 32 down of its 251 trading days), compared with December's 10 of 19 (8 up and 2 down). Intraday volatility (daily high/low) decreased to 1.26% from December's 2.56%; 2018 was 1.21%, up from 0.51% for 2017 (which was the low since 1962, when my data starts; the average is 1.43%). The monthly high/low price spread declined back to a "normal" level, at 10.84%, after last month's jumped to 19.33% (the highest level since the 20.27 posted in October 2011; 7.00% in November), but it remained higher than the one-year 8.23% average and the 10-year average of 6.61%. Trading decreased 4% for the month, after last month's 4% decline, and it was up 6% year-over-year and up 6% over the one-year average monthly rate. Sector variance was unchanged, as all 11 sectors were positive for the month, compared with December, when all 11 were negative. The spread between the best (Industrials, 11.36%) and worst (Utilities, 3.37%) sectors for the month was 7.99%, down from last month's 9.51%; for 2018, the spread was 18.99%.

For the month, all 11 sectors increased, as a combination of a technical rebound, positive earnings (defined as better than expected), and a lack of strong selling (it had its turn in December) permitted the gains. Industrials did the best for the month, adding 11.36% after December's 10.81% decline (-15.00% for all of 2018). Utilities did the worst, as risk was on, adding 3.37% for the month (it did the best last month, when risk was also on, as it "only" declined 4.31%; it was up 0.62% for 2018). Energy rebounded 11.02%, after its December decline of 12.82% (off 20.50% for 2018), as oil moved back up (but remained well off its recent October 2018 high). Financials gained 8.59%, after last month's 11.45% decline (-14.67% for 2018), and the Fed said interest rate increases would be slow. Health Care, which fell 8.72% last month and was the best-performing sector in 2018 (up 4.69%), underperformed in January, adding 4.66%. Consumer stocks continued to be mixed, as Consumer Discretionary added 10.23% in January (down 0.49% for 2018), and Consumer Staples added 4.99% (off 11.15% for 2018). Information Technology gained 6.88% for the month, after 2018's 1.82% decline, and was up 45.46% since the U.S. November 2016 election.

Breadth, which died in December, was reincarnated in January, as 472 issues gained for the month (an average of 10.99% each), compared with 14 last month and 358 gainers in November; 250 issues gained at least 10% (15.69%), compared with none last month (50 in November), with 14 issues up at least 25%. On the down side, 33 issues declined (an average loss of 4.11%), down from 491 last month (145 in November), as 5 issues declined at least 10% (average -13.04%), down from last month's 237 issues (35 in November). From the closing high on Sept. 20, 2018 (off 7.73%), 136 issues were up, with 41 of them up at least 10%, as 369 were down, with 210 down at 10% and 69 down at least 20%.

## **The Dow**

The Dow turned around, posting a 7.17% gain (7.29% with dividends) to start the year off on the right foot, after December's 8.66% decline (and 5.63% loss for all of 2018). It was the best January for The Dow since the 8.01% gain in 1989. Large movements declined in January, as 6 of 21 days moved at least 1% (4 up and 2 down), compared with December's 12 of the 19 days (4 up and 8 down); 1 issue moved at least 500 points (Jan. 4, 2019, up 747 points), and 27 of the 30 issues gained for the month, compared with December, when all 30 declined.

For January, The Dow closed at 25,014.86, up 7.17% for the month (7.29% with dividends), from last month's 23,327.45 close, when it was off 8.66% (-8.59% with dividends). The index did better than the S&P 500, but both trailed the S&P MidCap 400 and S&P SmallCap 600. For the three-month period, the index improved but remained in the red, off 0.40%, as it was second only to the mid-cap index (which posted the only gain for three-month period, up 0.12%). For the one-year period, the index was down 4.34% (all four headline indices were in the red), as the longer-term five-year return was 59.34%, the best of any of the core indices.

For the month, 27 issues gained, an average of 6.27% each, compared with last month, when all 30 declined, and the 24 gainers seen in November. Five issues gained at least 10% (average 15.54%), compared with none last month. On the down side, 3 issues fell, with an average decline of 2.47%, compared to all 30 last month (average -8.23%), as none declined at least 10%, compared to 9 last month (average -13.35%). For the three-month period, breadth improved and was even, as 15 (of the 30) issues gained, an average gain of 5.03%, compared to 5 that posted gains for the three-month period in December (and 16 in November), while 1 issue was up at least 10% (16.45%), the same as the prior month (7 the month before that). For the three-month period, 15 issues declined (-5.69%), down from 25 last month, as two fell at least 10% (-18.05%), down from the prior month's 16, and none were off at least 25% (two were in December).

Issues continued to vary widely, as earnings and guidance directed most issues, with concern over international growth the other major issue. The spread between the best and worst issue was 22.3%, up from last month's 18.0%, but down from November's 30.2%. Aircraft issue Boeing (BA) did the best, increasing 19.6% for the month, as it gave positive guidance (and backlog orders) and was up 30.8% from the close of 2017 and up 171.2% from the November 2016 U.S. election (the best of any issue, and the only one to have at least doubled in price). Investment bank issue Goldman Sachs (GS) did well, rebounding 18.5%, though it remained down 22.3% from the close of 2017. Aerospace and climate control issue United Technologies (UTX) added 10.9%, remaining down 7.4% from the 2017 close (note that the issue was added to the S&P 500 Dividend Aristocrats<sup>®</sup>, having increased its actual dividend payment for 25 consecutive years). Health Care issues did less well, as Pfizer (PFE) did the worst, off 2.7% for the month but up 17.2% from the 2017 close, while Merck (MRK) fell 2.6% but was up 32.3% from the 2017 close (the best of any issue). Of note was software issue Microsoft (MSFT), which added 2.8%, as it beat earnings and was up 22.1% from the 2017 close. Apple gained 5.5%, even as it missed its pre-announced numbers (investors were prepared for worse news, but didn't get it); the issue remained off 1.6% from the 2017 close.

### **S&P MidCap 400**

The S&P MidCap 400 came back from its December 11.48% decline to post a 10.36% gain in January, as its three-month return turned positive, up 0.56%—which was far better than December's three-month loss of 17.65% (2018 was off 12.50%). The gain, however, was not enough to turn the one-year return positive, as it stood at -6.09%, while the two-year gain was 8.78%, with the longer-term five-year return at 39.78%. All 11 sectors posted gains, compared with December when all 11 declined. Sector spreads slightly declined from last month; the spread between the best and worst group increased to 12.68%, down from December's 17.74% and November's 16.86%. The three-month spread decreased to 23.93%, significantly down from December's spread of 40.38%, with the one-year return decreasing to 29.58%, down from 2018's 36.14%.

Energy did the best, up 17.55%, as oil increased, though the sector remained 17.82% in the red for the three-month period, off 16.09% for the one-year period, and down 29.38% for the two-year period. Real Estate added 12.50% and turned positive for the one-year period, up 5.33% (up 0.38% over the two-year period), while Financials gained 9.58% and was down 12.86% for the one-year period. Utilities did the worst, posting a 4.87% gain for January and up 13.49% over the one-year period, the best of any sector. Consumer stocks continued to split, as Consumer Discretionary was up 9.94% but down 13.16% over the one-year period, while Consumer Staples added 5.57% for the month and was down 4.44% for the one-year period.

Breadth turned strongly positive, reversing an equally negative December, as 375 issues gained in January (an average gain of 12.95%), up from December's 17 gainers (275 in November), while 25 issues declined (an average loss of 6.00%), down from December's 380 (and November's 120). Meanwhile, 214 issues gained at least 10% (average 18.25%), compared with only 1 last month (64 in November), as 6 fell at least 10% (-14.75%), compared with 250 in December (8 in November). Significant gains of at least 25% were reported for 41 issues (average 30.20%); none fell at least 25%. For the three-month period, 218 issues gained (average 8.41%), as 181 were down (-10.77%), with 61 up at least 10% (18.59%) and 75 down at least 10% (-19.88%), while 25% gains were reported for 10 issues (35.10%), with 14 reporting losses of at least 25% (-36.39%).

### **S&P SmallCap 600**

The S&P SmallCap 600, which posted the worst return last month, -12.26%, came back with a strong 10.53% return this month (the best of the core indices), as its three-month return remained 1.67% in the red (but much better than December's -20.43%), the worst of the headline indices. The index's one-year return was down 2.63%, the best of the groups; the two-year return was up 11.98% and the five-year return was up 46.07%.

All 11 sectors increased for the month, compared with December, when only one increased. Sector variance decreased, as the difference between the best and worst sector was 13.07%, down from last month's 15.86% (17.76% the month before that). Materials did the best, up 16.85%, though it remained down 12.74% over the one-year period. Energy was right behind it, adding 16.81% for the month, but remaining down 22.13% over the three-month period and off 36.07% over the one-year period. Information Technology rebounded 12.36%, as its three-month return turned positive, up 3.59%, but its one-year return remained in the red a tick, at -0.02%. Health Care added 9.04%, and its one-year gain was 7.74%, the best of any S&P SmallCap 600 sector. Utilities did the worst, adding 3.78% for the month, up 0.44% for the three-month period and up 6.60% over the one-year period. Consumer groups underperformed the index, as Consumer Discretionary was up 9.36% for January and down 1.72% for the one-year period, with Consumer Staples up 8.70% for the month and up 4.71% for the one-year period.

For the month, breadth turned strongly positive and issues rebounded, as 542 issues gained an average of 14.24% each for January, compared with only 40 gainers last month (and 361 in November). On the down side, 58 issues fell (an average loss of 6.59%), down from 563 last month (and 241 in November). Gains of at least 10% were posted by 325 issues (average 20.13%), compared with 6 last month (112 in November), as 15 issues posted a decline of at least 10% (-16.59%), compared with 386 decliners in December. For the three-month period, breadth remained negative, as 285 issues were up, an average of 11.48%, compared with 52 last month (119 the month before that), while 313 issues declined an average of 13.44%, compared with 550 in December.

Meanwhile, 122 issues gained at least 10% (21.03%), up from 24 last month, as 154 issues declined at least 10% (-22.40%), compared with 446 last month.

## **S&P Global BMI**

Global markets turned a new leaf in January, boomeranging from December's deep 7.36% decline to post a broad 7.97% gain, with 47 of the 48 markets up. The gains were seen as a rebound by most from the prior declines (Q4 2018 was off 13.55%) and as the turning of the corner by a few. However, both camps acknowledged the current concern (and issue) over growth, as Chinese economic statistics portrayed a slowdown, and global trade issues remained unresolved (but improved), maintaining high investor anxiety levels and what now appears to be a lower level of confidence.

For the month, global markets posted a broad 7.97% gain, after December's 7.36% decline (November posted a 1.38% rebound from October's 7.95% decline). The U.S. did better (hard to argue with a monthly 7.95% result), up 8.47%, leaving the ex-U.S. markets up 7.41%. For the three-month period, global markets broke into the black, up 1.41%, and absent the U.S.'s 0.06% loss, they were up 3.13%. For the one-year period, global markets were down 9.63%, but absent the U.S.'s (milder) 4.14% decline, they were off 15.18%. Longer-term yardsticks continued to show the U.S. outperformance pattern, as the two-year global return was 12.93% with the U.S. (17.74%) and 7.89% without it, and the three-year return was up 31.44%, but absent the U.S. (40.38%), it was up 22.41%.

For January, the S&P Global BMI increased USD 3,768 billion (down 3,977 billion in December and down USD 6,787 billion in 2018). Non-U.S. markets increased USD 1,639 billion for the month (down USD 1,099 billion last month and down USD 4,327 billion in 2018), as U.S. markets increased USD 2,129 billion (down USD 2,878 billion last month and down USD 2,460 billion in 2018).

Global markets were up 7.97% for the month, and excluding the U.S.'s 8.47% gain, they were up 7.41%. For the three-month period, global markets were up 1.41%, and excluding the U.S.'s 0.06% decline, they were up 3.13%. For the one-year period, global markets were down 9.63%, and excluding the U.S.'s 4.14% decline, they were down 15.18%. Emerging markets were up 7.72% for the month, up 9.44% for the three-month period, and off 16.54% for the one-year period. Developed markets were up 8.00% for the month, up 0.56% for the three-month period, and down 8.80% for the one-year period; excluding the U.S., they were up 7.33% for the month, up 1.49% for the three-month period, and down 14.82% for the one-year period.

Sector variance decreased, as all 11 sectors increased (all 11 were down in December, and 9 were up in November). The spread between the best (Energy, 10.57%) and worst (Consumer Staples, 4.99%) sectors for the month was 5.58%, down from last month's 7.55%; for 2018, all sectors were negative, with an 18.99% spread.

Emerging markets posted a 7.72% gain, after last month's 2.80% decline, as the three-month return was 9.44% and the one-year period was down 16.54%. The two-year return was up 13.95%, and the three-year return was up 40.18%. For January, 22 of the 23 markets gained, up from 8 last month (and 11 in November). Brazil did the best, up 17.58%, but it remained down 2.99% for the one-year period. Turkey was next (by a tick), adding 17.58% (-36.84% for the one-year period), followed by Colombia, which was up 14.35% for the month (-15.44% for the one-year period). India did the worst and was the only market in the red in January, falling 3.11% (off 16.36% for the one-year period), then Malaysia was



the second worst, up 2.22% (-16.70% for the one-year period), and Taiwan was the third worst, adding 2.75% (-16.14% for the one-year period).

Developed markets posted a consolidated 8.00% gain for the month, while the return excluding the U.S. was 7.33%. For January, all 25 markets increased, compared with all 25 being down in December (13 gained in November). For the month, developed markets gained 8.00%, after last month's 7.85% decline (1.05% gain in November), and absent the U.S., developed markets were up 7.33% (-5.42% last month). For the three-month period, developed markets were up 0.56% and up 1.49% without the U.S., and the one-year period was down 8.80% and off 14.82% excluding the U.S. Canada did the worst, posting a 13.02% increase, but it remained down 9.41% for one-year period. Israel was next, adding 10.89% (up 2.33% for the one-year period), followed by Austria, up 9.84% (-25.18% for the one-year period). Denmark did the worst, posting a 4.38% increase, as it was down 15.00% for one-year period. New Zealand was next, adding 5.51% (off 3.48% for the one-year period), followed by Japan, up 5.81% (-13.94% for the one-year period). Of note, the UK added 7.70% (-14.16% for the one-year period), and Germany added 6.79% but was down 23.58% for the one-year period.

## PERFORMANCE RECAP

Exhibit 2: Monthly Returns							
S&P 500	PRICE	1-MONTH (%)	3-MONTH (%)	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	FR 12/99 (%)
Energy	470.81	11.02	-5.34	-14.93	8.31	-22.87	121.33
Materials	333.98	5.48	1.61	-15.34	36.55	20.12	108.79
Industrials	603.74	11.36	2.76	-10.07	38.28	39.76	120.84
Consumer Discretionary	861.45	10.23	3.54	0.42	46.31	72.82	187.82
Consumer Staples	547.94	4.99	-3.31	-8.01	5.22	30.73	163.37
Health Care	1047.87	4.66	2.06	2.83	36.18	61.73	220.66
Financials	429.90	8.59	-1.37	-12.88	46.77	51.52	33.62
Information Technology	1163.16	6.88	-4.32	-2.25	69.52	103.95	44.06
Communication Services	152.75	10.07	1.24	-7.42	-3.40	2.48	-52.68
Utilities	277.67	3.37	1.94	7.18	20.32	39.69	94.95
Real Estate	212.98	10.72	7.37	6.54	17.38	38.99	-
S&P 500	2704.10	7.87	-0.28	-4.24	39.37	51.70	84.05
DOW JONES INDUSTRIAL AVERAGE	PRICE	1-MONTH (%)	3-MONTH (%)	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	FR 12/99 (%)
Dow Jones Industrial Average	24999.67	7.17	-0.46	-4.40	51.82	59.25	117.44
S&P MIDCAP 400	PRICE	1-MONTH (%)	3-MONTH (%)	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	FR 12/99 (%)
Energy	347.49	17.55	-17.82	-16.09	-8.88	-57.58	98.04
Materials	450.62	12.59	2.27	-14.35	50.47	28.95	306.08
Industrials	951.94	10.43	3.17	-9.95	52.90	42.11	434.75
Consumer Discretionary	707.32	9.94	-1.20	-13.16	19.48	19.25	255.59
Consumer Staples	1672.56	5.57	-3.13	-4.44	16.10	44.41	860.05
Health Care	1854.63	9.34	-1.43	6.95	64.23	104.83	948.32
Financials	914.59	9.85	0.26	-12.86	35.96	47.54	176.44
Information Technology	2406.16	10.74	2.80	-2.34	70.00	72.25	185.55
Communication Services	163.52	10.62	3.13	12.36	-22.28	-26.22	-65.44
Utilities	574.84	4.87	6.11	13.49	40.56	48.82	314.99
Real Estate	230.07	12.50	5.13	5.33	-	-	-
S&P MidCap 400	1835.39	10.36	0.56	-6.07	39.28	39.78	312.75
S&P SMALLCAP 600	PRICE	1-MONTH (%)	3-MONTH (%)	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	FR 12/99 (%)
Energy	374.07	16.81	-22.13	-36.07	-24.91	-76.58	140.71
Materials	474.79	16.85	0.42	-12.74	68.02	12.16	244.40
Industrials	1023.97	11.01	-2.06	-4.94	53.84	43.11	412.14
Consumer Discretionary	555.12	9.36	-2.58	-1.72	37.58	34.31	309.59
Consumer Staples	1803.60	8.70	-5.19	4.71	38.09	55.76	804.74
Health Care	2821.58	9.04	-3.85	7.74	84.21	120.05	1458.54
Financials	1026.68	8.18	-0.35	-3.56	50.17	49.26	250.51
Information Technology	679.63	12.36	3.59	-0.02	56.01	80.25	148.52
Communication Services	3.08	10.00	-8.33	4.41	28.87	27.30	-95.81
Utilities	963.51	3.78	0.44	6.60	32.00	70.63	413.32
Real Estate	194.81	13.86	5.54	0.79	-	-	-
S&P SmallCap 600	934.12	10.55	-1.67	-2.63	48.28	46.07	372.28

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

**Exhibit 3: Total Returns**

INDEX	1-MONTH (%)	3-MONTH (%)	6-MONTH (%)	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
S&P 500	8.01	0.26	-3.00	-2.31	48.23	68.19	304.63
S&P MidCap 400	10.46	1.02	-6.74	-4.53	46.17	51.24	329.39
S&P SmallCap 600	10.64	-1.26	-10.27	-1.25	54.64	56.46	353.80
S&P Composite 1500	8.25	0.27	-3.48	-2.42	48.34	66.49	308.75
Dow Jones Industrial Average	7.29	0.14	-0.49	-2.19	63.35	79.76	304.42

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 4: S&P Global BMI, Emerging, Sorted by January Performance**

BMI MEMBER	1-MONTH (%)	3-MONTH	6-MONTH (%)	1-YEAR (%)	2-YEAR (%)	3-YEAR (%)
Global	7.97	1.41	-6.00	-9.63	12.93	31.44
Global Ex-U.S.	7.41	3.13	-7.64	-15.18	7.89	22.41
Emerging	7.72	9.44	-4.34	-16.54	13.95	40.18
Brazil	17.58	12.83	24.80	-2.99	24.35	142.63
Turkey	17.58	25.02	2.92	-36.84	-14.06	-20.53
Colombia	14.35	8.25	-11.70	-15.44	-0.10	29.61
Russia	13.92	6.94	2.11	-7.97	6.13	63.57
Pakistan	13.04	-7.71	-17.88	2.97	18.66	28.67
Chile	11.92	12.16	-3.28	-16.92	20.77	46.74
South Africa	11.82	19.70	-6.07	-19.86	5.20	32.88
Egypt	11.23	9.78	-4.79	-1.92	21.85	9.46
Thailand	10.24	5.18	2.92	-10.05	17.48	45.05
China	10.07	10.76	-7.73	-22.02	20.37	44.66
Indonesia	9.90	23.96	15.55	-6.41	16.23	34.60
Mexico	9.74	7.35	-12.63	-14.58	2.31	-4.71
Philippines	8.12	14.66	6.36	-9.86	3.88	12.64
Peru	7.67	7.01	0.49	-2.69	29.31	118.79
Czech Republic	6.12	5.39	-4.79	-9.83	30.48	25.99
Hungary	5.93	15.07	14.86	-9.72	25.62	70.31
Poland	5.79	13.27	-0.21	-18.59	19.07	46.48
Greece	3.63	-4.77	-22.98	-37.04	-5.47	5.82
Qatar	3.17	3.27	10.17	17.90	3.44	18.72
U.A.E.	3.06	-2.32	-3.63	-8.69	-8.38	11.67
Taiwan	2.75	2.63	-11.25	-16.14	6.84	31.69
Malaysia	2.22	1.18	-8.65	-16.70	7.98	2.73
India	-3.11	7.43	-9.99	-16.36	17.72	34.15

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

**Exhibit 5: S&P Global BMI, Developed, Sorted by January Performance**

<b>BMI MEMBER</b>	<b>1-MONTH (%)</b>	<b>3-MONTH</b>	<b>6-MONTH (%)</b>	<b>1-YEAR (%)</b>	<b>2-YEAR (%)</b>	<b>3-YEAR (%)</b>
Developed	8.00	0.56	-6.20	-8.80	12.82	30.59
Developed Ex-U.S.	7.33	1.49	-8.54	-14.82	6.34	18.36
Canada	13.02	3.25	-6.70	-9.41	0.05	31.03
Israel	10.89	3.60	1.46	2.33	14.28	4.87
Austria	9.84	-5.09	-16.93	-25.18	20.27	47.67
Belgium	9.61	1.35	-16.36	-25.18	-7.33	-10.76
Korea	9.23	10.88	-4.08	-18.63	14.89	31.74
Luxembourg	8.68	-3.53	-17.71	-21.97	1.10	33.42
United States	8.47	-0.06	-4.51	-4.14	17.74	40.38
Finland	8.19	2.32	-7.94	-9.78	13.95	16.84
Italy	7.95	4.47	-13.52	-23.16	11.31	10.75
Netherlands	7.78	3.47	-9.94	-14.29	17.77	28.32
United Kingdom	7.70	0.95	-9.47	-14.16	3.77	6.24
Australia	7.62	3.65	-8.35	-12.15	1.34	23.02
Hong Kong	7.52	14.17	-2.33	-9.00	14.05	31.48
Norway	7.49	-6.74	-10.31	-9.30	8.19	39.46
Germany	6.79	-1.57	-14.53	-23.58	0.60	14.77
Portugal	6.60	1.24	-13.10	-14.91	15.67	8.11
Singapore	6.53	8.36	-3.09	-14.06	9.80	28.18
Switzerland	6.24	0.39	-3.50	-10.59	8.79	14.88
Ireland	6.24	-3.94	-14.98	-19.40	0.63	3.17
Sweden	6.21	0.43	-7.98	-15.04	1.03	14.10
Spain	5.99	2.67	-9.98	-20.22	3.48	9.80
France	5.86	-1.42	-11.42	-16.29	12.48	20.91
Japan	5.81	-0.92	-7.63	-13.94	6.98	22.30
New Zealand	5.51	9.09	0.25	-3.48	12.58	40.56
Denmark	4.38	2.89	-11.62	-15.00	11.65	5.22

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

<b>Exhibit 6: Price-to-Earnings Ratios</b>				
<b>INDEX</b>	<b>2016</b>	<b>2017</b>	<b>ESTIMATED 2018</b>	<b>ESTIMATED 2019</b>
S&P 500	21.07	21.47	17.38	16.13
S&P 500 Consumer Discretionary	19.45	22.29	21.53	20.23
S&P 500 Consumer Staples	20.99	21.50	18.49	17.77
S&P 500 Energy	-158.88	40.17	16.26	17.44
S&P 500 Financials	16.25	17.45	12.19	11.43
S&P 500 Health Care	18.77	21.21	20.36	15.65
S&P 500 Industrials	19.88	21.06	15.96	15.05
S&P 500 Information Technology	21.27	21.87	18.14	17.00
S&P 500 Materials	23.99	22.06	15.20	14.86
S&P 500 Communication Services	17.91	16.31	12.98	17.24
S&P 500 Utilities	18.06	18.40	17.62	17.47
S&P 500 Real Estate	25.78	36.40	35.50	42.51
<b>INDEX</b>	<b>2016</b>	<b>2017</b>	<b>ESTIMATED 2018</b>	<b>ESTIMATED 2019</b>
S&P MidCap 400	25.73	24.33	18.05	15.61
S&P 400 Consumer Discretionary	17.78	18.76	14.25	13.27
S&P 400 Consumer Staples	24.01	23.47	19.83	18.31
S&P 400 Energy	-9.56	-263.86	297.00	26.03
S&P 400 Financials	20.15	19.51	13.25	12.08
S&P 400 Health Care	26.19	30.96	23.51	19.43
S&P 400 Industrials	20.87	22.44	17.00	14.53
S&P 400 Information Technology	31.15	30.96	23.15	16.64
S&P 400 Materials	23.95	18.64	12.00	11.70
S&P 400 Communication Services	82.36	-12.96	22.13	19.19
S&P 400 Utilities	20.07	20.16	21.66	20.45
S&P 400 Real Estate	28.30	31.33	23.92	-
<b>INDEX</b>	<b>2016</b>	<b>2017</b>	<b>ESTIMATED 2018</b>	<b>ESTIMATED 2019</b>
S&P SmallCap 600	32.73	30.02	22.34	16.70
S&P 600 Consumer Discretionary	20.24	23.27	16.04	13.42
S&P 600 Consumer Staples	21.65	27.78	26.45	21.26
S&P 600 Energy	-6.44	-27.40	-153.31	18.86
S&P 600 Financials	21.61	19.29	15.09	13.02
S&P 600 Health Care	126.38	-513.58	73.17	31.78
S&P 600 Industrials	24.57	23.94	19.05	15.69
S&P 600 Information Technology	35.88	28.87	27.67	16.29
S&P 600 Materials	25.45	22.76	17.05	14.02
S&P 600 Communication Services	41.43	284.00	-308.00	61.60
S&P 600 Utilities	23.24	26.50	23.97	23.88
S&P 600 Real Estate	29.05	33.24	-	-

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 7: Operating EPS Changes**

<b>INDEX</b>	<b>Q1 2018 OVER Q1 2017 (%)</b>	<b>Q2 2018 OVER Q2 2017 (%)</b>	<b>Q3 2018 OVER Q3 2017 (%)</b>	<b>Q4 2018E OVER Q4 2017 (%)</b>	<b>Q1 2019E OVER Q1 2018 (%)</b>	<b>2018E OVER 2017 (%)</b>	<b>2019E OVER 2018E (%)</b>
S&P 500	26.79	26.68	32.08	15.18	4.43	24.94	7.77
S&P 500 Consumer Discretionary	14.41	20.21	18.40	2.29	-7.49	13.54	6.42
S&P 500 Consumer Staples	13.02	13.54	9.07	-0.13	2.07	8.53	4.01
S&P 500 Energy	62.37	142.18	126.27	158.02	-11.43	117.91	-6.80
S&P 500 Financials	15.37	30.52	61.56	26.05	15.23	32.68	6.58
S&P 500 Health Care	15.49	6.03	15.57	19.79	33.25	14.13	30.08
S&P 500 Industrials	40.19	20.95	22.11	19.49	-4.48	24.93	6.03
S&P 500 Information Technology	48.54	34.97	36.80	1.50	-1.90	26.74	6.72
S&P 500 Materials	18.83	35.58	25.85	31.37	-4.74	27.88	2.28
S&P 500 Communication Services	32.96	39.29	-22.63	11.34	-42.34	15.62	-24.72
S&P 500 Utilities	18.67	14.05	10.09	-12.09	-5.84	8.47	0.82
S&P 500 Real Estate	8.76	12.40	7.69	0.00	-24.83	7.14	-16.50
<b>INDEX</b>	<b>Q1 2018 OVER Q1 2017 (%)</b>	<b>Q2 2018 OVER Q2 2017 (%)</b>	<b>Q3 2018 OVER Q3 2017 (%)</b>	<b>Q4 2018E OVER Q4 2017 (%)</b>	<b>Q1 2019E OVER Q1 2018 (%)</b>	<b>2018E OVER 2017 (%)</b>	<b>2019E OVER 2018E (%)</b>
S&P MidCap 400	25.21	26.63	50.41	20.68	16.14	30.16	15.67
S&P 400 Consumer Discretionary	26.41	15.93	17.92	10.92	2.80	17.00	7.44
S&P 400 Consumer Staples	40.17	14.83	3.79	3.42	-8.54	14.65	8.30
S&P 400 Energy	900.00	-376.50	102.93	-9.30	-0.34	173.13	1041.03
S&P 400 Financials	9.69	36.41	92.68	14.01	15.19	33.30	9.69
S&P 400 Health Care	15.97	141.59	27.64	56.75	53.24	52.83	20.98
S&P 400 Industrials	29.63	17.77	19.22	26.23	16.16	22.57	17.04
S&P 400 Information Technology	22.10	16.56	39.28	73.00	63.06	39.16	39.12
S&P 400 Materials	32.01	51.35	41.59	20.03	19.86	36.73	2.58
S&P 400 Communication Services	183.04	141.84	162.97	193.19	-7.53	164.94	15.29
S&P 400 Utilities	10.62	14.54	-8.96	-5.54	5.27	1.41	5.92
S&P 400 Real Estate	33.72	52.87	102.82	-25.83	-42.17	32.14	-
<b>INDEX</b>	<b>Q1 2018 OVER Q1 2017 (%)</b>	<b>Q2 2018 OVER Q2 2017 (%)</b>	<b>Q3 2018 OVER Q3 2017 (%)</b>	<b>Q4 2018E OVER Q4 2017 (%)</b>	<b>Q1 2019E OVER Q1 2018 (%)</b>	<b>2018E OVER 2017 (%)</b>	<b>2019E OVER 2018E (%)</b>
S&P SmallCap 600	27.12	30.78	28.15	48.52	28.67	34.08	33.76
S&P 600 Consumer Discretionary	40.37	58.92	61.98	26.62	23.97	43.97	19.56
S&P 600 Consumer Staples	111.37	-21.97	-46.85	1.48	-35.47	6.86	24.41
S&P 600 Energy	101.76	-508.75	143.52	176.02	2172.73	88.10	912.70
S&P 600 Financials	25.29	44.20	32.16	8.77	8.63	26.48	15.95
S&P 600 Health Care	677.54	8284.62	-95.82	254.55	131.74	941.92	130.26
S&P 600 Industrials	8.91	35.49	24.96	15.49	24.17	21.47	21.46
S&P 600 Information Technology	6.00	-0.92	-13.36	29.34	61.72	6.27	69.87
S&P 600 Materials	11.17	32.68	26.11	8.19	11.42	19.89	21.58
S&P 600 Communication Services	0.00	-300.00	-200.00	400.00	200.00	-	600.00
S&P 600 Utilities	27.61	22.27	-42.03	7.46	5.99	11.02	0.37
S&P 600 Real Estate	-62.29	-6.63	59.26	-100.00	-	-	-

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 8: Breadth of Change (Issues With Monthly Price Changes as Described by Type)**

<b>S&amp;P 500</b>				
<b>TYPE</b>	<b>JANUARY 2019</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	472	10.99	287	7.83
Down	33	-4.11	218	-7.80
Up >= 10%	250	15.69	80	16.09
Down <= -10%	5	-13.04	63	-16.55
Up >= 25%	14	30.67	5	30.99
Down <= -25%	0	0.00	7	-31.17
Up >= 50%	0	0.00	0	0.00
Down <= -50%	0	0.00	0	0.00
<b>S&amp;P MIDCAP 400</b>				
<b>TYPE</b>	<b>JANUARY 2019</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	375	12.95	218	8.41
Down	25	-6.00	181	-10.77
Up >= 10%	214	18.25	61	18.59
Down <= -10%	6	-14.75	75	-19.88
Up >= 25%	41	30.20	10	35.10
Down <= -25%	0	0.00	14	-36.39
Up >= 50%	0	0.00	1	69.94
Down <= -50%	0	0.00	2	-54.06
<b>S&amp;P SMALLCAP 600</b>				
<b>TYPE</b>	<b>JANUARY 2019</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	542	14.24	285	11.48
Down	58	-6.59	313	-13.44
Up >= 10%	325	20.13	122	21.03
Down <= -10%	15	-16.59	154	-22.40
Up >= 25%	76	33.93	27	39.31
Down <= -25%	2	-29.53	47	-37.98
Up >= 50%	6	56.95	3	82.22
Down <= -50%	0	0.00	6	-58.71
<b>DOW JONES INDUSTRIAL AVERAGE</b>				
<b>TYPE</b>	<b>JANUARY 2019</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	27	6.51	15	5.03
Down	3	-2.47	15	-5.69
Up >= 10%	5	15.54	1	16.45
Down <= -10%	0	0.00	2	-18.05
Up >= 25%	0	0.00	0	0.00
Down <= -25%	0	0.00	0	0.00
Up >= 50%	0	0.00	0	0.00
Down <= -50%	0	0.00	0	0.00

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2019. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

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