

# U.S. Equities January 2020

## KEY HIGHLIGHTS

- The [S&P 500](#)<sup>®</sup> was down 0.16% in January, bringing its one-year return to 19.28%.
- The [Dow Jones Industrial Average](#)<sup>®</sup> lost 0.99% for the month and was up 13.03% for the one-year period.
- The [S&P MidCap 400](#)<sup>®</sup> decreased 2.70% for the month and returned 9.36% over the one-year period.
- The [S&P SmallCap 600](#)<sup>®</sup> returned -4.05% in January and 4.89% for the one-year period.

Exhibit 1: Index Returns

INDEX	1-MONTH (%)	3-MONTH (%)	1-YEAR (%)	2-YEAR (%)
S&P 500	-0.16	6.19	19.28	14.23
Dow Jones Industrial Average	-0.99	4.47	13.03	8.06
S&P MidCap 400	-2.70	2.65	9.36	2.73
S&P SmallCap 600	-4.05	1.50	4.89	2.13

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

## MARKET SNAPSHOT

The Wall Street adage “as January goes, so goes the year,” which has proven to be correct 71.4% of the time, ended with the S&P 500 posting a 0.16% decline for January. The index still posted six new closing highs throughout the month (five for the Dow), as the Street still looks “to find a reason to believe,” one more time. For January, you get to pick the fall guy, as the index return ex-Apple would have been worse, down 0.43%.

The month, which brought gains and new highs (the index was up 3.06% for the month on Jan. 17, 2020), saw positive earnings and the signing of the phase one U.S.-China trade agreement. The month opened with worries of World War 3 and closed with the rise and fall of tensions with Iran. Oil crossed above USD 64, but fell to close the month at USD 51, as the market was able to trade through the issues, while maintaining optimism and gains—that is, until the coronavirus took over as the top concern, dominating the end of the month. The debate on the Street was how much of the market reaction was due to the virus event, or if it was the market looking for a reason to take profits, after setting new highs without any major pullback (at that point, not even one day had posted a 1% decline

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

since October 2019). The answer may be that it was time for a pull back, given “we” were all looking for one. However, the reality is that China took enormous steps and implemented a lockdown that affected 56 million people, vastly shifting resources and spending, and the effect of those actions—in and of themselves—will have a global impact (no man is an island). Regardless of the reason January brought the first trading day to decline at least 1% since Oct. 8, 2019 (-1.57%), which appeared more as a controlled sell-off than a free-fall; or the next day’s rebound (1.01%, helped by buying and bargain hunters), which was the first 1% gain since Oct. 11, 2019 (1.09%); or the last trading day’s 1.77% decline, when buyers appeared to keep their hands in their pocket (away from the button, and hopefully waiting for better prices), the virus event remains a major global issue. Any prolonged Chinese impact was seen as affecting global supply chains (and costs), which could easily make it a major U.S. market issue and appears to justify why it is now at the top of the list of market concerns (above trade, politics, and interest rates).

Tensions significantly increased between the U.S. and Iran, as pro-Iranian militia encircled and firebombed the U.S. embassy in Baghdad (one U.S. citizen was killed in a prior event), and the U.S. responded with a surgical drone airstrike that struck and killed a high-ranking Iranian official at the Baghdad airport. Iran later responded by firing rockets at a U.S. military base in Iraq, citing retaliation. The pre-market’s initial reaction was for gold to move up to USD 1,613 (a level last seen in 2013), with U.S. futures declining over 1.5% at one point. However, markets calmed down when no U.S. injuries were reported. Trump then held a news conference, speaking of the Iranian ills but taking no action, and the market interpreted the situation as “case closed,” albeit with an expectation of more bad news, although at a much less controversial level. The result was that oil moved under USD 60 and gold declined back to its mid-USD 1,550 level, as markets moved up and the S&P 500 posted a new closing high. Oil continued down after that, trading under USD 52 and closing the month at USD 51.

China’s Vice Premier Liu He came to Washington for the signing of the U.S.-China phase one trade agreement with President Trump. The agreement suspended new tariffs and reduced some existing tariffs (albeit continuing with the majority), and it signaled the expected prolonged process of tariff reductions as opposed to tariff increases. The single country-to-country agreement also may increase the pressure on other countries to negotiate (compared to how a region-by-region agreement would). Of note, prior to the signing, the U.S. Treasury Department said China was no longer a currency manipulator.

In his speech at the World Economic Forum in Davos, Switzerland (where 1,500 prominent global leaders met), Trump spoke of the next opponent in the global fight in trade—the EU—adding that he wanted an agreement this year and threatening tariffs. Meanwhile, Trump approved the USMCA trade bill.

The House of Representatives passed along two articles of impeachment against Trump to the Senate, with the Senate process now started and expected to last for several weeks (six days a week). The Senate requires a two-thirds vote to impeach the president (the Senate has 53 Republicans and 47 Democrats). After procedural votes, which were along party lines, the Senate started the process for presenting the cases for and against impeachment (three days each), followed by limited questioning and a summary from both sides. The drama came down to the vote on whether witnesses would be called, which was rejected, as the first week of February is expected to bring closing arguments and a final vote. The vote, however, does not appear to be in doubt, as a two-thirds majority approval is needed to remove the president.

The U.S. FOMC met, and as expected, left its interest rates and policy unchanged (the group did technically adjust the reverse repo rate by 0.05%), as it appeared to remain dovish. The FOMC minutes from its December meeting portrayed a Fed on hold, as it appeared to take a “wait and see” stance on the economy, with concern on risk. The Beige Book said the economy “modestly” improved since the last report (six weeks ago), and the 2020 tone remained mainly positive. The Bank of England kept its rates unchanged (7-2 vote), as its projections showed inflation not being back to the target level until the end of 2021.

Earnings optimism continued, as the S&P 500 ended the month with 45% of issues reported (61% of the market value), as 152 of the 227 reported issues beat on earnings, with 57 missing expectations and 18 meeting them, while 144 of 227 beat sales estimates. For Q4, the estimates call for a 1.6% decrease over Q3 2019 and an 11.8% gain over the depressed Q4 2018 (accounting changes, normal write-downs, etc.). The forecast for 2019 is 3.6% over 2018, with the 2020 election year dream being 11.1%, and the initial 2021 estimates are pointing to an 11.2% gain over 2020. Share count impact to date continues, as 27.4% of the reported issues had at least a 4% tailwind due to lower share counts (i.e., flat earnings in aggregate compared to a 4% rise on an EPS basis)—the highest rate since the 28.2% seen in Q1 2016.

Home goods issue Bed Bath & Beyond (BBBY), which was up 6.4% after it completed a sale-leaseback deal with private equity firm Oak Street for half its property (resulting in a USD 250 billion deal to be used for debt repayment), reported a quarterly loss, citing weaker holiday sales and closing the month down 17.6%. Retail furniture and home goods store Pier 1 Imports (PIR; down 50.1% for the month) said it would close up to 450 stores (of its 942), as it “aligns its business.” Department store Macy’s (M) reported that same-store sales declined 0.6% in November and December (year-over-year), when a 2.5% decline was expected; the company said it would close 28 Macy’s stores as part of its annual review. Automaker General Motors (GM) said auto sales in China declined 15% in 2019, following a 10% decline in 2018, and it warned on sales for 2020. In Tehran, Iran, a Ukrainian-operated Boeing (BA) 737 airline (not the same model that has been grounded) crashed shortly after takeoff, killing all 176 people aboard. The U.S. said the aircraft was shot down by Iranian fire, which Iran first denied but later admitted to, as protests within Iran broke out over the situation. Family department store Target (TGT) cited weaker holiday sales and warned for the quarter (ending Jan. 31, 2020). Alphabet (GOOG/L) technically became the fourth issue to ever reach a market value of USD 1 trillion based on full shares, joining Amazon, Apple, and Microsoft. The technicality is based on using non-public Alphabet ‘B’ shares to qualify, just as Amazon’s technical qualification was obtained by using full shares, not float-adjusted ones. To date, within the S&P 500-based weighting, only Apple and Microsoft have reached (and currently remain) at the USD 1 trillion mark. S&P Dow Jones Indices announced that it would add cloud-based software services issue Paycom Software (PAYC) to the S&P 500, as it removes WellCare Health Plans (WCG), which is being acquired by Centene Corp (CNC).

In global news, former Nissan Motor and Renault SA CEO Carlos Ghosn, who escaped from house arrest in Japan (charged with financial wrongdoing) to Beirut, held a press conference during which he proclaimed his innocence. Finland's new Prime Minister, Sanna Marin, proposed a four-day workweek. Investment fund management issue BlackRock (BLK) announced plans to double the number of its sustainability-focused ETFs (to 150), as it cut companies from its actively managed portfolios that it measured as not within its ESG bounds. The New York Fed maintained its short-term cash funding activities beyond the year-end cash squeeze period. The U.S. deficit exceeded USD 1 trillion for the fiscal period ending September 2019, last seen in fiscal year 2012. The Congressional Budget Office

said the U.S. will spend USD 1 trillion more than it takes in for fiscal 2020, projecting that the USD 1 trillion mark per year will continue. It also said it expects U.S. federal debt to increase to 98% of U.S. GDP in 2030 (currently at 81%), and 190% by 2050.

The 10-year U.S. Treasury closed at 1.51%, down from last month's 1.92% (1.92% at year-end 2019, 2.69% at year-end 2018, and 2.41% at year-end 2017). The 30-year U.S. Treasury closed at 2.00%, down from last month's 2.39% (2.30%, 3.02%, 3.05%). The pound closed at 1.3204, down from 1.3253 last month (1.3253, 1.2754, 1.3498); the euro was down to 1.1097 from last month's 1.1172 (1.1172, 1.1461, 1.2000); the yen closed at 108.34 from last month's 108.76 (108.76, 109.58, 112.68), and the yuan closed at 6.9367 from last month's 6.9633 (6.9633, 6.8785, 6.5030). Oil closed at USD 51.63, down from last month's USD 61.21 (USD 61.21, USD 45.81, USD 60.09). U.S. gasoline pump prices (EIA, all grades) decreased, closing the month at USD 2.595 from last month's USD 2.658 per gallon (USD 2.658, USD 2.358, USD 2.589). Gold was up, closing at USD 1,593.40 from last month's USD 1,520.00 (USD 1520.00, USD 1,284.70, USD 1,305.00). VIX closed at 18.84, trading as high as 19.99 and as low as 11.75, up from 13.78 last month (13.78, 16.12, 11.05).

## INDEX REVIEW

### S&P 500

Opening day was great, as the market started the year with a new closing high and continued on to post five more closing highs during the month of January (actually the first half). But then came the growing coronavirus concern, as the U.S. market finally reacted, with its first 1% decline (-1.57%) since October 2019, and then it went on the next day to recoup most of it, posting its first 1% gain (1.01%) also since October 2019. Two days later, the index again went into a sell day, as it declined 1.77% and wiped out the month's gains. The month ended with a -0.16% return, closing 3.13% below a new closing high, as the virus concern became a U.S. issue. Any long-term Chinese impact was seen as affecting global supply chains and costs, which could easily make it a U.S. market issue.

The S&P 500 closed at 3,225.52, down 0.16% (off 0.04% with dividends) from last month's 3,230.78 close, when it was up 2.86% (3.02% with dividends), and from the prior month's 3,140.98 close, when it was up 3.40% (3.63%). For the three-month period, the S&P 500 was up 6.19% (6.72% with dividends), and the one-year gain was 19.28% (21.68% with dividends). The Dow closed at 28,256.32, down 0.99% (off 0.89% with dividends) from last month's 28,551.53, when it was up 1.65% (1.90%), and the prior month's 28,538.44, when it was up 1.44% (1.87%). The three-month period posted a 4.47% gain (5.11% with dividends), and the one-year return was 13.03% (15.79%). Intraday volatility (daily high/low) increased to 0.78% from last month's 0.52% (0.49% the month before that); 2019 was 0.85%, 2018 was 1.21%, and 2017 was 0.51% (which was the lowest since 1962). S&P 500 trading increased 5% (adjusted for trading days) over the past month, after the prior month's 5% decrease; the one-year trading volume was flat (a tick down). Three days posted 1% moves, one down 1.56%, the next day up 1.01%, and two days later down 1.77%; the 1% moves were all on concern over the coronavirus. Of the 21 trading days in January, five days had a high/low intraday spread of at least 1% (one was over 2%), compared with one last month; in 2019 there were 73, compared with 2018's 110 and 2017's 10.

Sector variance decreased, as 6 of the 11 sectors gained, down from last month's 10 and 9 the month before that. The spread between the best (Utilities, 6.62%) and worst (Energy, -11.17%) sectors for the month jumped to 17.79% (the one-year average was 8.34%), up from last month's 7.46%; for the year

2019, the spread was 40.41%. For the month, Utilities did the best, up 6.62%, as stability and income helped the sector (5 of the 28 Utilities issues increased their dividends in January); the sector's one-year return was 26.08%. Information Technology was a distant (and respectable) second, adding 3.89%, as Apple (AAPL) and Microsoft (MSFT) posted new highs; for the one-year period, Information Technology was up 43.91%, the best of any sector. After posting the best return last month (up 5.82%), Energy did the worst this month, falling 11.17%; oil traded above USD 64 as the Iran situation worsened, and then it fell when the situation was (partially) resolved to close at USD 51. For the one-year period, Energy was down 13.88%, the only sector in the index with a negative one-year return. Financials fell 2.80% (up 15.63% for the one-year period), as Health Care declined 2.88% (up 10.12% for the one-year period). Consumer stocks gained, as Consumer Discretionary added 0.58% and was up 15.16% for the one-year period, and Consumer Staples gained 0.20% and was up 18.13% for the one-year period.

Breadth decreased for the month and became negative, as 208 issues gained for the month, with an average gain of 5.50% each, down from last month's 353 issues (average 4.86% gain), and the prior month's 366 (5.97%). Gains of 10% or more decreased to 24 (with an average gain of 13.34%) from last month's 40 issues (14.61%); one issue gained at least 25% (one did last month). On the down side, 297 issues fell an average of 7.01% each, up from last month when 151 fell (-2.48%) and the prior month's 139 decliners. Seventy-nine issues fell at least 10% (-13.87%), up from two last month (-12.04%), and eight the month before that. For the three-month period, 336 issues gained (371 for the three-month period last month), with 114 (174) of them up at least 10%, as 169 (134) were down, and 36 (12) of them were down at least 10%.

## The Dow

The Dow started the month off well, opening with a new closing high, as it went on to post four more, crossing 29,000 for the first time, and it was up 2.93% for the month at one point, which is when I started getting requests for Dow 30,000 hats (2.13% away). Then came a pause, as the index digested its quick gains (slight changes), and then came the coronavirus, losses and charges on the earnings front, and concern over Industrials issues, with the result for the month being a loss of 0.99% for The Dow—better than the mid-cap (-2.70%) and small-cap indices (-4.05%), but still trailing the large-cap index (-0.16%). The loss was acceptable, but concern has increased over the general global economy, due mostly to the coronavirus. The Street is taking more of a “wait and see” approach (for now), but if things flair up, some dollar-averaging selling may come in (few expect large-scale shifts). If it appears contained, or some type of health treatment is seen, then a relief rally could make those hats go quickly. The one-year bottom-up consensus target price increased to 30,809 from last month's 30,234 (projecting a 9.0% gain from here), as analysts may be waiting for events to guide them for any adjustments.

For January, The Dow closed at 28,256.03, down 0.99% (off 0.89% with dividends) from last month's 28,538.44 close, when it was up 1.74% (1.87%), and the prior month's 28,051.41 close, when it posted a 3.72% gain (4.11%). For the three-month period, the index posted a 4.47% gain (5.11% with dividends), as the one-year return was 13.03% (15.79%). Over the longer term, the 2-year period was up 8.06%, the 3-year return was 42.25%, the 5-year period posted 64.61%, and the 10-year return was 180.67% (which was also the worst of the four).

For the month, breadth turned negative, as 12 of the 30 issues gained, with an average gain of 5.13% each, down from last month's 24 gainers (24 for the prior month as well), which had an average gain of

3.67%. On the downside, 18 issues declined, with an average loss of 6.83% each, up from last month's 6 (6 for the prior month as well), which had an average loss of 3.03%. No issue gained at least 10%, as none did last month (two the month before that), while six declined at least 10% (average loss of 12.13%), up from one last month and two the month before that. For the three-month period, 17 issues were up, with an average gain of 9.34%, compared to 23 last month (10.85%) and 21 the month before that, as 7 were up at least 10% (14.63%), down from 10 for each of the prior two months. On the down side 13 issues fell an average of 4.70% each, up from 7 last month (-8.87%) and 9 the month before that, as none were down at least 10%, compared to 1 last month.

Issue performance continued to vary, as specific earnings and events mixed with month-end declines. The spread between the best and worst issue remained high, as it increased to 24.10% from last month's 20.92% and the prior month's 22.67% (the 2019 spread was a 99.87%). Fast food issue McDonald's (MCD) did the best, adding 8.28% for the month, as it regained its second-half 2019 declines. Microsoft added 7.95%, as it posted a new high in January, while business systems issue International Business Machines (IBM) replaced its CEO, and the issue increased 7.23%. Apple also set a new high, as it closed up 5.40% for the month, but unlike McDonald's, Microsoft, and IBM, which all were up from the index's high posted on Jan. 17, 2020, Apple declined 2.89% between that date and the end of the month. Materials issue Dow (DOW) did the worst, down 15.82%, as retail drug store Walgreens Boots Alliance (WBA) continued to decline, down 13.76% for the month and down 25.58% since the end of 2018. Industrials issue Caterpillar (CAT) fell 11.06%, as Energy issue Chevron (CVX) declined 11.09%. Of note was Boeing, off 2.30%, as it reported an annual loss and charge for its grounded aircraft, and managed healthcare issue UnitedHealth Group (UNH), which fell 7.32% (but due to index weighting had the largest negative impact on The Dow), as pressure on Health Care issues returned due to viewed shifts in potential politic candidates.

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

The S&P MidCap 400 declined as deep Energy losses pulled the index down. For the month, the mid-cap index posted a broad 2.70% decline, negating last month's 2.63% gain and underperforming the large-cap indices (S&P 500 was off 0.16% and The Dow was down 0.99%), but better than the small-cap index's (-4.05%). The three-month period was up 2.65% and the one-year period produced a 9.36% gain, with both returns underperforming the large-cap indices and beating the small-cap index. Over the longer-term periods, the 2-year period posted a modest 2.73% gain, the 3-year return was up 18.97%, the 5-year period posted 39.87%, and the 10-year return was 185.60% (all of which underperformed the S&P 500).

For the month, only 1 of the 11 sectors gained, down from last month's sweep, when all 11 were up (8 were up the month before that). Sector spreads significantly increased for the month, and the difference between the best and worst group increased to 24.34% from last month's 22.95% (16.03% the month before that), as Energy again reversed directions, declining 22.53% for the month after last month's 23.54% gain (-7.53% the month before that). For the one-year period, the spread remained significant, as it increased to 69.35% from last month's 56.33%, while Information Technology was up 25.87% for the one-year period and Energy was down 43.49%.

For the month, issues reacted to specific earnings and then the general lowering tide of the market near the end of the month. Utilities was the only positive sector, up 1.81%, as income and its relative safety helped with the month-end risk-off market. Consumer groups declined, but varied significantly, as the Consumer Discretionary sector was down 1.84% and up 11.43% for the one-year-period, while

Consumer Staples fell 7.72% and was down 4.30% for the one-year period. Energy did the worst, off 22.52%, while Materials fell 6.93%. Information Technology declined 1.90% and was up 25.87% for the one-year period. Communication Services fell 3.03%, while the large-cap sector added 0.66% and the small-cap sector gained 1.39%.

Breadth declined and became negative, as 137 issues gained an average of 5.61% each, down from last month's 266 gainers (6.48%) and the prior month's 288, while 262 declined an average of 8.88%, up from last month's 131 (-3.62%) and the prior month's 111. There were 21 issues that increased at least 10% (14.28%), down from 14 (18.68%) last month and 56 the month before that, as 85 (-16.54%) declined at least 10%, up from 9 issues (-12.63%) last month and 23 the month before that. Significant gains of at least 25% were posted by one issue, down from eight last month and none the month before that, as seven issues fell at least 25%, compared to none last month and six the month before that. For the three-month period, 228 issues were up (278 last month), with 172 down (120), as 83 (143) were up at least 10% and 18 (31) were down at 10%; 18 (26) were up 25% and 8 (1) were down at least 25%.

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

The small-cap index declined a broad 4.05%, the worst of the headline indices, after last month's 2.79% gain and the prior month's 2.92% gain. Energy, which rebounded 21.79% last month, gave it all back in January, as it led the index down with a -23.14% return. For the three-month-period, the index remained positive, up 1.50%, the lowest of the core indices, as the one-year return was up 4.89%, compared to the mid-cap index's 9.36% and large-cap index's 19.28%. Over the longer term, the 2-year return was 2.13%, the 3-year period posted a 17.46% gain (also the lowest), the 5-year period was up 46.16%, and the 10-year return was 205.11%. For small-cap believers, January was difficult, as they thought they had built up some momentum after four months of gains. At this point, large caps still appear to be the favorite, as their losses were much lower.

Sector variance slightly increased, and the difference between the best and worst sector was 24.53%, after last month's jump to 23.54% from the prior month's 14.33%, as Energy's decline (-23.14%) again accounted for the level (compared to its 21.79% gain the prior month). For the three-month period, the spread was 17.60%, up from last month's 14.59%, as the one-year spread was 64.58%, with Information Technology up 20.39% and Energy down 44.19%.

For the month, 3 of the 11 sectors gained, down from 9 last month and 7 the month before that. Communication Services did the best, up 1.39%, while it remained down 5.19% over the one-year period. Utilities did well (but not nearly as well as the large-cap sector, up 6.61%), adding 0.59% for the month and up 16.23% for the one-year period. Health Care also managed a gain, up 0.13% and up 10.32% for the one-year-period. Energy did the worst, down 23.14% and down 44.19% for the one-year period, as Materials fell 7.43% and was down 5.72% over the one-year period. Consumer stocks declined, with Consumer Discretionary down 3.36% for the month and up 2.68% for the one-year period, while Consumer Staples fell 8.55% and was down 3.49% over the one-year period.

For the month, breadth declined and turned strongly negative, as 178 issues gained an average of 6.67% each, down from last month's 398 gainers (9.29%) and the prior month's 383. On the down side, 422 issues fell an average of 11.28% each, up from last month's 201 decliners (-5.45%), and the prior month's 215. Gains of at least 10% were posted by 36 issues (average 17.84%), down from last month's 113 (22.44%) and 118 the month before that, as 191 issues declined at least 10% (with an average decline of 18.88%), up from last month's 27 (-19.12%) and 58 for the month before that. For

the three-month period, 296 issues gained (average 13.25%), down from last month's 420 gainers (16.21%), as 305 issues declined (-12.06%), up from the prior month's 180 (-11.07%). Gainers of at least 10% numbered 138, down from last month's 247, as 10% decliner's numbered 145, up from last month's 75.

## **S&P Global BMI**

Global markets moved broadly lower January, as trade issues were replaced with coronavirus concerns, with the virus starting to affect markets, companies, and the economy. For the month, 11 of the 49 countries gained, down from last month's 48 and the prior month's 27. Developed markets did better than emerging ones, as the U.S. (which accounts for 54.12% of the global equity market) outpaced the non-U.S. markets for the month. January posted a 1.42% decline, after December's broad 3.40% gain and November's 2.31% gain. Absent the U.S.'s "mild" 0.25% decline, the global non-U.S. market was down 2.76% for the month.

For the three-month period, global markets posted a 4.30% gain, but omitting the U.S.'s 6.11% return, the gain was 2.23%. For the one-year period, global markets were up 12.01%, and absent the U.S.'s 18.11% gain, they were up 7.17%. Over the longer term, the U.S. also dominated; the two-year global return was 2.03% with the U.S. gain of 13.22% and -9.09% without it, while the three-year return was up 27.49% with the U.S. gain of 39.06%, and absent the U.S., it was up 15.63%.

The S&P Global BMI decreased USD 882 billion in January (up USD 1,884 billion last month). Non-U.S. markets decreased USD 783 billion (up USD 1,152 billion last month), and U.S. markets decreased USD 99 billion (up USD 662 last month). Emerging markets were down 4.34% for the month, up 2.03% for the three-month period, and up 3.38% for the one-year period. Developed markets were down 1.04% for the month (off 2.26% excluding the U.S.), up 4.58% (2.29%) for the three-month period, and up 14.07% (8.30%) for the one-year period.

Sector variance increased, as 2 of the 11 sectors gained, down from all 11 last month and 9 the month before that. The spread between the best (Utilities, 4.22%) and worst (Energy, -9.63%) sectors for the month was 13.86% (the one-year average was 6.86%), up from last month's 4.04%; for 2019, the spread was 35.42%.

Emerging markets posted a broad 4.34% decline, after last month's 6.58% gain and the prior month's 0.08% gain, as the three-month gain was 2.03% and the one-year period was up 3.38%. The two-year return was down 13.72%, and the three-year return was up 17.80%. For January, 5 of the 24 markets gained, down from December, when all 24 were up, and November's 11. Turkey did the best, up 3.16% for the month but down 1.71% over the one-year period, as Pakistan was next, up 2.92% for the month and down 14.95% for the one-year period, while Egypt added 1.32% and was up 14.21% for the one-year period. Hungary did the worst, declining 10.69% for the month and down 4.03% for the one-year period. South Africa was next, as it posted a -9.37% monthly return and was down 29.49% for the one-year period, with the Philippines down 8.53% for the month and down 8.42% for the one-year period.

Developed markets posted a consolidated 1.04% decline for the month, while the return excluding the U.S. was down 2.26%, which was still better than emerging markets' -4.34%. The three-month return was up 4.58% and up 2.29% excluding the U.S., and the one-year return was 14.07% and 8.30% excluding the U.S. The two-year return was 4.04%, but it was down 7.75% excluding the U.S., and the



three-year return was 28.70% and 15.16% excluding the U.S. For January, 6 of the 25 markets gained, down from last month's 24 and the prior month's 16. Israel did the best for the month, up 2.82% and up 9.80% for the one-year period. Portugal was next, adding 1.46% and up 7.93% for the one-year period, followed by Denmark, which gained 1.39% for the month and was up 21.75% for the one-year period. Luxembourg did the worst, down 8.07% and down 24.62% for the one-year period. Norway was next, off 7.36% and down 5.23% for the one-year period, and then Korea, which fell 6.01% and was down 7.74% for the one-year period. Of note, Canada fell 0.85% (up 9.94% for the one-year period), Japan fell 1.82% (8.20%), Germany lost 3.13% (7.58%), and the UK fell 3.72% (5.54%).

## PERFORMANCE RECAP

<b>Exhibit 2: Monthly Returns</b>							
<b>S&amp;P 500</b>	<b>PRICE</b>	<b>1-MONTH (%)</b>	<b>3-MONTH (%)</b>	<b>1-YEAR (%)</b>	<b>3-YEAR (%)</b>	<b>5-YEAR (%)</b>	<b>FR 12/99 (%)</b>
Energy	405.45	-11.18	-4.97	-13.88	-24.12	-27.33	90.60
Materials	361.99	-6.18	-0.75	8.39	10.87	20.98	126.30
Industrials	684.12	-0.51	3.45	13.31	25.43	46.01	150.25
Consumer Discretionary	992.01	0.58	4.42	15.16	46.98	78.81	231.44
Consumer Staples	648.25	0.20	3.34	18.31	20.16	31.43	211.59
Health Care	1153.96	-2.88	5.33	10.12	41.75	44.02	253.13
Financials	497.10	-2.79	4.43	15.63	28.45	60.35	54.51
Information Technology	1673.91	3.89	14.09	43.91	98.56	151.74	107.31
Communication Services	182.84	0.66	6.41	19.70	7.28	22.60	-43.36
Utilities	350.08	6.61	7.44	26.08	40.13	42.44	145.78
Real Estate	243.62	1.37	0.17	14.39	28.23	22.56	-
S&P 500	3225.52	-0.16	6.19	19.28	41.54	61.68	119.54
<b>DOW JONES INDUSTRIAL AVERAGE</b>	<b>PRICE</b>	<b>1-MONTH (%)</b>	<b>3-MONTH (%)</b>	<b>1-YEAR (%)</b>	<b>3-YEAR (%)</b>	<b>5-YEAR (%)</b>	<b>FR 12/99 (%)</b>
Dow Jones Industrial Average	28256.03	-0.99	4.47	13.03	42.25	64.61	145.77
<b>S&amp;P MIDCAP 400</b>	<b>PRICE</b>	<b>1-MONTH (%)</b>	<b>3-MONTH (%)</b>	<b>1-YEAR (%)</b>	<b>3-YEAR (%)</b>	<b>5-YEAR (%)</b>	<b>FR 12/99 (%)</b>
Energy	196.38	-22.53	-11.50	-43.49	-60.09	-67.71	11.92
Materials	440.63	-6.96	-2.35	-2.22	-1.50	23.07	297.07
Industrials	1111.49	-2.32	3.28	16.76	29.54	66.32	524.37
Consumer Discretionary	788.20	-1.84	3.37	11.43	16.01	17.13	296.25
Consumer Staples	1600.71	-7.72	-5.23	-4.30	-6.36	2.49	818.81
Health Care	2021.07	-2.59	7.63	8.97	47.79	77.60	1042.40
Financials	1005.82	-2.17	2.84	9.97	10.48	43.14	204.02
Information Technology	3028.56	-1.90	7.01	25.87	59.52	99.93	259.41
Communication Services	164.67	-3.03	-0.02	0.70	-40.78	-34.41	-65.20
Utilities	620.95	1.81	1.28	8.02	25.31	42.25	348.28
Real Estate	241.29	-0.77	-1.41	4.88	6.09	-	-
S&P MidCap 400	2007.22	-2.70	2.65	9.36	18.97	39.87	351.40
<b>S&amp;P SMALLCAP 600</b>	<b>PRICE</b>	<b>1-MONTH (%)</b>	<b>3-MONTH (%)</b>	<b>1-YEAR (%)</b>	<b>3-YEAR (%)</b>	<b>5-YEAR (%)</b>	<b>FR 12/99 (%)</b>
Energy	208.77	-23.14	-7.32	-44.19	-72.65	-78.30	34.34
Materials	447.63	-7.43	-0.50	-5.72	-7.01	12.90	224.70
Industrials	1141.43	-3.64	0.51	11.47	24.99	59.61	470.89
Consumer Discretionary	570.00	-3.36	1.89	2.68	21.13	24.12	320.57
Consumer Staples	1740.74	-8.55	0.69	-3.49	10.68	36.31	773.21
Health Care	3112.70	0.13	10.28	10.32	76.47	115.36	1619.34
Financials	1056.37	-4.85	-0.01	2.89	8.50	46.34	260.65
Information Technology	818.20	-2.65	2.83	20.39	31.26	93.02	199.19
Communication Services	2.92	1.39	2.10	-5.19	0.00	29.78	-96.02
Utilities	1119.88	0.59	-0.96	16.23	36.23	64.25	496.63
Real Estate	204.46	-0.81	-2.83	4.95	2.16	-	-
S&P SmallCap 600	979.84	-4.05	1.50	4.89	17.46	46.16	395.39

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. 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 (%)	1-YEAR (%)	3-YEAR (%)	5-YEAR (%)	10-YEAR (%)
S&P 500	-0.04	6.72	21.68	50.26	79.17	269.82
S&P MidCap 400	-2.61	3.10	11.27	24.94	51.75	233.26
S&P SmallCap 600	-3.97	1.93	6.57	22.67	57.07	248.00
S&P Composite 1500	-0.30	6.36	20.56	47.58	76.60	267.44
Dow Jones Industrial Average	-0.89	5.11	15.79	52.67	85.99	260.68

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. 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	-1.42	4.30	6.21	12.90	2.03	27.49
Global Ex-U.S.	-2.76	2.23	4.71	7.17	-9.09	15.63
Emerging	-4.34	2.03	2.06	3.38	-13.72	17.80
Turkey	3.16	13.73	6.22	-1.71	-37.92	-15.53
Pakistan	2.92	21.21	28.90	-14.95	-55.17	-36.91
Egypt	1.32	-0.83	10.26	14.21	12.03	39.17
Mexico	1.22	3.10	8.89	1.35	-13.42	3.70
U.A.E.	0.74	1.02	-6.57	-1.43	-9.99	-9.69
Kuwait	-0.14	11.88	4.40	24.40	33.37	36.16
India	-0.26	1.21	5.56	9.22	-8.65	28.57
Qatar	-0.31	3.33	-0.89	-5.20	11.77	-1.94
Saudi Arabia	-2.36	6.19	-6.66	-5.00	8.49	18.22
Russia	-2.77	4.51	8.04	21.04	11.39	28.46
Czech Republic	-3.35	1.48	-3.02	-9.61	-18.50	17.93
Malaysia	-3.82	-1.61	-5.46	-6.85	-22.41	0.59
Indonesia	-4.03	-1.51	-4.87	-6.48	-12.47	8.70
China	-4.78	4.38	3.50	3.17	-19.54	24.19
Taiwan	-4.90	2.18	9.87	19.06	-0.16	27.21
Poland	-5.36	-5.75	-8.91	-15.59	-31.28	0.50
Peru	-6.21	-3.86	-4.63	-11.02	-13.41	15.07
Greece	-6.34	-2.37	-0.43	32.27	-16.73	25.03
Colombia	-6.48	-0.89	0.92	4.02	-12.04	3.91
Brazil	-6.88	0.33	-1.71	-0.21	-3.19	24.09
Chile	-8.24	-11.26	-20.32	-33.15	-44.46	-19.27
Thailand	-8.37	-8.54	-12.49	-6.98	-16.34	9.27
Philippines	-8.53	-10.57	-11.26	-8.84	-17.82	-5.30
South Africa	-9.37	-0.84	-7.15	-12.02	-29.49	-7.44
Hungary	-10.67	-1.74	2.84	-4.03	-13.36	20.55

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes. Returns shown are price returns.

<b>Exhibit 5: S&amp;P Global BMI, Developed, Sorted by January Performance</b>						
<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	-1.04	4.58	6.71	14.07	4.04	28.70
Developed Ex-U.S.	-2.26	2.29	5.49	8.30	-7.75	15.16
Israel	2.82	6.98	6.66	9.80	12.36	25.49
Portugal	1.46	4.81	9.44	7.93	-8.17	24.83
Denmark	1.39	11.22	15.80	21.75	3.48	35.94
Switzerland	0.68	6.82	9.59	22.41	9.44	33.17
Finland	0.36	4.62	6.96	0.18	-9.62	14.15
Australia	0.24	2.18	0.12	10.19	-3.19	11.67
United States	-0.25	6.11	7.52	18.11	13.22	39.06
Canada	-0.85	4.34	4.33	9.94	-0.40	10.00
New Zealand	-1.10	11.25	6.72	22.50	18.23	37.91
Japan	-1.82	0.58	7.74	8.20	-6.89	15.74
Sweden	-2.38	4.72	9.95	13.18	-3.84	14.34
Singapore	-2.60	0.11	-0.34	3.81	-10.79	13.98
Netherlands	-2.68	3.71	6.03	17.87	1.02	38.82
Italy	-2.69	1.71	7.80	12.27	-13.73	24.96
Belgium	-2.81	0.81	-3.37	9.16	-18.33	1.15
Spain	-2.90	0.01	2.01	-0.53	-20.64	2.94
Germany	-3.13	1.09	6.35	7.58	-17.79	8.22
France	-3.59	0.90	4.82	11.97	-6.27	25.95
United Kingdom	-3.72	3.30	4.92	5.54	-9.40	9.52
Ireland	-4.05	5.17	12.81	17.39	-5.39	18.13
Austria	-4.11	-2.28	0.37	0.91	-24.50	21.37
Hong Kong	-4.17	-1.99	-7.44	-6.33	-14.76	6.83
Korea	-6.01	0.30	6.20	-7.74	-24.93	6.00
Norway	-7.36	-0.18	-1.22	-5.23	-14.04	2.54
Luxembourg	-8.07	-5.25	-7.62	-24.62	-41.18	-23.79

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. 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>2018</b>	<b>ESTIMATED 2019</b>
S&P 500	21.07	21.47	21.28	20.53
S&P 500 Consumer Discretionary	19.45	22.29	24.90	25.26
S&P 500 Consumer Staples	20.99	21.50	22.09	21.31
S&P 500 Energy	-158.88	40.17	13.24	20.58
S&P 500 Financials	16.25	17.45	15.91	12.20
S&P 500 Health Care	18.77	21.21	23.06	20.23
S&P 500 Industrials	19.88	21.06	18.27	19.26
S&P 500 Information Technology	21.27	21.87	26.27	26.07
S&P 500 Materials	23.99	22.06	16.77	20.80
S&P 500 Communication Services	17.91	16.31	15.52	22.11
S&P 500 Utilities	18.06	18.40	22.72	22.21
S&P 500 Real Estate	25.78	36.40	38.07	36.20
<b>INDEX</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>ESTIMATED 2019</b>
S&P MidCap 400	25.73	24.33	20.91	20.29
S&P 400 Consumer Discretionary	17.78	18.76	15.37	19.51
S&P 400 Consumer Staples	24.01	23.47	19.31	21.35
S&P 400 Energy	-9.56	-263.86	-148.77	74.67
S&P 400 Financials	20.15	19.51	16.06	11.63
S&P 400 Health Care	26.19	30.96	34.04	24.90
S&P 400 Industrials	20.87	22.44	20.01	21.07
S&P 400 Information Technology	31.15	30.96	30.68	31.86
S&P 400 Materials	23.95	18.64	12.07	16.49
S&P 400 Communication Services	82.36	-12.96	22.74	21.96
S&P 400 Utilities	20.07	20.16	24.27	23.55
S&P 400 Real Estate	28.30	31.33	25.75	30.82
<b>INDEX</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>ESTIMATED 2019</b>
S&P SmallCap 600	32.73	30.02	25.10	25.51
S&P 600 Consumer Discretionary	20.24	23.27	17.11	16.61
S&P 600 Consumer Staples	21.65	27.78	29.97	28.33
S&P 600 Energy	-6.44	-27.40	28.37	-13.96
S&P 600 Financials	21.61	19.29	17.36	14.36
S&P 600 Health Care	126.38	-513.58	202.91	106.56
S&P 600 Industrials	24.57	23.94	21.10	19.27
S&P 600 Information Technology	35.88	28.87	36.11	41.12
S&P 600 Materials	25.45	22.76	17.17	19.61
S&P 600 Communication Services	41.43	284.00	-292.00	-292.00
S&P 600 Utilities	23.24	26.50	28.77	30.23
S&P 600 Real Estate	29.05	33.24	47.33	39.17

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

**Exhibit 7: Operating EPS Changes**

<b>INDEX</b>	<b>Q4 2018 OVER Q4 2017 (%)</b>	<b>Q1 2019 OVER Q1 2018 (%)</b>	<b>Q2 2019 OVER Q2 2018 (%)</b>	<b>Q3 2019 OVER Q3 2018 (%)</b>	<b>Q4 2019E OVER Q4 2018 (%)</b>	<b>2018 OVER 2017 (%)</b>	<b>2019E OVER 2018 (%)</b>
S&P 500	3.49	3.97	3.86	-3.79	11.85	21.76	3.64
S&P 500 Consumer Discretionary	0.52	-0.87	-3.06	0.19	-1.96	13.05	-1.43
S&P 500 Consumer Staples	-4.04	3.25	0.00	-1.28	13.32	7.47	3.65
S&P 500 Energy	214.68	-40.48	-17.87	-24.05	-55.86	130.40	-35.66
S&P 500 Financials	-34.64	39.21	13.39	4.74	108.29	17.53	30.34
S&P 500 Health Care	7.36	16.79	18.49	2.28	19.25	10.98	14.01
S&P 500 Industrials	14.39	-5.49	-4.02	-2.34	-9.02	23.61	-5.13
S&P 500 Information Technology	-0.87	-8.04	6.10	-8.63	13.31	25.93	0.78
S&P 500 Materials	20.45	-26.23	-23.38	-18.22	-5.81	25.61	-19.37
S&P 500 Communication Services	11.86	-41.78	-45.13	-9.91	-1.84	15.72	-29.80
S&P 500 Utilities	-23.53	-7.42	-2.87	-1.36	36.32	6.06	2.27
S&P 500 Real Estate	28.99	-4.03	46.21	1.79	-17.42	14.29	5.16
<b>INDEX</b>	<b>Q4 2018 OVER Q4 2017 (%)</b>	<b>Q1 2019 OVER Q1 2018 (%)</b>	<b>Q2 2019 OVER Q2 2018 (%)</b>	<b>Q3 2019 OVER Q3 2018 (%)</b>	<b>Q4 2019E OVER Q4 2018 (%)</b>	<b>2018 OVER 2017 (%)</b>	<b>2019E OVER 2018 (%)</b>
S&P MidCap 400	-4.89	8.25	1.24	-15.10	23.30	22.86	3.07
S&P 400 Consumer Discretionary	24.14	-19.54	-16.65	-23.95	-23.49	20.91	-21.21
S&P 400 Consumer Staples	-4.69	-21.58	-7.32	-11.83	6.89	12.65	-9.53
S&P 400 Energy	-81.69	-79.66	183.79	-1009.52	-146.03	17.50	299.24
S&P 400 Financials	-31.35	43.05	13.73	16.35	119.28	20.93	38.04
S&P 400 Health Care	-88.81	62.85	3.08	-27.24	1170.67	15.01	36.74
S&P 400 Industrials	22.51	8.30	-5.83	-16.57	-2.05	21.63	-5.04
S&P 400 Information Technology	47.19	-5.38	-8.94	-19.24	15.90	32.16	-3.69
S&P 400 Materials	5.08	2.05	-28.23	-36.60	-39.06	32.87	-26.79
S&P 400 Communication Services	185.34	-24.73	21.38	-18.98	48.47	163.62	3.59
S&P 400 Utilities	-17.91	7.49	-30.42	0.00	24.18	-2.25	3.09
S&P 400 Real Estate	-36.25	-12.61	-29.70	-30.90	28.10	28.71	-16.44
<b>INDEX</b>	<b>Q4 2018 OVER Q4 2017 (%)</b>	<b>Q1 2019 OVER Q1 2018 (%)</b>	<b>Q2 2019 OVER Q2 2018 (%)</b>	<b>Q3 2019 OVER Q3 2018 (%)</b>	<b>Q4 2019E OVER Q4 2018 (%)</b>	<b>2018 OVER 2017 (%)</b>	<b>2019E OVER 2018 (%)</b>
S&P SmallCap 600	15.62	-23.74	4.47	-12.72	24.26	25.17	-1.61
S&P 600 Consumer Discretionary	12.38	-9.92	-11.00	11.25	16.08	38.56	3.00
S&P 600 Consumer Staples	-56.15	-43.99	5.62	107.61	94.94	-8.99	5.79
S&P 600 Energy	365.57	-6436.36	145.89	-422.39	-114.20	135.90	-303.26
S&P 600 Financials	-37.73	9.61	-9.65	14.17	109.70	13.16	20.85
S&P 600 Health Care	70.99	-140.53	-75.75	1950.00	690.19	434.93	90.42
S&P 600 Industrials	18.50	2.28	13.06	11.75	8.71	22.26	9.48
S&P 600 Information Technology	1.61	-59.77	-24.49	-6.74	28.30	-1.95	-12.18
S&P 600 Materials	-24.95	-13.55	-11.14	-23.00	6.20	12.23	-12.43
S&P 600 Communication Services	400.00	-100.00	150.00	-100.00	-33.33	-	0.00
S&P 600 Utilities	-4.38	-26.38	-29.74	139.52	10.93	7.51	-4.85
S&P 600 Real Estate	-102.94	34.85	58.06	-56.74	2475.00	-29.41	20.83

Source: S&P Dow Jones Indices LLC. Data as of Jan. 31, 2020. 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 2020</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	208	5.50	336	9.11
Down	297	-7.01	169	-6.54
Up >= 10%	24	13.34	114	16.86
Down <= -10%	79	-13.87	36	-14.70
Up >= 25%	1	27.81	12	34.66
Down <= -25%	0	0.00	0	0.00
Up >= 50%	0	0.00	1	50.41
Down <= -50%	0	0.00	0	0.00
<b>S&amp;P MIDCAP 400</b>				
<b>TYPE</b>	<b>JANUARY 2020</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	137	5.61	228	10.05
Down	262	-8.88	172	-9.34
Up >= 10%	21	14.28	83	20.13
Down <= -10%	85	-16.54	60	-18.50
Up >= 25%	1	29.10	18	36.63
Down <= -25%	7	-33.90	8	-35.66
Up >= 50%	0	0.00	4	54.87
Down <= -50%	0	0.00	1	-61.94
<b>S&amp;P SMALLCAP 600</b>				
<b>TYPE</b>	<b>JANUARY 2020</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	178	6.67	296	13.25
Down	422	-11.28	305	-12.06
Up >= 10%	36	17.84	138	22.81
Down <= -10%	191	-18.88	145	-20.42
Up >= 25%	5	37.18	36	41.89
Down <= -25%	39	-33.12	36	-36.46
Up >= 50%	0	0.00	8	76.66
Down <= -50%	0	0.00	5	-61.62
<b>DOW JONES INDUSTRIAL AVERAGE</b>				
<b>TYPE</b>	<b>JANUARY 2020</b>	<b>AVERAGE % CHANGE</b>	<b>3-MONTH</b>	<b>AVERAGE % CHANGE</b>
Up	12	5.13	17	9.34
Down	18	-6.83	13	-4.70
Up >= 10%	0	0.00	7	14.63
Down <= -10%	6	-12.13	0	0.00
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, 2020. Past performance is no guarantee of future results. Table is provided for illustrative purposes.

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