

FEBRUARY 2019 MARKET RECAP: EDGY STOCK MARKET STILL GAINS GROUND IN FEBRUARY

March 1, 2019 | Gene Walden, Senior Finance Editor

Despite some growing economic concerns, the U.S. stock market continued to rebound in February, extending its strong start to 2019 after suffering a steep drop in the fourth quarter of 2018.

The S&P 500® moved up 2.97% in February following a 7.87% increase in January. The NASDAQ Composite Index moved up 3.44% for the month after a 9.74% increase in January.



The international markets also continued their positive start to 2019. The MSCI EAFE Index, which tracks the performance of developed-economy stocks in Europe, Asia and Australia, rose 2.33% in February after a 6.47% increase in January.

Here are some other recent economic highlights, which are covered in greater detail later in this report (Exhibit 1):

- Solid GDP growth.** U.S. gross domestic product (GDP) grew at an annualized rate of 2.6% in the fourth quarter of 2018, according to the "initial" estimate issued February 28 by the U.S. Bureau of Economic Analysis (BEA).
- Income dips.** Personal income decreased by 0.1% in January, according to the personal income report issued March 1 by the BEA. It was the first drop in more than three years.

In A Nutshell					Exhibit 1	
	December 31, 2018	January 31, 2019	February 28, 2019	% Change Month	% Change YTD	
S&P 500 Index	2,506.85	2,704.10	2,784.49	2.97%	11.08%	
NASDAQ Composite Index	6,635.28	7,281.74	7,532.53	3.44%	13.52%	
MSCI EAFE Index	1,719.88	1,831.09	1,873.72	2.33%	8.94%	
US 10-Yr Treasury	2.68%	2.63%	2.71%	N/A	N/A	
Oil (West Texas Intermediate)	45.41	53.79	57.22	6.38%	26.01%	

- Oil prices extend rally.** Oil prices continued to rebound in February from a severe slump in the fourth quarter of 2018.

Drilling Down

U.S. Stocks Continue to Rebound

The S&P 500 rose 2.97% in February, from 2,704.10 at the January close to 2784.49 at the end of February (Exhibit 2). The index is up 11.08% through the first two months of 2019.



(The S&P 500 Index is a market-cap-weighted index that represents the average performance of a group of 500 large-capitalization stocks.)

The total return of the S&P 500 (including dividends) was 3.21% in February.

The NASDAQ Index gained 3.44% in February, from 7281.74 at the January close to 7532.53 at the end of February. It is up 13.52% for the year. (The NASDAQ – National Association of Securities Dealers Automated Quotations – is an electronic stock exchange with more than 3,300 company listings.)

Retail Sales Solid

Total retail sales for 2018 were up 5.0% from 2017, according to the advance monthly retail sales report issued February 14 by the U.S. Department of Commerce. The report also noted that sales in December 2018 were up 1.2% from the previous month. But January 2019 retail results have not yet been released because of a delay in data collection and processing during the government shutdown from December 22, 2018 through January 25, 2019.

For all of 2018, clothing and clothing accessories stores were up 4.8%, food services and drinking places were up 3.4%, auto sales were up 3.0%, and sales by non-store retailers (primarily online) were up 9.6%.

More Jobs

U.S. employers added 304,000 new jobs in January, according to the U.S. Bureau of Labor Statistics Employment Situation Report issued February 1. However, the unemployment rate edged up 0.3% from 3.7% to 4.0% over the past two months as more people entered the work force – an indication that the strong job market is attracting more workers.

GDP Growth Continues

GDP grew at an annualized rate of 2.6% in the fourth quarter of 2018, following growth of 3.4% in the third quarter, according to the "initial" estimate issued February 28 by the BEA. The economy was bolstered by "positive contributions from personal consumption expenditures, nonresidential fixed investment, exports, private inventory investment, and federal government spending," according to the BEA. The report also noted that there was a weakness in residential fixed investment, and state and local government spending.

Personal Income Slips

Personal income decreased by 0.1% in January, while disposable personal income declined by 0.2% according to the personal income report issued March 1 by the BEA. That was the first decline in personal income since November 2015.

According to the BEA, the decrease "reflected decreases in personal dividend income, farm proprietors' income, and personal interest income that were partially offset by increases in social security benefit payments and other government social benefits."

But personal income was up significantly in 2018, according to the report. Personal income increased 4.5% for the year, while disposable personal income increased by 5.0%.

All Sectors Up Again

For the second month in a row, all 11 sectors of the S&P 500 posted gains. The Information Technology sector led the way with a gain of 6.89%, followed by Industrials, up 6.40%, and Utilities, up 4.16%.

Exhibit 3 shows the results of the 11 sectors for the past month:

Treasury Yields Edge Up

The yield on 10-year U.S. Treasuries made a small advance in February, ending the month at 2.71%, up 0.08% from the January closing rate of 2.63% (Exhibit 4).

Oil Market Continues Rebound

Oil continued to rebound in February, extending its rally from January after experiencing a decline of nearly 40% in the fourth quarter of 2018 (Exhibit 5). The price of a barrel of West Texas Intermediate, a grade of crude oil used as a benchmark in oil pricing, climbed 6.38% for the month, from \$53.79 at the end of January to \$57.22 at the February close. The price of oil has surged by 26.01% in the first two months of 2019 after closing 2018 at \$45.41 per barrel.

International Equities Turn Positive

The MSCI EAFE Index moved up for the second consecutive month in February, rising 2.33% from its January close (Exhibit 6).

What's ahead for the economy and the markets? See [March 2019 Market Outlook: Fed Pivot Could Aid Economy](#) by Mark Simenstad, Chief Investment Strategist

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S&P 500 Sectors			Exhibit 3
	February Returns	2019 YTD	
Information Technology	6.89%	14.34%	
Industrials	6.40%	18.55%	
Utilities	4.16%	7.73%	
Materials	3.28%	8.96%	
Energy	2.62%	14.02%	
Financials	2.42%	11.47%	
Consumer Staples	2.30%	7.61%	
Health Care	1.17%	6.07%	
Real Estate	1.11%	12.02%	
Comm Services	0.82%	11.27%	
Consumer Discretionary	0.78%	11.16%	
S&P 500 Total Return	3.21%	11.48%	

