

### Equities

The fourth quarter of 2018 marked one of the most challenging and volatile investment environments since the 2008 global financial crisis. The S&P 500 Index declined 13.5% during 4Q, resulting in a 4.4% decline for the year. This 2018 decline marks the first calendar-year decline for the Index since 2008, when the S&P 500 Index plunged 37%. While difficult to pinpoint a root cause for this recent sell-off, it's clear that investors are concerned over a global economic slowdown following almost a decade of economic expansion.

The 4Q sell-off was broad-based across almost all sectors. The energy sector declined 24% as oil prices dropped. The technology and industrial sectors each declined just over 17% during the quarter, while the consumer discretionary and communications sectors (including many social media firms) both dropped just over 15%. Financials also declined 13.1% during the quarter. Sectors that outperformed the S&P 500 Index on a relative basis during the quarter included historically defensive industries like consumer staples (down 4.9%), healthcare (down 8.7%), real estate (down 3.8%), and utilities (up 1.4%). The relative outperformance of these defensive industries also helped value-focused strategies outperform growth strategies. The Russell 1000 Value Index dropped 11.7% during 4Q compared to a 15.9% decline for the Russell 1000 Growth Index.

Small cap stocks, which rallied for most of the year on the back of tax cuts, fell 20.2% during the quarter. Non-U.S. stocks struggled almost all year and those struggles continued during the quarter. The MSCI EAFE Index, which tracks foreign developed markets, dropped 12.5% and the MSCI Emerging Markets Index fell 7.5% during the quarter.

### Fixed Income

The Federal Reserve raised their key Fed Funds rate in December 2018 for the ninth time since 2015, now targeting a range between 2.25% - 2.50%. One-year Treasury rates increased .04% during the quarter to 2.6%, however most other rates across the yield curve fell during the same time period, as investors fled equities for the safety of bonds. For example, 10-year Treasury rates peaked at 3.2% in November before falling to 2.7% to close the year. Similarly, 30-year Treasury rates declined from 3.2% to 3.0% at the end of the quarter.

Falling interest rates helped bond prices during the quarter. The Bloomberg Barclays U.S. Aggregate Bond Index returned a positive 1.6% during the quarter and effectively broke even for the full year. The corporate bond market did not fare as well. The Bloomberg Barclays U.S. Corporate Bond Index fell 0.2% during the quarter, while high yield bonds, measured by the Bloomberg Barclays U.S. Corporate High Yield Index, dropped 4.5%. The Bloomberg Barclays Municipal Bond Index generated a positive return of 1.7% during the quarter.

### Commodities

Commodity prices also struggled during 4Q. The Bloomberg Commodity Index fell 9.4% during the quarter as oil prices fell from \$75 to \$44 for a barrel of West Texas Intermediate oil. The LBMA Gold Price Index rallied 7.7% during the quarter.

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Mesirow Wealth Advisors understands the challenges and pressures that individuals face when trying to manage their personal wealth, throughout the many stages and events of a lifetime. We partner with you to understand your personal goals, and then together we develop a plan designed to accumulate, grow, protect and distribute your wealth as planned. We are dedicated to helping you make the best financial decisions that support your most important life decisions.

Mesirow Wealth Advisors is part of Mesirow Financial, an independent, employee-owned firm founded in 1937. As specialists in investment, risk management and advisory services, we are committed to helping our institutional, corporate and individual clients achieve their objectives. Our professionals are inspired by an entrepreneurial desire to develop tailored solutions designed to deliver measurable results.

### Important Information:

The **Standard & Poor's 500 Index**, often abbreviated as S&P 500, is an American stock exchange market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The **Russell 1000 Growth Index** is a broadly diversified index predominantly made up of growth stocks of large U.S. companies.

The **Russell 1000 Value Index** is a broadly diversified index predominantly made up of value stocks of large U.S. companies.

The **Russell 2000 Index** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group.

The **Russell Microcap Index** measures the performance of the microcap segment of the U.S. equity market. It includes 1,000 of the smallest securities in the Russell 2000 Index based on a combination of their market cap and current index membership and it also includes up to the next 1,000 stocks.

The **MSCI EAFE Index** is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

The **MSCI Emerging Markets Index** is an index designed to measure equity market performance in global emerging markets.

The **Bloomberg Barclays US Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

The **Bloomberg Barclays US Corporate Bond Index** measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The **Bank of America Merrill Lynch High Yield Bond Index** tracks the performance of below-investment-grade U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market.

The **Bloomberg Barclays U.S. Municipal Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

The **LBMA Gold Price Index** is the global benchmark for unallocated gold and silver delivered in London.

The **West Texas Intermediate (WTI)** oil, also known as Texas light sweet, is a grade of crude oil used as a benchmark in oil pricing. This grade is described as light because of its relatively low density, and sweet because of its low sulfur content.

**Bloomberg Commodity Index (BCOM)** is calculated on an excess return basis and reflects commodity futures price movements.

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