DVI

David Vaughan Investments

Capital Markets Commentary

03/31/2018

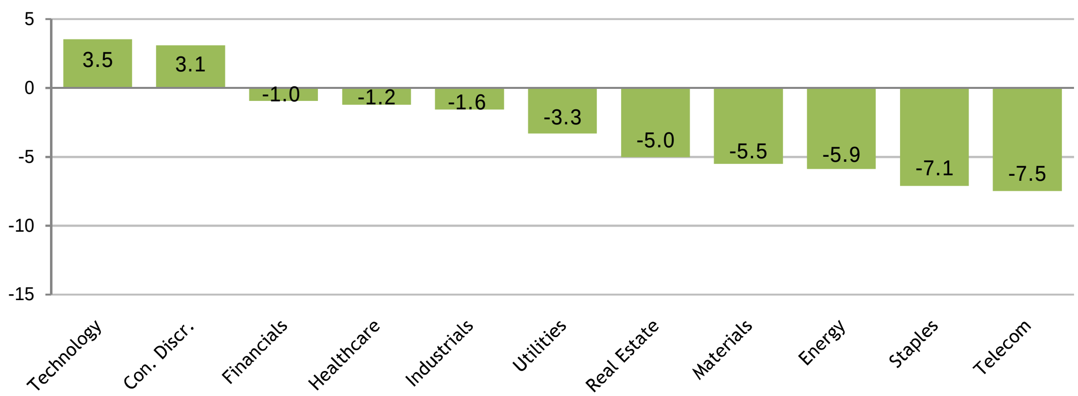
Volatility returned to the stock market in the first quarter of the year. January saw a continuation of the 2017 strong market gains, pushing both the Dow and S&P 500 to all-time highs late in the month. February and March were marked by volatility not seen in 2017, sparked first by concerns about higher interest rates and then by possible trade wars. The S&P 500 ended the quarter down 0.8%, its first quarterly decline since the 3rd quarter of 2015.

Corporate earnings continued to be a bright spot for the market. S&P 500 companies posted annual earnings per share growth of 12% in 2017, the highest level since 2011. Expectations are for 2018 S&P 500 earnings to grow at an even faster pace, helped by the new lower corporate tax rate.

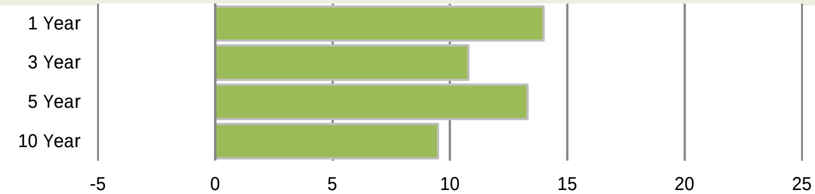
Technology was the best performing sector in the market during the quarter, while the Telecommunications sector performed worst. As in 2017, growth stocks again outperformed value stocks. The Russell 1000 Growth Index gained 1.4% for the quarter, while the Russell 1000 Value Index lost 2.8%. International stocks and small cap stocks also posted small declines during the quarter.

Treasury yields moved higher during the quarter. The 3-month T-bill rate rose from 1.39% to 1.73%, while the 10-year Treasury rate moved from 2.43% to 2.75%. The Barclays Aggregate Bond Index lost 1.5% for the quarter.

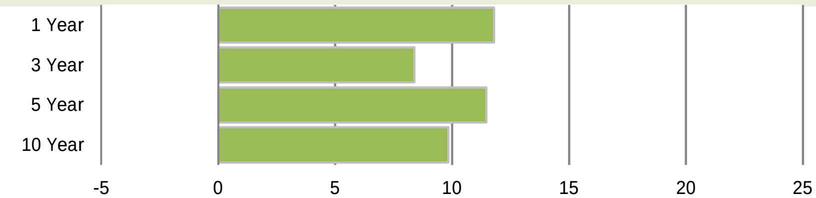
S&P 500 Index: Sector Returns Percent Year-to-Date



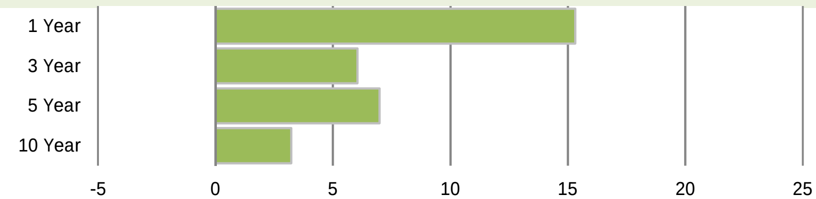
S&P 500 **Average Annual Percent Total Return**



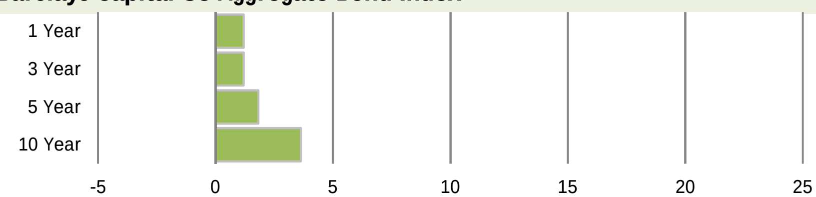
Russell 2000 Small Cap Index



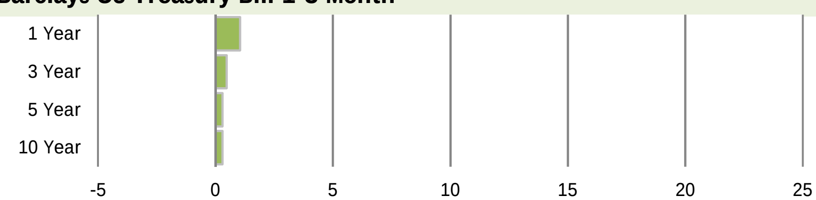
MSCI EAFE International Index



Barclays Capital US Aggregate Bond Index



Barclays US Treasury Bill 1-3 Month



Source: Morningstar