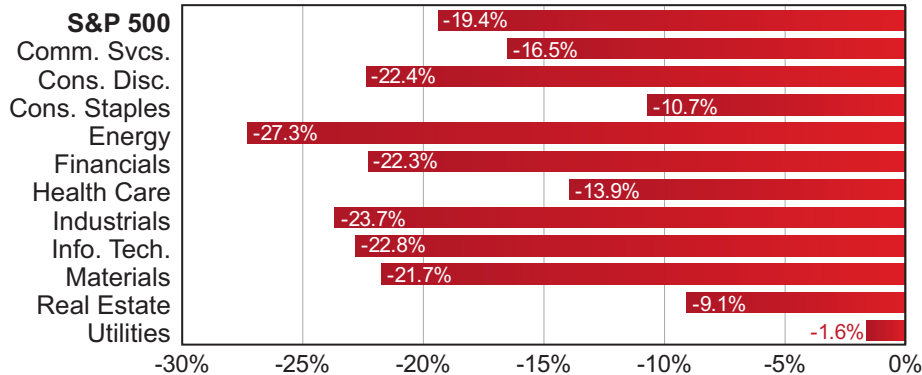
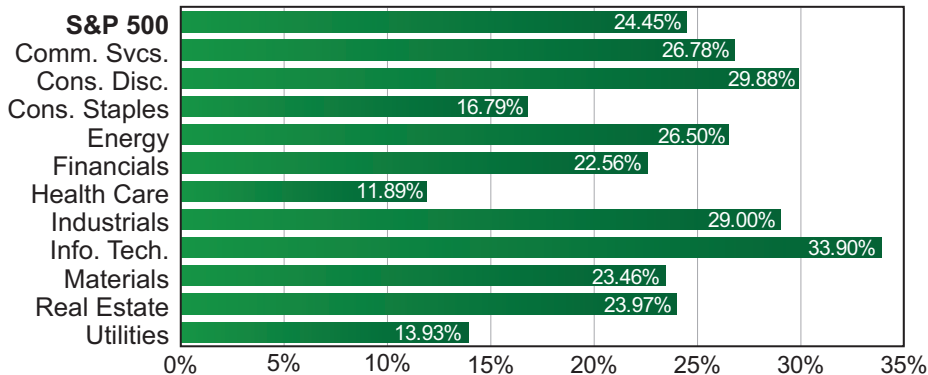


The Losses Sustained In The Recent Correction Nearly Fully Recouped

S&P 500 Index & Sector Index Total Returns (9/20/18-12/24/18)



S&P 500 Index & Sector Index Total Returns (12/24/18-4/12/19)



Source: Bloomberg. Past performance is no guarantee of future results.

View from the Observation Deck

1. The two charts in today's blog post are a tale of two markets. The first chart captures the recent correction in the S&P 500 Index, while the second chart shows the rally in progress.
2. A correction is defined as a price decline of 10.00% to 19.99%. The -19.4% total return posted by the S&P 500 Index came very close to bear market territory, which is defined as a price decline of 20.00% or more. On a price-only basis (dividends not included), the S&P 500 Index declined by 19.8% in the period, according to Bloomberg.
3. As of the close on 4/12/19, the S&P 500 Index stood just 0.8% below its all-time closing high on 9/20/18 (2,930.75), according to Bloomberg.
4. In the first chart, the sectors that sold-off the most were clearly more cyclical in nature. The sectors that declined the least were more defensive in nature. In the second chart showing the rebound, the cyclicals are the one's outperforming.
5. Our take all along has been that investors should not be spooked by corrections in the market, particularly when the issues/headwinds of the day can be remedied. The Federal Reserve, for example, has indicated that it does not intend at this time to initiate any additional rate hikes in 2019.
6. A Bloomberg survey of 25 equity strategists found that their average 2019 year-end price target for the S&P 500 Index was 2,897 as of 4/2/19, according to its own release. The highest estimate was 3,250, while the lowest was 2,390.
7. We believe these strategists will likely adjust their year-end targets higher for the S&P 500 Index if the Q1'19 earnings reporting season delivers better-than-expected results.

This chart is for illustrative purposes only and not indicative of any actual investment. There can be no assurance that any of the projections cited will occur. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks (currently 505) used to measure large-cap U.S. stock market performance, while the 11 major S&P 500 Sector Indices are capitalization-weighted and comprised of S&P 500 constituents representing a specific sector. As of 9/28/18, the Global Industry Classification Standard (GICS) was reconstituted and the Telecommunications Services sector was renamed Communication Services. GICS sector information for periods prior to 9/28/18 may not necessarily be comparable to the reconstituted sectors.

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