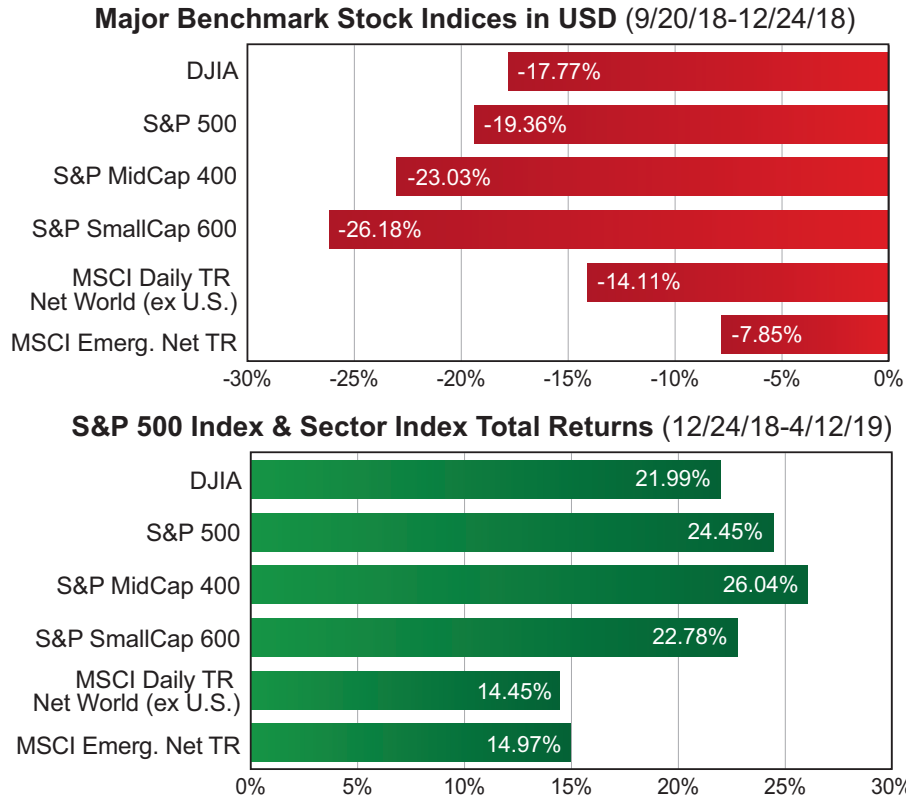


How Some Major Equity Indices Have Fared In The Recent Correction And Recovery



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

View from the Observation Deck

1. The top chart above shows the corrections registered by the Dow Jones Industrial Average Index, S&P 500 Index and the MSCI World (ex U.S.) Index at the end of 2018 (9/20/18-12/24/19).
2. A correction is defined as a price decline of 10.00% to 19.99% from the most recent peak. We use total returns for our performance measure, which include reinvested dividends.
3. The MSCI Emerging Markets Index merely suffered a pullback. A pullback is defined as a price decline of 5.00% to 9.99% from the most recent peak.
4. The S&P MidCap 400 and S&P SmallCap 600 Indices, however, slid far enough to reach bear territory. A bear market is defined as a price decline of 20.00% or more from the most recent peak.
5. Perhaps the main reason why the two foreign stock indices declined less than the domestic indices is because they were already dramatically underperforming leading up to the peak in the market on 9/20/18, in our opinion.
6. From 12/29/17-9/20/18 (not shown in chart), the MSCI Daily TR Net World (Ex U.S.) and MSCI Emerging Net TR Indices posted total returns of -1.21% (USD) and -8.72% (USD), respectively, in USD, according to Bloomberg. For comparative purposes, the S&P 500 Index posted a total return 11.16% over the same period.
7. The U.S. Dollar Index, which indicates the general international value of the dollar relative to a basket of major world currencies, was up 5.26% from 12/29/17 through 4/12/19, according to Bloomberg. The stronger U.S. dollar provided a bit of a drag on the total returns of the two foreign indices.
8. The bottom chart above captures the rebound that commenced after the close on 12/24/18. The rebound is still in progress. In addition to a decent Q1'19 earnings season, we contend that the biggest potential catalyst for fueling this rally moving forward is a new trade agreement with China. Stay tuned.
9. [Click here](#) to see how the S&P 500 Index sectors performed during these same periods.

This chart is for illustrative purposes only and not indicative of any actual investment. 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. The S&P MidCap 400 Index is a capitalization-weighted index that tracks the mid-range sector of the U.S. stock market. The S&P Small Cap 600 Index is a capitalization-weighted index that tracks U.S. stocks with a small market capitalization. The MSCI World (ex-U.S.) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets excluding the U.S. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

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