

Market related news for the week ending January 19, 2018

- The Wall Street Journal reported that Celgene is in talks to buy Juno Therapeutics, which specializes in drug treatments for blood cancer. Juno soared 50% on the news. A week earlier Celgene announced it would buy Impact Biomedicines for \$7 billion.
- Bank of America Merrill Lynch reiterated its buy rating and raised its price target for Apple from \$180 to \$220. This is the highest target among major investment banks that cover the stock and stems from the belief that Apple will thrive this year due to tax reform.
- Goldman Sachs announced earnings Wednesday, beating Wall Street estimates. Shares were down on the news however as the firm reported its fixed income, currencies and commodities revenue tumbled 50%. Goldman also said that their tax break will be less than hoped, predicting an effective tax rate for 2018 of 24%, higher than the 17% expected by other Wall Street firms.
- Bank of America beat earnings expectations Wednesday, however shares fell as investors were disappointed with quarterly revenue.
- Shares in GE plummeted Friday in the wake of a report by Deutsche Bank that questioned whether the company would need to raise capital by selling shares or cutting the dividend.
- IBM shares fell Thursday in spite of a better-than-expected earnings report that included the first growth in revenue in 23 quarters.

Market levels

	1/19/18	12/31/17	Market Low
Dow	26,072	24,719	6,547 (3/09)
S&P 500®	2,810	2,674	677 (3/09)
NASDAQ	7,336	6,903	1,268 (3/09)
VIX	11.27	11.04	56.7 (1/09)

Market total returns

	1 Week	QTD	YTD	2017
Dow	1.08%	5.56%	5.56%	28.11%
S&P 500®	0.88%	5.20%	5.20%	21.82%
NASDAQ	1.04%	6.30%	6.30%	29.73%
Russell Midcap®	0.51%	4.06%	4.06%	18.50%
Russell 2000®	0.36%	4.07%	4.07%	14.63%
MSCI EAFE (Net)	1.25%	4.97%	4.97%	25.03%
MSCI EM (Net)	2.02%	6.43%	6.43%	37.28%
REITs	0.65%	-4.55%	-4.55%	8.67%

Global returns¹

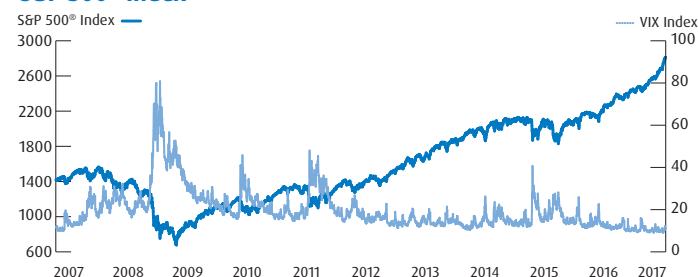
EAFE countries	1 Week	YTD	Emerging countries	1 Week	YTD
UK	-0.58%	0.61%	MSCI BRIC	1.89%	8.51%
Germany	1.43%	4.00%	Brazil	2.36%	6.31%
France	0.19%	4.05%	Russia	0.78%	10.15%
Switzerland	-0.39%	1.36%	India	2.66%	4.27%
Japan	0.65%	4.58%	China	1.72%	5.46%
Australia	-1.06%	-0.98%	S. Korea	0.95%	2.14%

¹ See page 3 for global returns country-specific indices.

Real assets

	1/19/18	12/31/17	YTD
Gold	\$1,331.85	\$1,303.05	2.21%
Oil	\$63.37	\$60.42	4.88%
Natural Gas	\$3.19	\$2.95	7.86%
DJUBS	\$88.54	\$88.17	0.43%
USD Index	\$90.57	\$92.12	-1.68%
USD/EUR	\$1.22	\$1.20	1.81%

Featured chart: Implied stock market volatility and the S&P 500® Index



Style returns

One week

	Large	Mid	Small
V	0.55%	0.07%	0.14%
G	1.16%	1.06%	0.56%

Year-to-date

	Large	Mid	Small
V	3.94%	2.69%	3.64%
G	6.19%	5.82%	4.48%

Russell Value and Growth Indices

Index characteristics

	Trlg P/E	Fwd P/E	Div Yield	Earn Yield
S&P 500®	22.90	16.86	1.87	4.37
MSCI EAFE	18.87	14.47	3.11	5.30
MSCI EM	16.29	11.97	2.54	6.14
Russell 1000®	22.94	17.04	1.82	4.36
Russell 2000®	22.97	21.32	1.12	4.35

S&P sector performance

	Weight	1 Week	QTD	YTD
Information technology	24.2%	1.5%	6.7%	6.7%
Financials	14.9%	1.1%	5.8%	5.8%
Health care	14.0%	1.9%	7.1%	7.1%
Consumer discretionary	12.5%	0.6%	7.1%	7.1%
Industrials	10.3%	-0.9%	5.2%	5.2%
Consumer staples	8.0%	2.5%	2.0%	2.0%
Energy	6.2%	-1.3%	5.9%	5.9%
Materials	3.0%	-0.2%	4.7%	4.7%
Utilities	2.7%	-0.5%	-5.0%	-5.0%
REITs	2.6%	0.8%	-4.7%	-4.7%
Telecommunications	1.9%	0.5%	-1.8%	-1.8%

Economic news for the week ending January 19, 2018

- Tuesday: Empire State Manufacturing Survey for January came in at 17.7. December's number was revised upwards to 19.6.
- Wednesday: Industrial Production for December was up 0.9%. Strong mining and utilities production offset weaker manufacturing volumes. Capacity utilization came in at 77.9%.
- Thursday: Housing Starts for December came in below consensus at 1.192 million. Single-family starts fell, while multi-family starts rose.
- Thursday: Philadelphia Fed Business Outlook Survey for January remained strong at 22.2. December's number was revised to 27.9.
- Friday: Consumer Sentiment for January (p) came in at 94.4, the weakest showing in six months. The softest spot in the report was the current conditions component.

Economic events for the week ending January 26, 2018 (all times listed are Eastern)

- Wednesday: PMI Composite Flash for January at 9.45am
- Wednesday: Existing Home Sales for December at 10.00am
- Thursday: International Trade in Goods for December at 8.30am
- Thursday: New Home Sales for December at 10.00am
- Friday: Durable Goods Orders for December at 8.30am
- Friday: GDP Q4 at 8.30am

Bond market returns

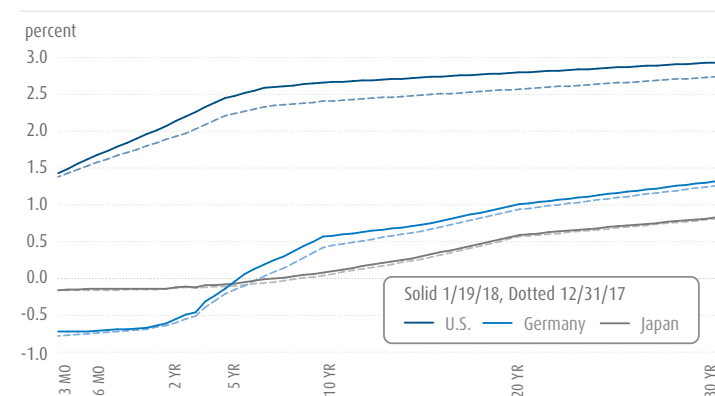
	U.S. Aggregate	Intermediate Gov't/Credit	U.S. Treasury	Inv. Grade Corporates	MBS	1-10-Yr Municipals	High Yield	EM Corporates
1-Week Total Return	-0.44%	-0.28%	-0.40%	-0.55%	-0.44%	0.10%	-0.08%	-0.14%
MTD Total Return	-0.93%	-0.67%	-1.06%	-0.97%	-0.81%	-0.08%	0.61%	0.10%
3-Month Total Return	-0.59%	-0.85%	-0.97%	-0.09%	-0.61%	-0.62%	0.67%	0.53%
YTD Total Return	-0.93%	-0.67%	-1.06%	-0.97%	-0.81%	-0.08%	0.61%	0.10%
12-Month Total Return	2.58%	1.43%	1.15%	5.23%	1.95%	2.54%	6.95%	7.22%
Effective Duration (years)	6.07	4.01	6.16	7.53	4.90	4.09	3.88	4.69
Effective Maturity (years)	8.38	4.39	7.68	11.01	7.28	5.89	6.28	6.60
Yield to Worst	2.90%	2.57%	2.39%	3.41%	3.11%	2.02%	5.65%	4.54%
OAS (basis points)	35	26	NA	90	26	NA	319	218
Average OAS (from January 1997)	63	55	NA	153	55	NA	550	491

Key rates

	This week	Prior week	Most recent quarter-end	2016 year-end
2-Year Treasury	2.07	2.00	1.89	1.19
5-Year Treasury	2.45	2.35	2.21	1.93
10-Year Treasury	2.66	2.55	2.41	2.45
2-Year AAA Muni	1.57	1.59	1.55	1.23
5-Year AAA Muni	1.73	1.74	1.69	1.80
10-Year AAA Muni	2.14	2.13	2.01	2.35
2-Year A Corporate	2.40	2.33	2.25	1.80
5-Year A Corporate	2.90	2.80	2.68	2.61
10-Year A Corporate	3.45	3.35	3.23	3.37

Fixed income markets

Developed markets | Government Bond yield curves





¹ Global returns shown on page one represent the following indices: FTSE 100 Index (UK), Deutsche Borse AG German Stock Index (Germany), CAC 40 Index (France), Swiss Market Index (Switzerland), Nikkei-225 Stock Average (Japan), S&P/ASX 200 (Australia), MSCI BRIC Index, Ibovespa Brasil Sao Paulo Stock Exchange Index (Brazil), Russian Trading System Cash Index (Russia), S&P BSE Sensex Index (India), Korea Stock Exchange KOSPI Index (South Korea), The Shanghai Stock Exchange Composite Index (China).

Equity indices

S&P 500® Index (S&P 500®) is an unmanaged index of large-cap common stocks.

Dow Jones Industrial Average (Dow) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

Russell 1000® Index (Russell 1000®) consists of approximately 1,000 of the largest companies in the U.S. equity markets.

Russell 1000® Growth Index measures the performance of those Russell 1000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000® Value Index measures the performance of those Russell 1000 Companies with lower price-to-book ratios and lower forecasted growth values.

Russell Midcap® Index (Russell Midcap®) measures the performance of the smallest 800 U.S. companies in the Russell 1000 Index.

Russell Midcap® Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Russell Midcap® Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000® Index (Russell 2000®) is an unmanaged index that measures the performance of the smallest 2000 U.S. companies in the Russell 3000® Index.

Russell 2000® Growth Index measures the performance of those Russell 2000 Companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000® Value Index measures the performance of those Russell 2000 Companies with lower price-to-book ratios and lower forecasted growth values.

MSCI EAFE Index (NDDUEAFE) (Developed Markets)—MSCI EAFE Index Europe, Australasia, and Far East Index (EAFE)

is a standard unmanaged foreign securities index representing major non-U.S. stock markets, as monitored by Morgan Stanley Capital International.

MSCI Emerging Markets Index (NDUEEGF) is a market capitalization weighted index comprised of over 800 companies representative of the market structure of the emerging countries in Europe, Latin America, Africa, Middle East and Asia. Prior to January 1, 2002, the returns of the MSCI Emerging Markets Index were presented before application of withholding taxes.

NASDAQ Composite Index is a market-cap weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.

VIX Index—The Chicago Board Options Exchange Market Volatility Index is a measure of implied volatility of S&P 500 index options, often referred to as the “fear” index.

MSCI BRIC Index (NDUEBRIC) is a free float weighted equity index designed to measure performance of the following four emerging market country indices: Brazil, Russia, India and China.

NIKKEI 225 Index is a price-weighted average of 225 top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

KOSPI Index is a capitalization-weighted index of all common shares on the Korean Stock Exchanges.

FTSE NAREIT All Eq REITs Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investibility weighting in the index calculation.

Deutsche Borse AG German Stock Index (DAX) is a total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange. The equities use free float shares in the index calculation.

CAC 40 Index is a modified cap-weighted index of 40 companies on the Paris Bourse.

Swiss Market Index is an index of the largest and most liquid stocks traded on the Geneva, Zurich, and Basle Stock Exchanges.

S&P/ASX 200 measures the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization. Representative liquid and tradable, it is widely considered Australia’s preeminent benchmark index. The index is float-adjusted.

Ibovespa Brasil Sao Paulo Stock Exchange Index is a gross total return index weighted by market value to the free float & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.

Russian Trading System Cash (RTS) Index is cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks of the largest and dynamically developing Russian issuers presented on the Moscow Exchange.

S&P BSE Sensex Index is a cap-weighted index. The index members have been selected on the basis of liquidity, depth, and floating-stock-adjustment depth and industry representation.

Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Contact

For further information, please visit our websites at:

BMO Funds
bmo.com

BMO Global Asset Management
bmo.com

Fixed income indices

Bloomberg Barclays U.S. Aggregate Bond Index is an unmanaged index that covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities.

Bloomberg Barclays U.S. Intermediate Government/Credit Bond Index is an unmanaged index comprised of government and corporate bonds rated BBB or higher with maturities between 1-10 years.

Bloomberg Barclays U.S. Corporate Bond Index is designed to measure the performance of the U.S. corporate bond market.

Bloomberg Barclays U.S. Treasury Index is an unmanaged index that includes a broad range of U.S. Treasury obligations and is considered representative of U.S. Treasury bond performance overall.

Bloomberg Barclays U.S. MBS Index is an index that includes 15- and 30-year fixed-rate securities backed by mortgage pools of GinnieMae, FreddieMac and FannieMae.

Bloomberg Barclays U.S. Corporate High-Yield Bond Index is an unmanaged index that covers the USD-denominated, non-investment-grade, fixed-rate, taxable corporate bond market.

Bloomberg Barclays 1-10 Year Blend Municipal Bond Index is a market value-weighted index which covers the short and intermediate components of the Barclays Capital Municipal Bond Index—an unmanaged, market value-weighted index which covers the U.S. investment-grade tax-exempt bond market.

Bloomberg Barclays Emerging Markets Corporate Index is a component of the Barclays US Emerging Markets Index which is made up of debt issued by corporations.

Other Definitions

Duration: incorporates a bond's yield, coupon, final maturity and call features into one number, expressed in years, that indicates how price-sensitive a bond or portfolio is to changes in interest rates. Effective duration can also be defined as the approximate percentage change in a security's price that will result from a 1% (100-basis-point) change in its yield.

Yield to Worst: lowest potential yield that can be received on a bond without the issuer defaulting. This yield measure takes in to account any bond calls or sinking funds.

OAS: acronym for "option adjusted spread" which is the spread that has to be added to the Treasury yield curve in a pricing model (including embedded options) to discount a security to match its market price.

Investments cannot be made in an index.

This is not intended to serve as a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. Information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy. This publication is prepared for general information only. This material does not constitute investment advice and is not intended as an endorsement of any specific investment. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors should seek advice regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Investment involves risk. Market conditions and trends will fluctuate. The value of an investment as well as income associated with investments may rise or fall. Accordingly, investors may receive back less than originally invested. Investments cannot be made in an index. **Past performance is not necessarily a guide to future performance.**

BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group that provide investment management and trust and custody services. Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions and may not be available to all investors. Those products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations. BMO Financial Group is a service mark of Bank of Montreal (BMO).

BMO Asset Management Corp. is the investment advisor to the BMO Funds. **BMO Investment Distributors, LLC is the distributor.** Member FINRA/SIPC.

BMO Asset Management Corp., BMO Investment Distributors, LLC, BMO Private Bank, BMO Harris Bank N.A. and BMO Harris Financial Advisors, Inc. are affiliated companies. BMO Private Bank is a brand name used in the United States by BMO Harris Bank N.A. BMO Harris Financial Advisors, Inc. is a member FINRA/SIPC, an SEC registered investment adviser and offers investments, advisory services and insurance products. Not all products and services are available in every state and/or location.

Securities, investment advisory and insurance products are:

NOT FDIC INSURED—NOT BANK GUARANTEED—MAY LOSE VALUE.

© 2018 BMO Financial Corp. 1/18