

AAll Survey: Readers Offer Thoughts on Top Sectors and Financial Stories for 2018

The year 2017 was a good one for stocks. The Dow Jones industrial average posted 71 record closes for the year, the most ever in a calendar year and the most since 2013, according to The Wall Street Journal. For the year, the blue-chip average climbed 25%. In addition, the DJIA ended the year on a nine-month winning streak, its longest in 60 years according to Schaeffer's Investment Research.

The S&P 500 also ended 2017 on a nine-month winning streak, its lengthiest in over 30 years according to Schaeffer's. If you take into account dividends, the S&P 500 posted a 0.12% total return in March after posting a 0.04% price decline, thus posting total return gains for all 12 months of 2017, a first in the index's history. For the year, the large-cap index posted a price gain of 19.4% and a total return, including dividends, of 21.8%. The Nasdaq composite posted gains in every month but June in 2017 and had a price gain of 28.2% for the year (total return of 29.6% for 2017).

Looking at the S&P 500 sectors, here was their performance for 2017 (according to S&P Dow Jones Indices LLC):

- Information Technology +36.9%
- Materials +21.4%
- Consumer Discretionary +21.2%
- Financials +20.0%
- Health Care +20.0%
- Industrials +18.5%
- Consumer Staples +10.5%
- Utilities +8.3%
- Real Estate +7.2%
- Energy -3.8%
- Telecommunication Services -6.0%

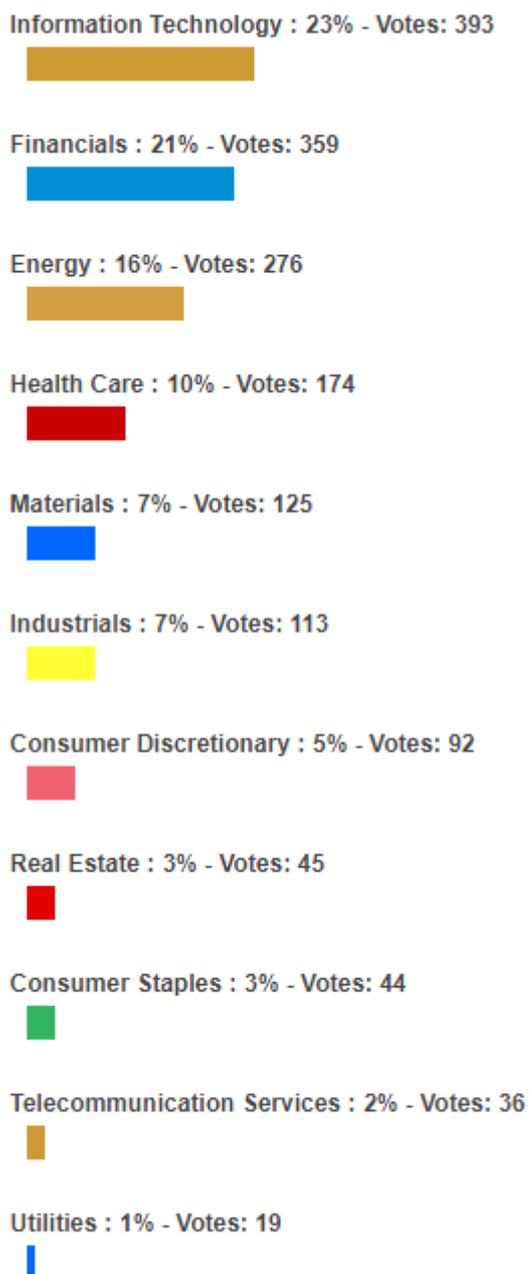
AAll Weekly Survey Question

As we start the New Year, our weekly survey question last week asked:

What do you think will be the top-performing sector in 2018?

Here are the results:

What do you think will be the top-performing sector in 2018?



In all, 1,676 readers participated in the survey.

The sector receiving the most votes as the one expected to be the top performer in 2018 was Information Technology, with 23% of votes. Readers are expecting the sector to continue its strong performance from 2017, in which it added 36.9%.

The Financials sector received the second biggest block of votes at 21%. After gaining 20% in 2017, a number of readers are expecting rising interest rates to continue to propel this sector.

The Energy sector is expected by 16% of our readers to reverse its multi-year slump in 2018. The sector lost 3.8% in 2017 but ended the year with a 4.7% gain as oil topped \$60 a barrel.

At the other end of the spectrum, only 1% of readers believe that Utilities will be the top sector in 2018. The sector added 8.3% in 2017 but was the weakest S&P 500 sector in December, losing 6.4%. As interest rates are expected to increase, this sector may fall out of favor with income-seeking investors.

The Telecommunication Services sector is expected to be the strongest sector in 2018 by only 2% of readers. After losing 6% in 2017, investors are not overly confident in its chances in the new year.

Weekly Special Question

Last week's special question also asked our readers to put on their prognosticator hats. Specifically, we asked:

What do you think will be the biggest financial story of 2018?

The responses fell into four major categories:

- Politics (26%)
- The stock or bond market (22%)
- The economy (22%)
- Cryptocurrency (17%)

Most readers think the impact of the recent tax law changes will be the biggest financial story of 2018.

In a close second, readers believe the collapse of the cryptocurrency market will be the top financial story of 2018.

Finally, in third place, a large drop in the stock market is expected to be the top financial story of the year (right behind in fourth place is the continuation of the current bull market).

Here is a sampling of our readers' wishes for 2018:

- "The return of the Democrats."
- "30% gain in the stock market."
- "A market correction of 10% to 12%."
- "Adoption of blockchain based technology by a major financial institution."
- "Bitcoin downfall."
- "The ramifications of the new tax law and the effects of rising interest rates."
- "Inflation will be greater than expected."
- "The continued narrowing (or inversion) of the yield curve."
- "Trump resigns rather than face impeachment."
- "Market volatility."

Everybody has an opinion! Why not give us yours? Participate in our weekly member poll, updated every Monday, and see the results online at www.aaii.com/memberquestion.