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ECONOMY: An Inflection Point?

A Tiny Bit Better

The U.S. economy grew at a moderate 2.1% in Q3, slightly faster than the initial estimate of 1.9%. This represents minimal growth from the 2% GDP growth in Q2, rather than contraction. The upward revision reflected a larger inventory accumulation than initially thought, which economists attributed to the ongoing U.S.-China trade tensions.

Big Jobs Report!

U.S. employers added 266,000 jobs in November, while October data was revised upwards by 28,000 jobs according to the Bureau of Labor Statistics. The unemployment rate fell to 3.5%.

Low Rates Help Housing

U.S. home sales increased more than expected in October and house prices rose at the fastest pace in more than two years amid lower mortgage rates and a shortage of properties for sale. Following the Federal Reserves first rate cut of the cycle, mortgage rates hit a three year low of 3.49%, as the Mortgage Bankers Association's refinancing index hit a three year high.

Black Friday to Cyber Monday

According to data from Adobe Analytics, U.S. consumers spent $7.4 billion online on Black Friday, followed by an additional $9.4 billion on Cyber Monday. Adobe estimates that shoppers have spent $81.5 billion online between November 1st and December 2nd , and forecasts consumers spending $143.8 billion online this holiday season.

Leading Economic Indicators Weakening

The Conference Board Leading Economic Index declined 0.1% in October, following a 0.2% decline in both September and August. *"The U.S. LEI declined for a third consecutive month, and its six-month growth rate turned negative for the first time since May 2016. The decline was driven by weaknesses in new orders for manufacturing, average weekly hours, and unemployment insurance claims. Taken together, the LEI suggests that the economy will end the year on a weak note, at just below 2 percent growth."*

Let Make A Deal

The outlook for the USMCA (US, Mexico, Canada) trade deal improved in November, with key Democratic leaders in the U.S. House of Representatives signaling that they could sign off on the trade pact, perhaps by year-end. Additionally, the U.S. and China appear to have agreed to a "Phase 1" trade deal that would limit U.S. tariffs as China agrees to increase trade purchases from the U.S.

Eurozone Growth

Eurostat, the statistical office of the EU, confirmed that Eurozone GDP grew by 0.2% quarter-on-quarter in Q3 and 1.2% from the previous year. Consumer spending and fixed investment were both strong in the quarter, and employment increased 0.1% as well.

A Shift From The BoE?

The Bank of England' (BoE) voted 7-2 in favor of holding the base interest rate at 0.75% during its November meeting. The previous meeting ended in a unanimous vote to hold rates, so this may signal the beginning of a shift in policy in response to global economic growth concerns and Brexit uncertainty.

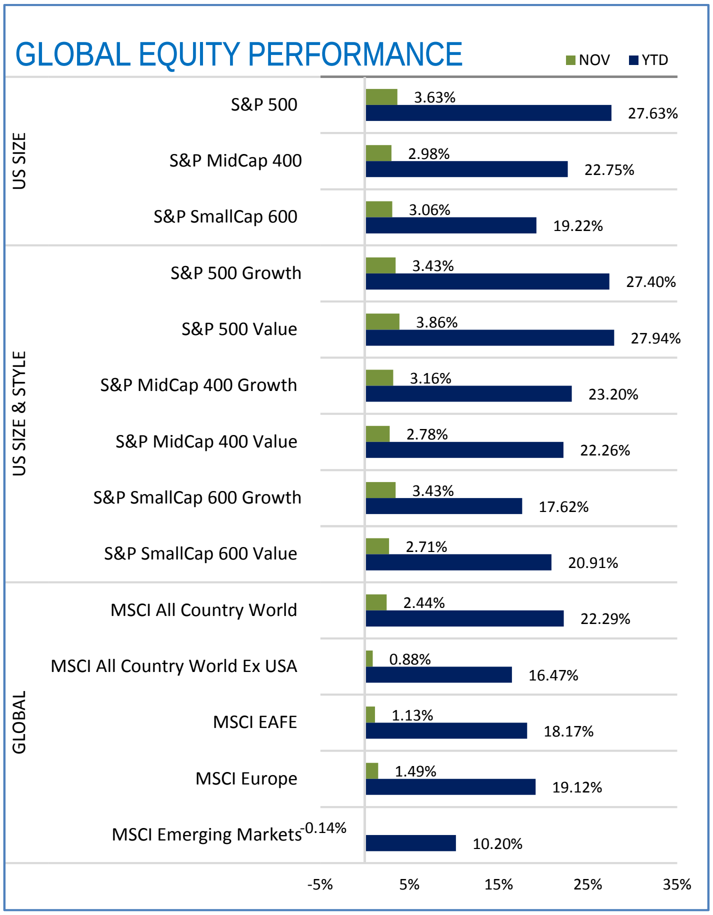
Germans A Bit More Confident

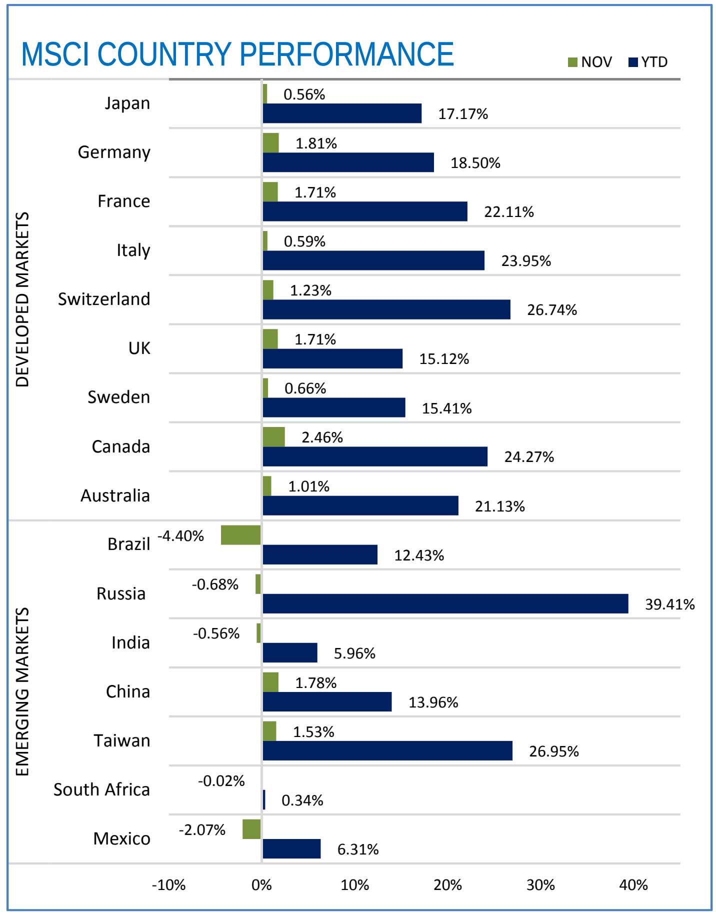
The Germany's IFO business confidence index showed a modest recovery in November. The index was primarily driven higher by a rise in expectations, with the current assessment remaining stagnant. These sentiment readings are indicative of the broader state of Germany's economy at present—stagnating, but not in a full-scale recession.

Trade Progress?

Mexico's economy entered a mild recession during the first half of 2019 and was flat in the Q3, according to revised data from the country's national statistics agency. The updated figures showed the economy contracted by 0.1% quarter-on-quarter during both Q1 and Q2 of 2019 after also shrinking by the same margin in Q4 2018. The Bank of Mexico subsequently cut interest rates 0.25% to stimulate the local economy.

GLOBAL EQUITIES: Developed Markets Deliver





U.S. Momentum Continues

The U.S. equity market ended the month in positive territory after reaching record highs during November on optimism over China trade relations, better than expected corporate earnings and increased merger and acquisition activity. For the month, the S&P 500 posted 3.63% increase, after October's 2.17% gain and September's 1.87% gain (August was down 1.58%). Mid and small cap equities also booked strong gains, increasing 2.98% and 3.06% respectively.

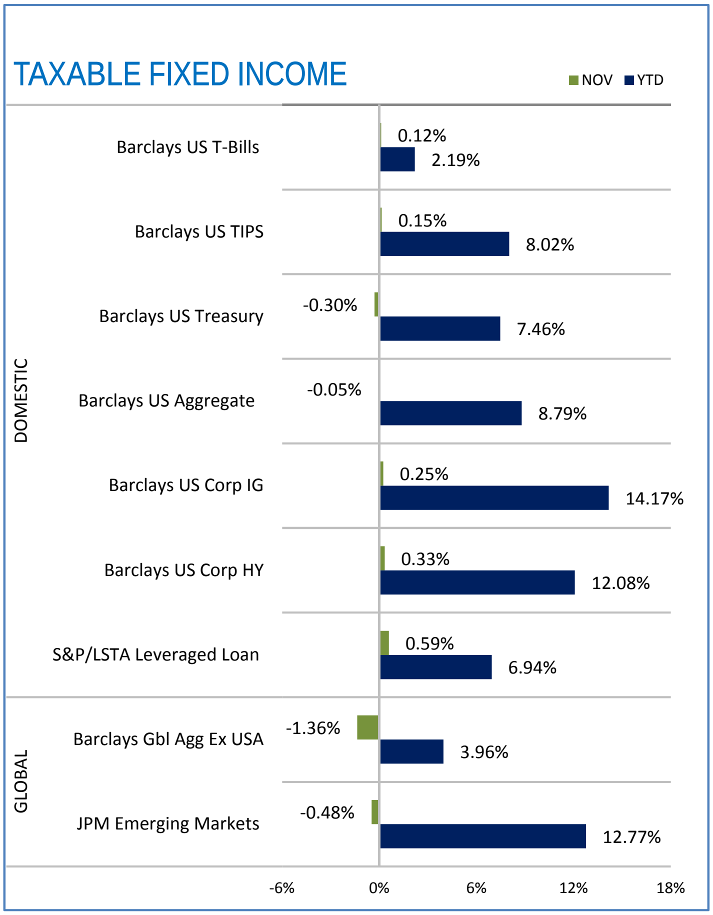
Economic Data Boosts Europe

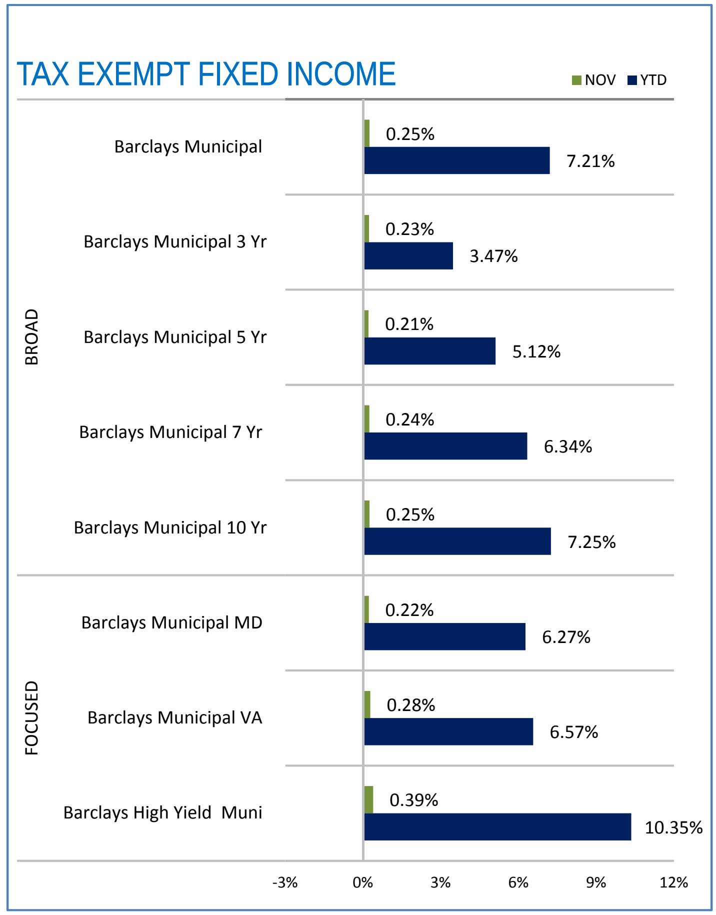
European equity markets were positive in November on the back of positive economic data and renewed optimism of a U.S.-China trade deal. Better than expected manufacturing, business sentiment and inflation data helped push the MSCI Europe Index higher by 1.49%. The UK, France, Germany and Switzerland, which collectively make up nearly 73% of the index, all generated healthy gains.

Latin America Sinks EM

Bolstered by signs of stabilizing global growth, emerging equity markets got off to an encouraging start to the month. However, these gains proved to be short-lived as sentiment turned negative due to a mixture of economic, political and corporate factors., Latin American equity markets came under the most pressure and the MSCI EM Latin America index fell 4.13% as the region was impacted by ongoing strikes and antigovernment protests. The MSCI BRIC Index (Brazil, Russia, India & China), which compromises 54% of the emerging markets index, gained 0.26% while the broader MSCI EM Index fell 0.14%.

FIXED INCOME: Rate Volatility Benefits Credit Sectors





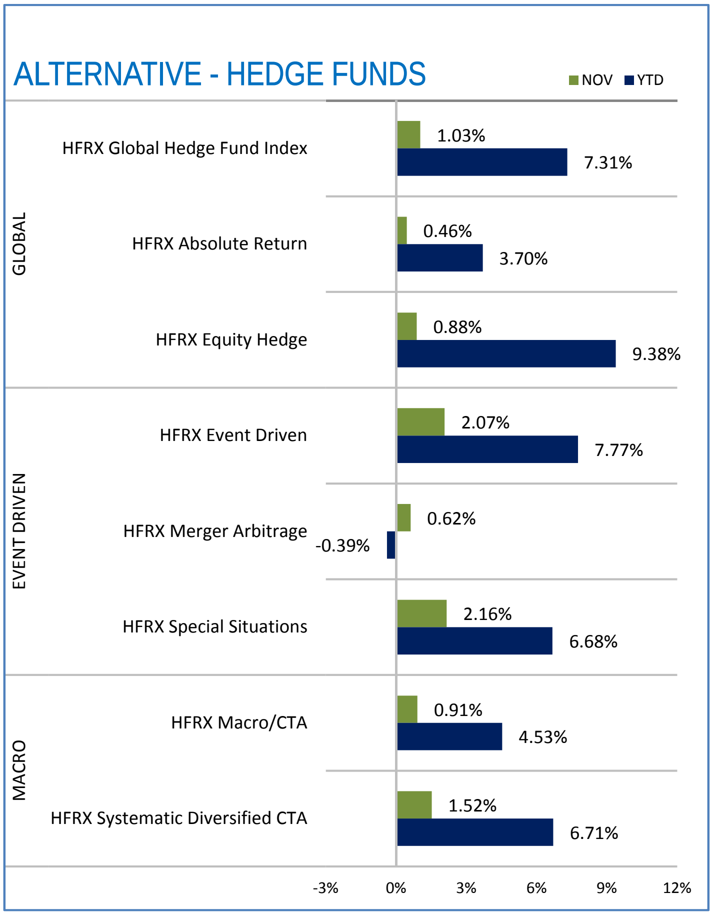
Credit Sectors Outperform

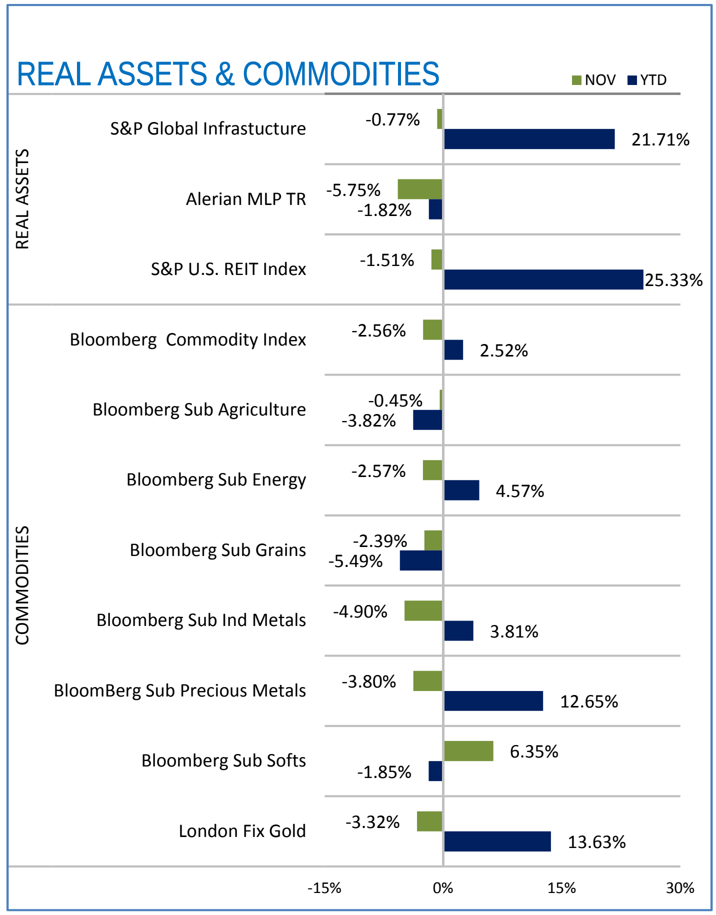
November saw significant interest rate volatility, as the yield on the benchmark 10yr Treasury yield rose 0.25% to 1.94% early in the month before ending the month down at 1.78%. The yield curve steepened on the short end and flattened on the long end. Credit sectors benefitted from better than expected corporate earnings and strong flows into fixed income products. According to the Investment Company Institute (ICI), total net flows into all fixed income mutual funds and ETFs have reached nearly $400B YTD.

Strong Returns, Supply, & Fundamentals

Overall, it was a positive month for municipal bond investors and the Barclays Municipal Index gained 0.25%. Although returns were modest, they were positive across all segments of the curve withe the long maturities marginally outperforming shorter segments and high yield municipal credits outperforming higher quality issues for the month. Municipal supply was strong and rose 54% over November 2018, pushing supply to $378 billion (18% ahead of 2018). Lastly, Moody's reported last month that municipal ratings upgrades exceeded downgrades in Q3, bringing the streak to nine consecutive quarters of credit improvement for the sector..

ALTERNATIVES: Real Assets Stumble





Performance & Redemptions Up

Hedge funds are off to their best year since 2009 through the first 11 months of the year. The HFRX Global Hedge Fund Index gained 1.03% in November and 7.31% YTD. Equity hedge strategies, which take long and short positions in equities, have been the best performer YTD, gaining 9.38%. Despite their best returns in a decade, hedge funds have failed to keep pace with stocks and bonds in 2019. According to data provider eVestment, hedge fund managers suffered the eighth straight month of client redemptions through October, the longest stretch of withdrawals since the 2008 financial crisis.

MLP Rout Continues

The Alerian MLP Index fell 5.75% on a total-return basis in November, following a 6.22% decline in October. The sentiment around energy investments continues to be extremely negative. Volatility in oil prices and weakness in natural gas prices have made it difficult for investors to be constructive on the space. Oil prices continue to be hit by demand concerns and potential production cuts, while U.S. natural gas prices continue to be pressured by oversupply.