

DeMarche Dashboard

November 2017

Global Economy and Markets

Global Overview – Global markets diverged in November. While volatility remained low, markets in the United States and Japan posted strong gains, where Europe and some parts of Asia struggled. Political uncertainty in Germany over the collapse of a potential coalition government dented investor confidence across the continent, with investor optimism rising in the United States on the hope of corporate tax reform. Yield curves flattened, with longer dated government debt, particularly in the United States, showing little change while short yields increased.

- **Developed markets** - The United States continued to show solid economic growth, with employment rebounding from soft numbers early in the fall and the Federal Reserve signaling it will likely hike rates in December. European economic growth remains stable, but a somewhat disappointing earnings season and uncertainty over the shape of the next German government negatively impacted markets. Japan provided an exception to global volatility trends, with an early rally reversing, and then resuming at the end of the month. While the yen was stronger, economic data released was widely viewed as a disappointment, with GDP growth driven mainly by inventory increases.
- **Emerging Markets** – In November, Russia performed strong, with South Africa ending the strongest. Concern about the implementation of tighter liquidity rules and a rise in bond yields helped China reverse a rally in equities that began in early November. Inflation and a falling lira hurt Turkish markets, as did the surprising election results in Chile where a centrist candidate performed worse than expected.

U.S. Economy and Markets

- The S&P 500 Index gained 3.1% in November. All 11 sectors were positive for the month.
 - Telecomm Services, Consumer Staples, and Consumer Discretionary were the strongest performing sectors. Materials, Information Technology, and Energy were the weakest performing sectors.
- Small cap stocks trailed large cap stocks. Growth and value stocks performed in line across all market capitalizations, with the exception of micro caps, where value led.
- The Russell 2000 Index gained 2.9%. Ten out of 11 sectors were positive.
 - Consumer Staples, Consumer Discretionary, and Biotech were the strongest performing sectors. Technology, Telecomm Services, and Utilities were the weakest performing sectors on a relative basis.
- Payrolls increased by 228,000 in November. The unemployment rate remained steady at 4.1%. Employment increased in professional and business services, manufacturing, and health care. Labor force participation was 62.7%, and has changed very little over the past year. Also showing little change were wages, with year over year growth steady at 2.5%.

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- The Consumer Confidence Index continued to climb in November. The Index stands at 129.5 vs. 126.2 in October. Consumers' assessments of both long and short term conditions improved.
- The 10-year Treasury yield moved within a fairly narrow band in November. Opening the month at 2.37%, yields never dropped below 2.32% and finished the month at 2.42%. Investment grade corporate spreads trended marginally higher before falling back, ending at 1.03% from their 1.01% start. High-yield spreads experienced a surge in the middle of November, rising to nearly 4%, but tightened from their highs to end the month at 3.61%.
- The Bloomberg Barclays Aggregate Index lost -0.1% for the month, while the Investment Grade Corporate Index and Bloomberg Barclays US High Yield Index fell -0.2% and -0.3% respectively.

International Markets

- The MSCI EAFE Index posted a return of 1.1% in November. Asia led, with Singapore, Hong Kong, and Japan posting the strongest returns. Sweden, Belgium, and Norway were the weakest performing countries. Small cap stocks outperformed large caps. The MSCI EAFE Small Cap Index posted a gain of 1.6%.
- By style, international developed markets' growth stocks outperformed value. The MSCI EAFE Growth Index gained 1.2%, while the MSCI EAFE Value Index rose 0.9%.
- The MSCI Japan Index gained 3.0%, while Asia, excluding Japan, rose 0.6%. The Europe-wide index gained 0.2%, and the United Kingdom posted a 0.1% gain. The MSCI EMU, representing the common currency countries of the EU dropped -2.0%.
- The MSCI Emerging Markets Index gained 0.2% as emerging markets lagged developed countries. South Africa, Russia, and Columbia were the strongest performing countries. Chile, Turkey, and Qatar were the weakest performing countries.
- MSCI's China Index advanced 1.6%, while mainland Chinese equities (A Shares) did better, gaining 2.5%. Emerging European was led by Russia and the Czech Republic. Columbia was the strongest Latin American country. Middle Eastern countries struggled, Egypt and Qatar both declined.
- The MSCI Frontier Markets Index gained 1.2%. Vietnam, Kazakhstan, and Kenya were the strongest performing countries. Kuwait, Argentina, and Sri Lanka were the weakest performing countries.
- Government bond yields rose in November, though not uniformly as yield curves around the world flattened. The JPM German government bund index rose 2.3% and the Japanese equivalent index gained 1.9%. The UK index posted a 2.2% gain. The Bloomberg Barclays Euro Universal Index gained 2.5% in dollar terms. The Bloomberg Barclays Global Treasury Ex-US Index advanced 2.2%. Emerging Markets hard currency debt posted a slight gain of 0.2%, similar to its performance in October.



Looking Ahead

- Republicans in Congress advanced a tax reduction measure that focuses on slashing corporate rates. Competing versions of the bill from the House and Senate must be reconciled, and deficit hawks reassured that the final bill will not significantly add to the nation's debt. Given the difficulty President Trump and congressional Republicans have had in achieving legislative success in 2017, markets will be closely watching the progress of negotiations on the bill. GOP leadership is aiming for completion by year end.
- North Korea, the Middle East, and Germany will be in focus as 2017 comes to an end. There is little sign of progress towards resolving the nuclear standoff on the Korean peninsula, as North Korea resumed missile testing in November. In Germany, a pro-business party walked away from coalition talks with Angela Merkel's CDU, and while the possibility of a second coalition with the SPD remains, new elections cannot be ruled out. The reforms in Saudi Arabia will be viewed closely for any impact on global energy markets, as will tensions with Iran and the struggle between Tehran and the Saudis over influence among the smaller Gulf states.

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates per US \$	
	Latest (Q3)	2017 ^A	2018 ^A	(Most recently available)	Sovereign Bonds, 10 Year ^B	Current	1 Year Ago
United States	2.30	2.20	2.40	4.10	2.37	-	-
China	6.80	6.80	6.40	4.00	3.68	6.61	6.88
Japan	1.70	1.50	1.30	2.80	0.04	111.88	114.34
United Kingdom	1.50	1.50	1.30	4.30	1.38	1.35	1.26
Euro Area	2.50	2.20	2.00	8.90	0.25	1.19	1.06
Germany	2.80	2.20	2.00	3.60	0.37	1.19	1.06
France	2.20	1.70	1.80	9.70	0.81	1.19	1.06
Italy	1.80	1.50	1.30	11.10	2.11	1.19	1.06
Canada	3.70	2.90	2.20	6.30	2.05	1.27	1.33
India	5.70	6.60	7.30	5.00	7.02	64.50	67.81
Mexico	1.50	2.10	2.10	3.40	6.79	18.62	20.74
Brazil	0.30	0.70	2.30	12.40	10.35	3.26	3.47

A. *The Economist* or The Economist Intelligence Unit estimate/forecast

B. Most recently available data

Sources: Standard and Poor's, FTSE/Russell, Morgan Stanley Capital International (MSCI), Bloomberg, Citigroup, St. Louis Federal Reserve, The Conference Board, and *The Economist*



Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	2.17	6.43	20.77	23.66	8.19	11.75	4.76
	BBgBarc US Agg Bond TR USD	-0.13	-0.55	3.07	3.21	2.11	1.98	3.99
	Russell 3000 TR USD	3.04	7.85	19.93	22.27	10.75	15.63	8.43
	DJ Industrial Average TR USD	4.24	11.22	25.69	30.02	13.68	16.11	9.00
	NASDAQ Composite PR USD	2.17	6.93	27.69	29.12	12.78	17.96	9.96
	MSCI EAFE NR USD	1.05	5.14	23.06	27.27	5.97	8.24	1.55
	Citi Treasury Bill 3 Mon USD	0.09	0.27	0.74	0.77	0.35	0.23	0.37
	Bloomberg Commodity TR USD	-0.46	1.52	-1.24	0.54	-8.42	-9.47	-6.68
Domestic Equities	S&P 500 TR USD	3.07	7.65	20.49	22.87	10.91	15.74	8.30
	S&P MidCap 400 TR	3.68	10.17	15.99	18.53	11.37	15.46	9.92
	S&P SmallCap 600 TR USD	3.52	12.56	13.83	17.66	13.25	16.87	10.40
	Russell 1000 TR USD	3.05	7.66	20.35	22.61	10.73	15.69	8.40
	Russell 1000 Growth TR USD	3.04	8.42	29.21	30.81	13.10	17.14	9.87
	Russell 1000 Value TR USD	3.06	6.89	12.03	14.83	8.35	14.17	6.84
	Russell Mid Cap TR USD	3.36	8.00	17.43	18.76	9.32	15.26	8.98
	Russell Mid Cap Growth TR USD	3.34	9.24	24.60	25.03	10.00	15.59	9.07
	Russell Mid Cap Value TR USD	3.38	7.06	11.96	13.95	8.83	14.99	8.84
	Russell 2000 TR USD	2.88	10.23	15.11	18.34	11.14	15.02	8.75
	Russell 2000 Growth TR USD	2.87	10.15	22.03	23.69	11.32	15.84	9.25
	Russell 2000 Value TR USD	2.89	10.32	8.88	13.37	10.89	14.16	8.18
International Equities	MSCI ACWI Ex USA NR USD	0.81	4.62	24.41	27.59	5.74	7.06	1.47
	MSCI EAFE NR USD	1.05	5.14	23.06	27.27	5.97	8.24	1.55
	MSCI EAFE Growth NR USD	1.20	5.46	26.74	29.54	7.27	8.93	2.28
	MSCI EAFE Value NR USD	0.90	4.81	19.61	25.08	4.59	7.47	0.75
	MSCI Japan NR USD	2.99	9.85	23.13	24.32	10.83	12.16	2.68
	MSCI AC Asia Ex Japan NR USD	0.63	5.26	37.99	35.17	8.97	8.04	3.50
	MSCI Europe NR USD	0.22	4.01	23.64	30.12	4.61	7.64	1.01
	MSCI United Kingdom NR USD	0.11	4.06	16.51	21.33	1.54	4.63	0.78
	MSCI EAFE Small Cap NR USD	1.58	6.25	29.56	33.27	13.00	13.18	5.12
	MSCI EM NR USD	0.20	3.30	32.53	32.82	6.15	4.61	1.36
Fixed Income	BBgBarc US Govt/Credit TR USD	-0.12	-0.60	3.46	3.68	2.23	1.96	4.04
	BBgBarc US Govt/Credit Interm TR USD	-0.31	-0.77	2.02	2.09	1.62	1.46	3.34
	BBgBarc US Govt/Credit Long TR USD	0.53	-0.04	8.66	9.45	4.44	3.83	7.05
	BofAML US HY Master II TR USD	-0.27	1.02	7.17	9.28	5.76	6.08	7.89
	Credit Suisse HY USD	-0.20	1.10	6.68	8.87	5.64	5.92	7.55
	S&P/LSTA Leveraged Loan TR	0.12	1.11	3.71	4.91	3.86	4.11	4.84
	Citi WGBI NonUSD USD	0.45	0.68	2.16	2.53	3.33	3.99	4.23
	BBgBarc Gbl Agg Ex USD TR USD	2.12	0.08	10.22	9.16	1.27	-0.35	2.30
REITs	FTSE NAREIT All REITs TR	2.63	1.89	9.38	13.98	7.32	10.61	7.25
	Wilshire US REIT TR USD	2.76	1.76	4.33	9.40	5.92	10.20	6.71

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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