

# **DeMarche Dashboard**

Data and Commentary for Periods Ended 11/30/18

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## **Global Overview**

- **Markets** – Equity markets gained in November, though not enough to erase October’s losses. Results from midterm elections saw a divided Congress, potentially clouding the course of fiscal policy in 2019. Uncertainty surrounding trade talks between the U.S. and China weighed heavily as the month closed. WTI Crude Oil entered into a bear market, losing over 20% in November and recorded its worse monthly loss in more than 10 years due to rising inventories. REITs were broadly among the strongest performing assets in global markets despite the prospect that rate rises will begin to slow in the U.S. and the weak construction data recorded worldwide.
- **Developed markets** –Developed equities were mixed in November as U.S. markets were largely positive, compared to negative results in non-U.S. developed markets indexes. MSCI EAFE small cap stocks continued to struggle during the month, while mid cap stocks in the U.S. produced the best returns among their domestic small cap or large cap peers. Trade implications for auto stocks and the lack of a result from the special Brexit Summit in November contributed to equity declines in the Eurozone. Domestic bond yields reversed course, as the 10-year Treasury yield fell back to 3.0% after reaching 3.2% in October.
- **Emerging Markets** – Both emerging market equity and debt indexes gained ground in the month as a number of foreign currencies strengthened against the U.S. dollar. Emerging market countries look to be recovering from their woes of the past calendar year as valuations continue to be attractive relative to developed markets. China was among the biggest equity gainers in November as large technology stocks recovered ground lost earlier in the year, up 11.6% in the month. Non-dollar denominated debt saw positive returns in the month due to the favorable currency moves and falling sovereign yields.

## **U.S. Economy and Markets**

- The S&P 500 Index returned 2.0% in November, bouncing off of losses seen in October. The Index is now up 5.1% for the year. Large cap value stocks outperformed growth stocks by 1.9% in the month and turned positive year-to-date, but is still lagging growth by over 6% in 2018.
  - Health care (+7.1%) and real estate (+5.6%) posted the best sector returns for the month, as eight out of the eleven S&P sectors were positive. The main detractors in the month were in the energy sector (-1.7%) the information technology sector (-1.9%).
- The Russell 2000 Index gained 1.6% in November pushing the index back into positive territory for the year. Small cap value and small cap growth stocks performed similarly in the month. November was a bright spot in an otherwise poor three month period as the Russell 2000 Index lost has 11.6% since the end of August.
  - Seven out of eleven sectors were positive in November, led by utilities (+5.0%). The impact of the rout in oil prices is impacting small cap stocks more pronouncedly than their large cap counterparts, as the Russell 2000 Energy sector is down over 20% on the year.

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- Domestic fixed income markets were positive as treasury yields fell – the Bloomberg Barclays Aggregate Index finished up 0.6% in November. The yield curve flattened as the 2-to-10 year treasury spread compressed from 28 to 21 basis points. Investment grade and high yield corporate spreads widened to their highest levels of 2018. The ICE BofA Merrill Lynch High Yield Index lost 0.9% and the Bloomberg Barclays U.S. Corporate Bond Index lost 0.2% in the month. The safe haven for fixed income investors thus far in 2018, floating rate debt, lost ground in November due to declining rates and credit spread widening as the S&P/LTSA Leveraged Loan Index lost 0.9%.
- Total non-farm payrolls increased by 155,000 in November versus 198,000 expected, while the unemployment rate remained unchanged at 3.7%. Wage growth also fell short of expectations, gaining 0.2% versus 0.3% expected. The October jobs report was revised down to 270,000 new jobs. The health care, business and professional services, and transportation industries provided the majority of the gain. Fed policymakers will be reviewing the jobs report closely as they prepare for a decision on whether or not to hike interest rates during the December 19<sup>th</sup> meeting. Federal Reserve Chair Jay Powell surprised investors with comments he made at the November Fed meeting, saying that the pace of interest rate increases may slow, changing the tone from his comments made in October. Mr. Powell's comments seemed to be a factor in the market's rally late in the month.

## International Markets

- The MSCI EAFE Index (USD) was flat in the month as strong performance out of Hong Kong and Israel was offset by weak performance out of Ireland, Norway, and Finland. The MSCI United Kingdom Index continues to fall on Brexit uncertainty and weak growth prospects, down 10.8% in 2018. Japanese stocks were flat on the month, though encouraging economic data on cap-ex spending and productivity growth has come out in the fourth quarter. Developed-international small cap stocks continue to underperform large caps and are down over 12% this year.
- Emerging markets equities were the biggest gainers on the month as the MSCI Emerging Markets Index rose 4.1% in November. Both the MSCI Emerging Markets Growth and Value indexes were up in November but remain big losers in 2018. Performance of emerging market technology stocks diverged from large tech names in the U.S. and ended the month up 5.1%. The MSCI China Index gained back much of October's losses and closed the month up 7.3%.
- Worldwide equity markets have directionally moved in sync over the latest three year period, a time which investors have experienced positive results. Despite the strong positive equity market trends, monetary policy in other developed market countries has been executed much differently than that of the U.S. The ECB has taken steps to end quantitative easing, but has not shown any indication that further tightening is to come due to the lack of growth as measured by CPI targets. Unlike U.S. markets, major monetary policy makers such as the ECB, the BOJ, and the BOE have kept rates at or near zero while the U.S. has been steadily increasing the federal funds rate since late 2016. Furthermore, the spread between U.S. and developed non-U.S. earnings results and EPS growth has widened over the course of the three years due to U.S. tax cuts, the leadership of U.S. technology and other growth stocks, and tepid results from Eurozone banks, among other things. The lack of both economic and corporate growth in Europe and Japan could lead to global equity markets moving in opposite directions going forward, as the world's largest countries are at very different stages in the economic cycle. We've begun to see this change of direction taking shape in 2018, as U.S. markets have produced positive results (S&P, 5.1%) while non-U.S. developed markets are still struggling year-to-date (EAFE, -9.4%).

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## Looking Ahead

- Spending during the upcoming 2018 holiday season will be widely followed as some economists believe they've seen signs that the U.S. economy may be slowing. Keeping in mind that consumer spending is at its all-time high, projections state that consumers spent over of \$6 billion on goods during Black Friday, up 24% year-over-year, and just shy of \$8 billion during Cyber Monday, up 20% year-over year. The consumer confidence index stands at 135.7, down slightly from October but near historical highs. Interestingly, the November jobs report showed flat growth in the retail sector, which usually jumps during November/December.
- November marked the worst month for West Texas Intermediate Crude Oil in a decade. Crude Oil continued its string of ten weekly global stockpile builds. Combined with ongoing concerns about the viability of oil production cuts and the willingness of OPEC (Organization of the Petroleum Exporting Countries) members to accept them, traders remained nervous for the future of oil prices. Volatility ramped up dramatically throughout the month as well, nearly doubling during November. OPEC has meetings scheduled for early December, which should be pivotal going forward for the future of oil prices and production.
- An impending government shutdown in December could occur should Congress not agree on the terms of the President's proposed budget, which includes the hot button issue of funding the border wall. The White House is receiving pushback from Senate and House leaders on both sides of political lines on the proposed \$5 billion request to fund the border wall. The prospect of a government shutdown would only add to the uncertainty in volatile equity markets, and investors have historically not reacted well to political uncertainty.

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates <i>Sovereign Bonds, 10 Year</i>	Exchange Rates <i>per US \$</i>		Inflation <sup>2</sup> <i>(Most recently available)</i>
	Latest	2018	2019 <sup>1</sup>			Current	1 Year Ago	
<b>United States</b>	3.00	2.90	2.50	3.70	3.01	-	-	2.21
<b>China</b>	6.50	6.60	6.32	3.80	3.39	6.96	6.61	2.50
<b>Japan</b>	0.30	1.10	1.20	2.30	0.14	113.54	112.30	1.19
<b>United Kingdom</b>	1.50	1.30	1.40	4.10	1.41	1.28	1.35	2.21
<b>Euro Area</b>	1.70	2.10	1.80	8.10	0.37	1.13	1.19	0.91
<b>Germany</b>	1.20	1.90	2.00	3.40	0.37	1.13	1.19	2.28
<b>France</b>	1.50	1.70	1.80	9.30	0.78	1.13	1.19	2.21
<b>Italy</b>	0.80	1.10	1.20	10.10	3.49	1.13	1.19	1.48
<b>Canada</b>	1.90	2.30	2.20	5.80	2.36	1.33	1.29	1.80
<b>India</b>	8.20	7.40	7.30	6.90	7.79	71.74	64.84	5.61
<b>Mexico</b>	2.60	2.10	2.10	3.30	9.09	20.30	18.63	4.90
<b>Brazil</b>	1.00	1.50	2.20	11.90	7.91	3.86	3.28	4.56

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

1. As of 10/31/18

2. In terms of CPI All Items



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November 2018

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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	1.14	(5.77)	(1.20)	0.14	8.50	6.67	10.89
	BBgBarc US Agg Bond TR USD	0.60	(0.84)	(1.79)	(1.34)	1.33	2.03	3.67
	Russell 3000 TR USD	2.00	(5.35)	4.48	5.53	11.80	10.62	14.51
	DJ Industrial Average TR USD	2.11	(1.07)	5.59	7.62	15.78	12.39	14.14
	NASDAQ Composite PR USD	0.34	(9.61)	6.19	6.64	12.79	12.54	16.92
	MSCI EAFE NR USD	(0.13)	(7.28)	(9.39)	(7.94)	4.12	1.84	7.47
	FTSE Treasury Bill 3 Mon USD	0.18	0.54	1.66	1.76	0.93	0.57	0.34
	Bloomberg Commodity TR USD	(0.56)	(0.84)	(4.68)	(1.83)	1.64	(7.26)	(3.54)
Domestic Equities	S&P 500 TR USD	2.04	(4.40)	5.11	6.27	12.16	11.12	14.32
	S&P MidCap 400 TR	3.12	(7.74)	0.26	0.48	10.48	9.27	15.60
	S&P SmallCap 600 TR USD	1.50	(12.02)	4.08	3.54	12.40	9.42	15.76
	Russell 1000 TR USD	2.04	(4.83)	4.76	5.92	11.94	10.89	14.55
	Russell 1000 Growth TR USD	1.06	(7.46)	7.75	8.59	13.97	13.04	16.54
	Russell 1000 Value TR USD	2.99	(2.15)	1.48	2.96	9.82	8.65	12.46
	Russell Mid Cap TR USD	2.46	(6.66)	0.95	1.89	9.84	9.14	15.71
	Russell Mid Cap Growth TR USD	2.54	(8.00)	4.75	5.32	11.24	10.17	16.64
	Russell Mid Cap Value TR USD	2.40	(5.73)	(2.00)	(0.79)	8.90	8.39	14.84
	Russell 2000 TR USD	1.59	(11.62)	0.98	0.57	10.08	7.50	14.04
	Russell 2000 Growth TR USD	1.56	(13.36)	2.69	2.81	9.97	8.22	15.55
	Russell 2000 Value TR USD	1.61	(9.78)	(0.88)	(1.83)	10.08	6.71	12.50
	International Equities	MSCI ACWI Ex USA NR USD	0.95	(6.84)	(10.13)	(8.12)	5.43	1.79
MSCI EAFE NR USD		(0.13)	(7.28)	(9.39)	(7.94)	4.12	1.84	7.47
MSCI EAFE Growth NR USD		0.30	(9.17)	(8.41)	(6.88)	4.32	2.96	8.27
MSCI EAFE Value NR USD		(0.56)	(5.24)	(10.40)	(9.02)	3.88	0.66	6.61
MSCI Japan NR USD		0.40	(5.30)	(6.64)	(5.99)	5.94	4.67	6.89
MSCI AC Asia Ex Japan NR USD		5.31	(7.41)	(11.99)	(9.61)	9.39	4.37	11.44
MSCI Europe NR USD		(0.93)	(8.17)	(10.74)	(9.40)	2.82	0.78	7.20
MSCI United Kingdom NR USD		(1.67)	(6.70)	(10.78)	(6.35)	1.55	(0.41)	6.94
MSCI EAFE Small Cap NR USD		(0.70)	(10.91)	(12.23)	(9.89)	6.31	4.92	11.98
MSCI EM NR USD		4.12	(5.45)	(12.24)	(9.09)	9.41	1.90	9.13
Fixed Income	BBgBarc US Govt/Credit TR USD	0.47	(1.06)	(2.24)	(1.73)	1.42	2.02	3.72
	BBgBarc US Govt/Credit Interm TR USD	0.45	(0.09)	(0.45)	(0.34)	1.14	1.46	3.06
	BBgBarc US Govt/Credit Long TR USD	0.55	(4.32)	(8.08)	(6.35)	2.50	4.49	6.63
	ICE BofAML US High Yield TR USD	(0.91)	(1.96)	(0.07)	0.22	7.12	4.40	12.04
	Credit Suisse HY USD	(0.89)	(2.02)	(0.09)	0.23	7.06	4.26	11.50
	S&P/LSTA Leveraged Loan TR	(0.90)	(0.25)	3.06	3.47	5.36	3.68	8.52
	FTSE WGBI NonUSD USD	0.25	(2.26)	(4.25)	(4.17)	2.95	(0.42)	1.81
	BBgBarc Gbl Agg Ex USD TR USD	0.11	(2.33)	(4.27)	(4.01)	2.82	(0.57)	2.29
REITs	FTSE Nareit All REITs TR	4.49	(0.65)	3.93	3.82	7.89	10.23	15.00
	Wilshire US REIT TR USD	4.69	(1.23)	3.85	3.71	5.76	9.90	15.04

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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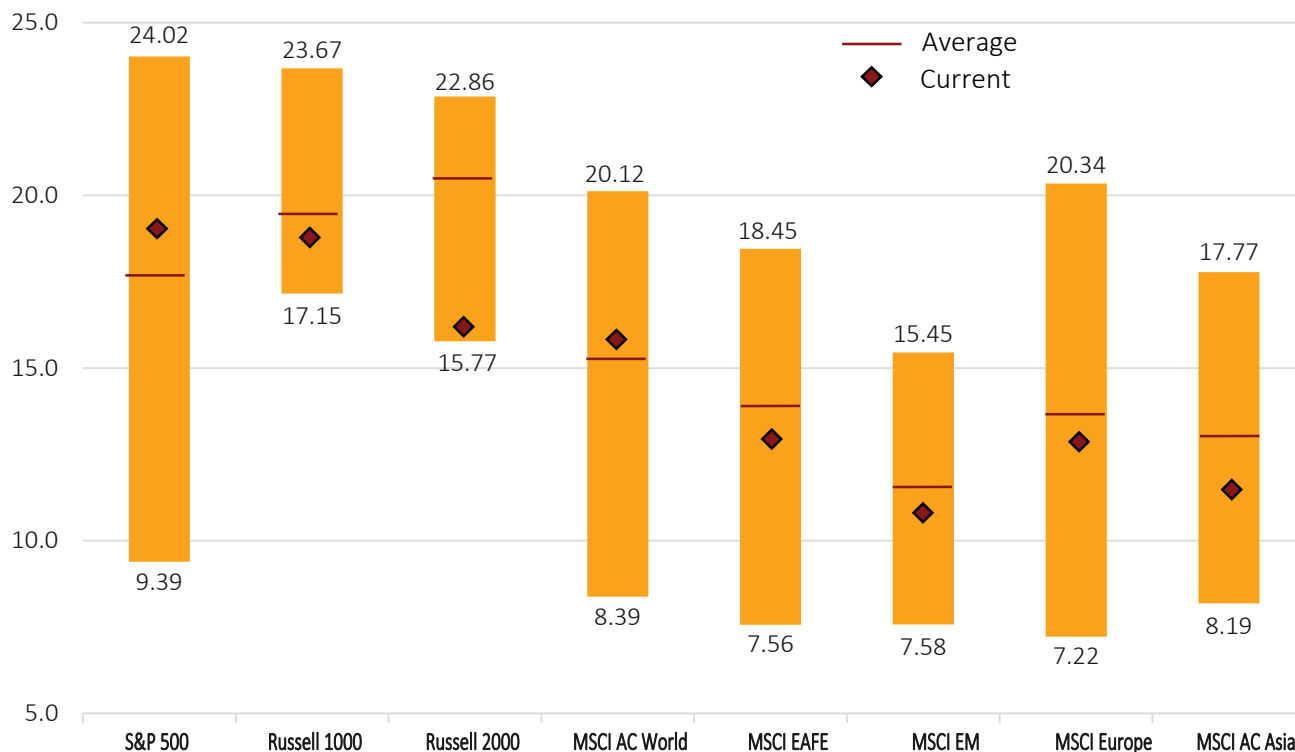
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## S&P 500 Price Level



Source: Standard & Poors

## Current P/E vs. Trailing 10-Year High, Low, Average



	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Date	Jan-18	Jan-18	Nov-17	Jan-18	May-17	Jan-18	Mar-17	Mar-10
Low Date	Feb-09	Sep-13	Nov-18	Feb-09	Feb-09	Nov-08	Feb-09	Feb-09

Source: Standard & Poors, FTSE/Russell, MSCI

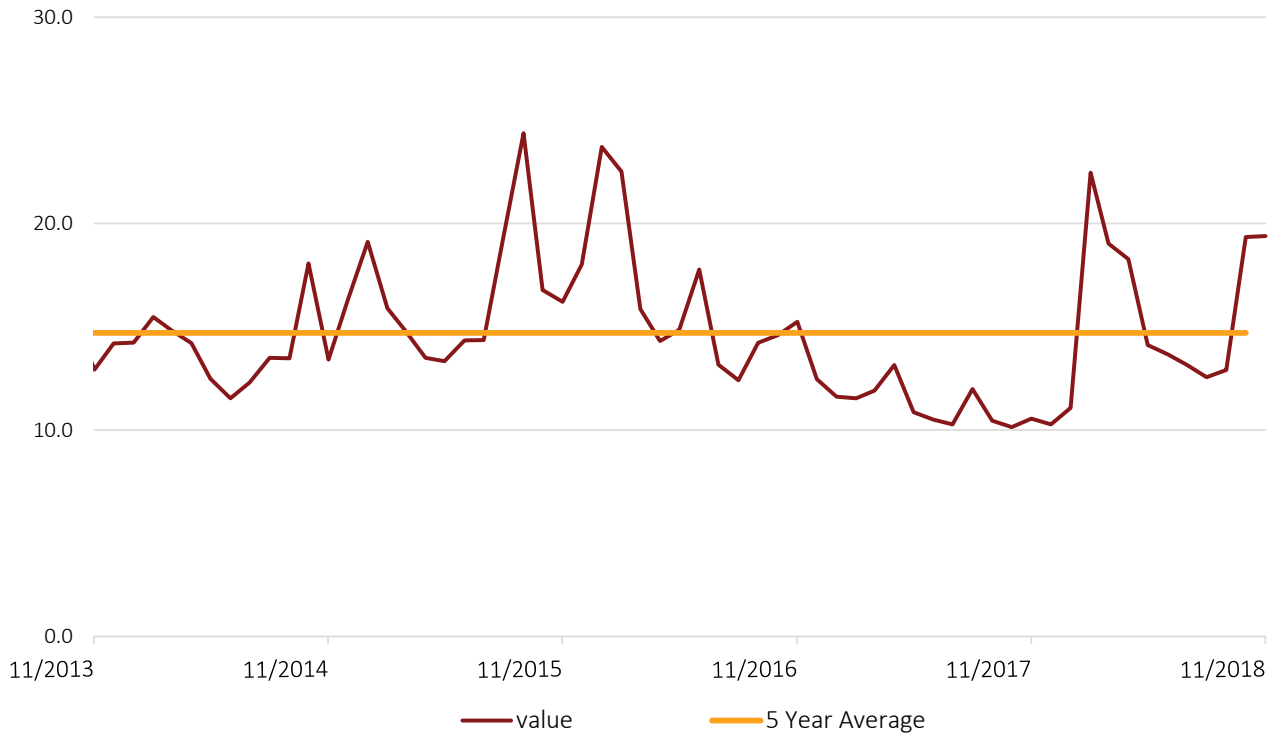
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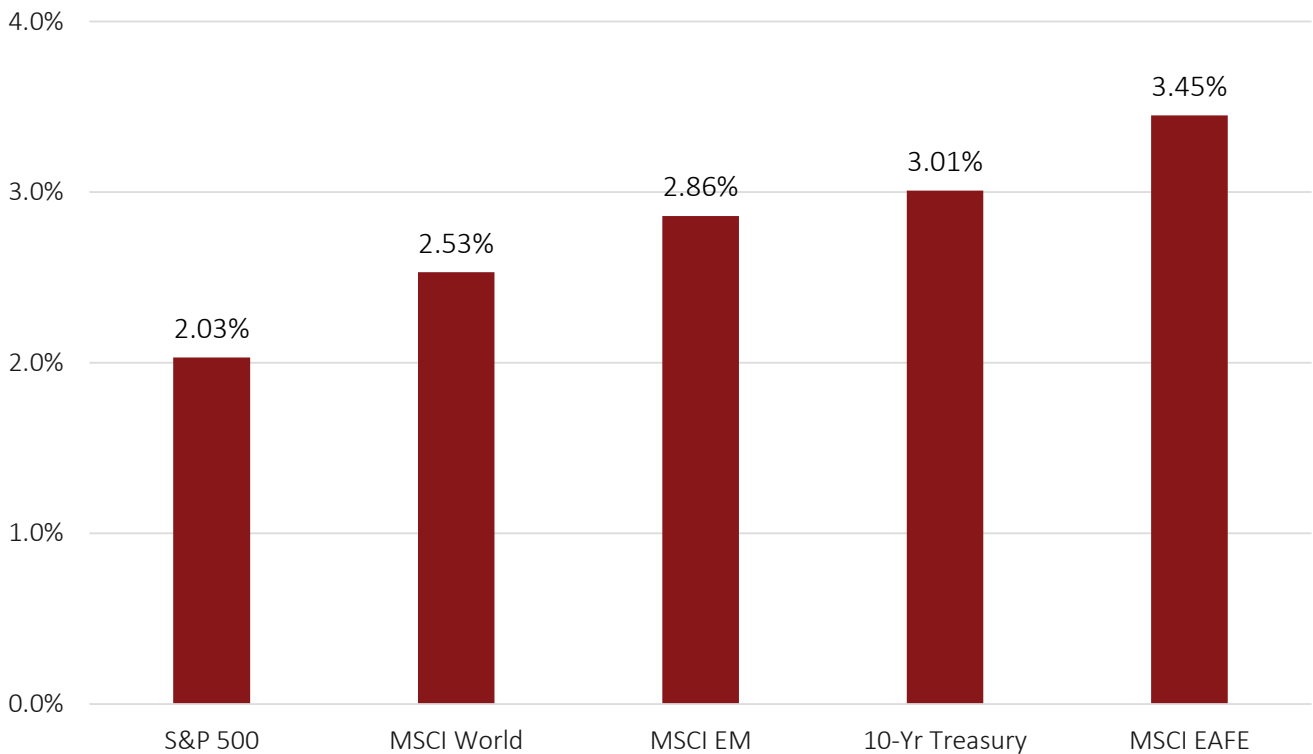
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## CBOE Volatility Index: VIX



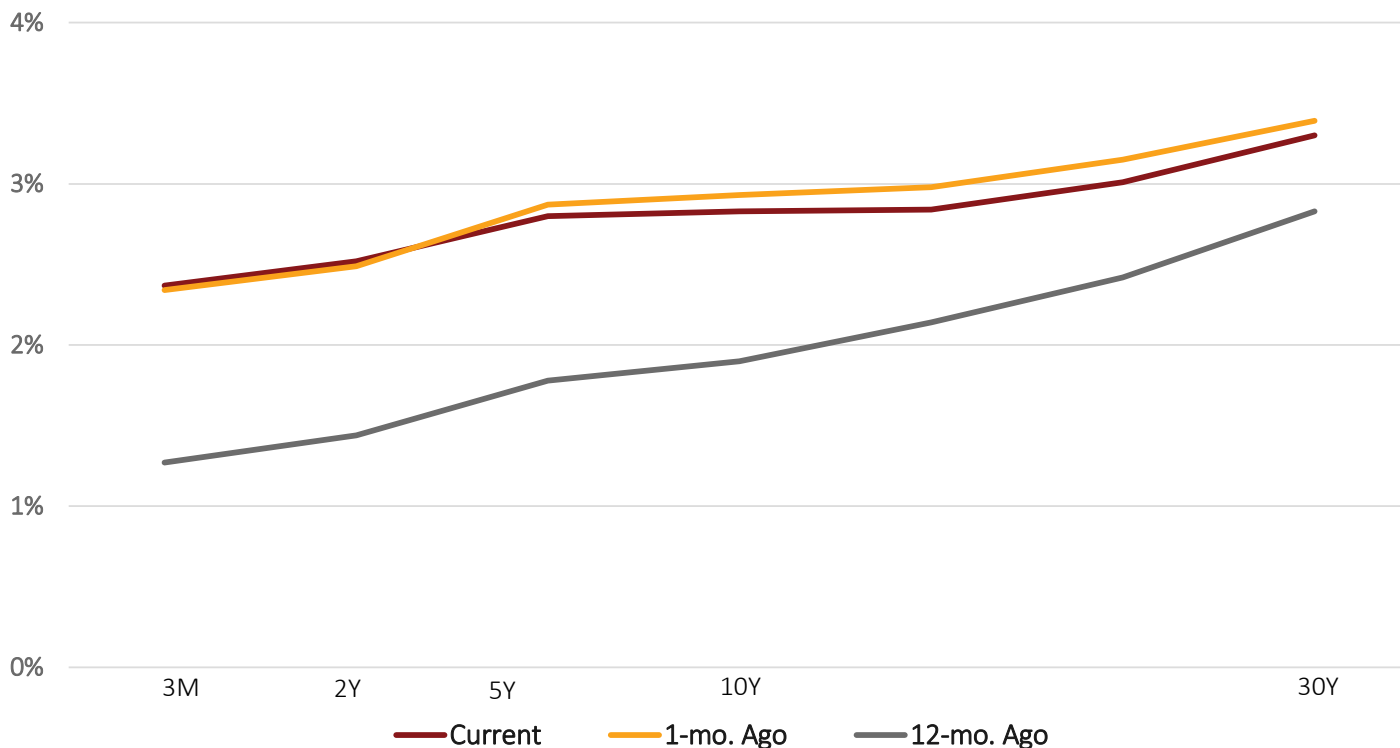
Source: CBOE Global Markets, Inc.

## Current Yields



Source: Federal Reserve Bank of St. Louis, Standard & Poors, MSCI

## U.S Treasury Yield Curves



Source: Federal Reserve Bank of St. Louis

## U.S. Treasury Yields & Performance

Security	Yield (%)		
	Current	1-Mo. Ago	12-Mo. Ago
3-mo. Treasury	2.37	2.34	1.27
6-mo. Treasury	2.52	2.49	1.44
2-yr. Treasury	2.80	2.87	1.78
3-yr. Treasury	2.83	2.93	1.90
5-yr. Treasury	2.84	2.98	2.14
10-yr. Treasury	3.01	3.15	2.42
30-yr. Treasury	3.30	3.39	2.83

Source: Federal Reserve Bank of St. Louis

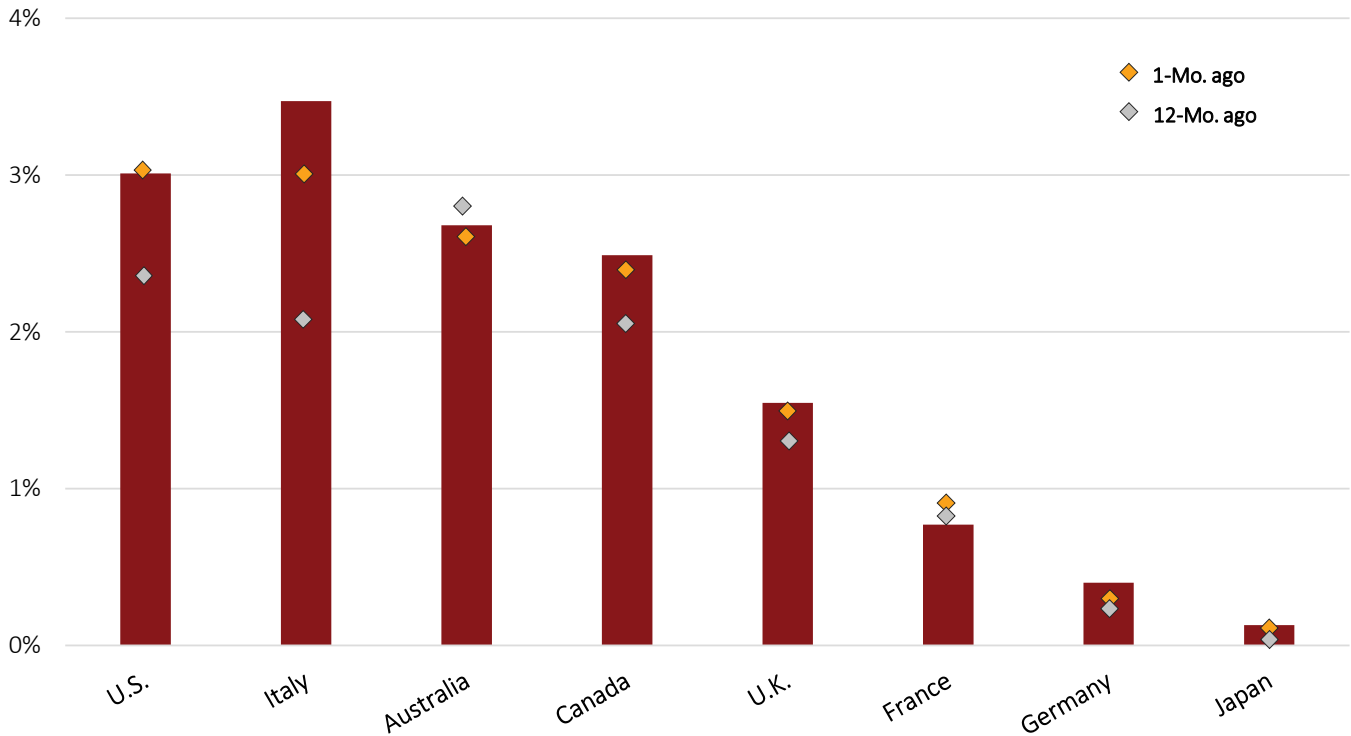
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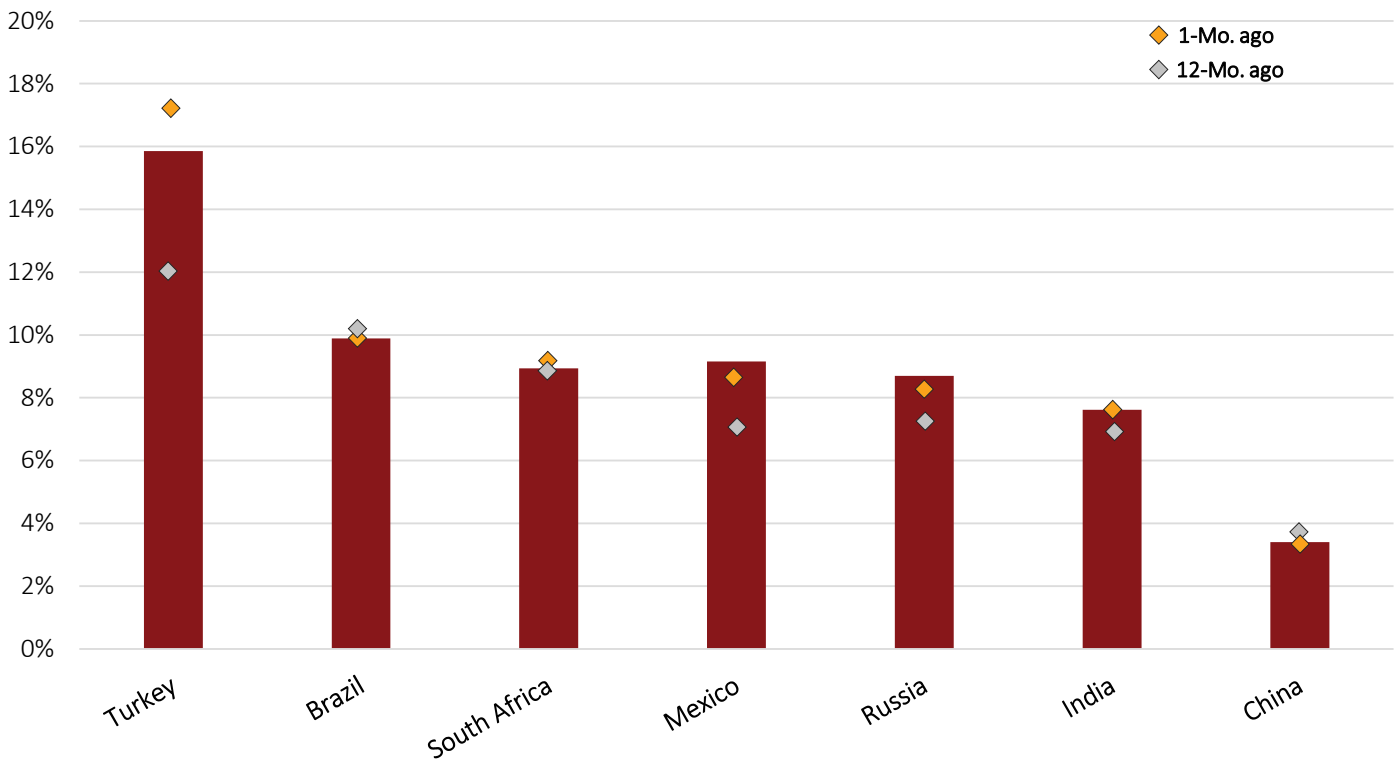
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## Developed Markets 10 Year Sovereign Yields



Source: Federal Reserve Bank of St. Louis, Bloomberg

## Emerging Markets 10 Year Sovereign Yields



Source: Federal Reserve Bank of St. Louis, Bloomberg



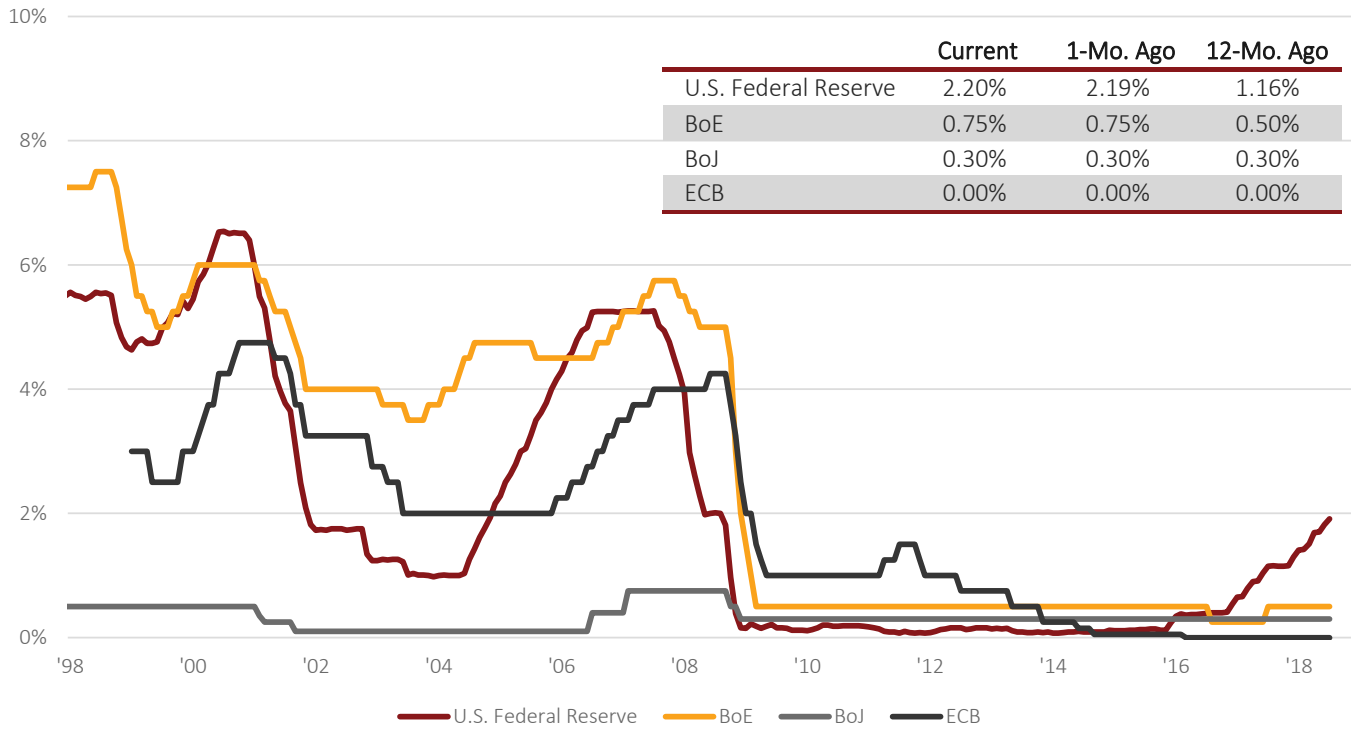
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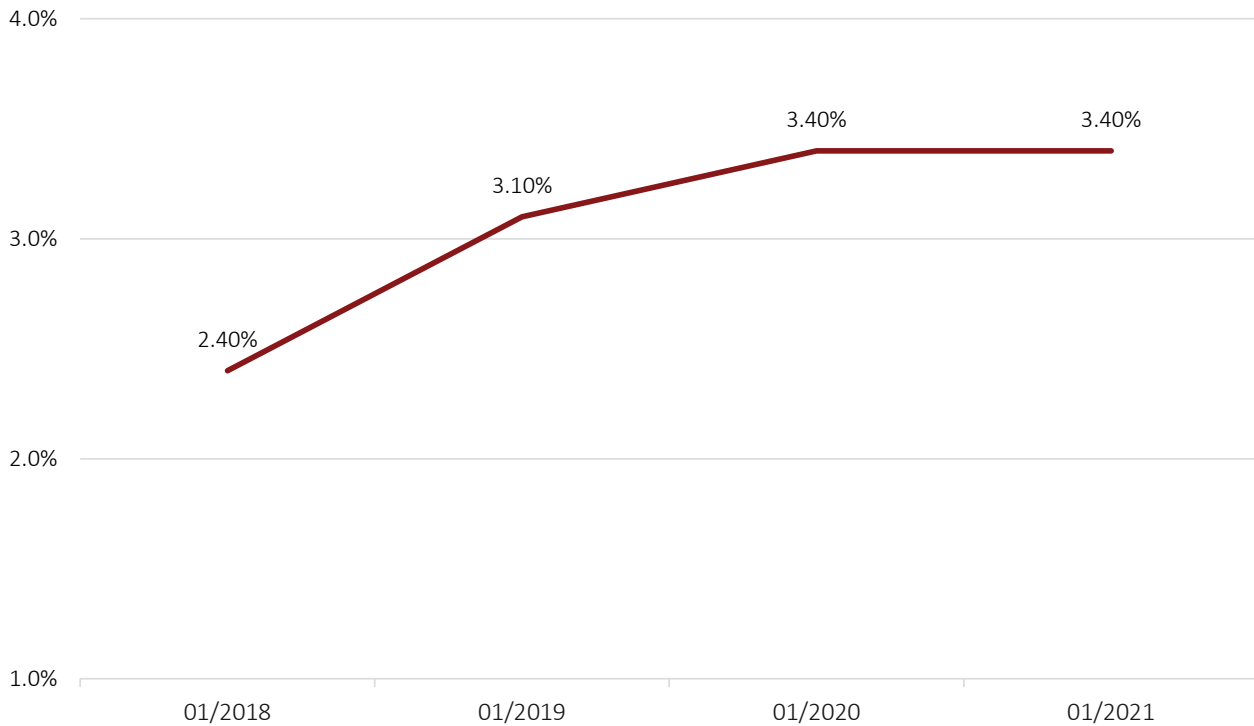
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## Central Bank Policy Rates



Source: Federal Reserve Bank, Bank of England, European Central Bank

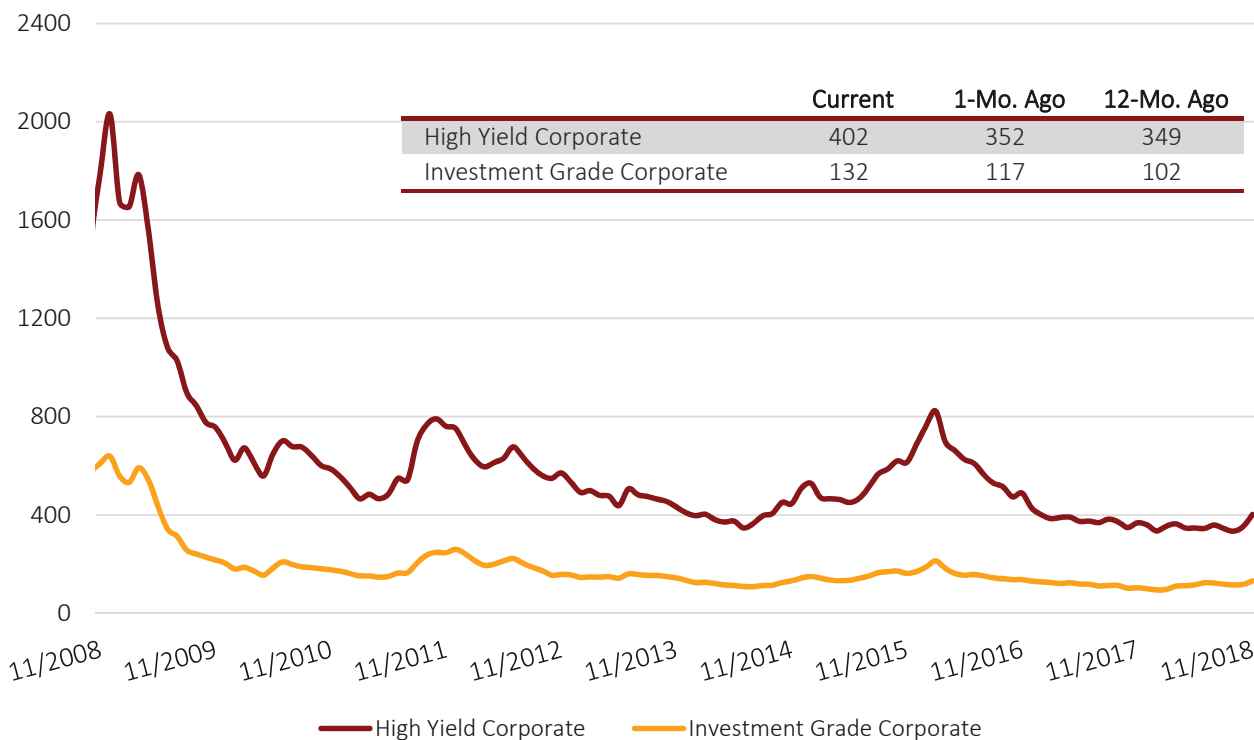
## Summary of Economic Projections of Federal Funds Rate



Source: Federal Reserve Bank of St. Louis and U.S. Federal Open Market Committee (FOMC).

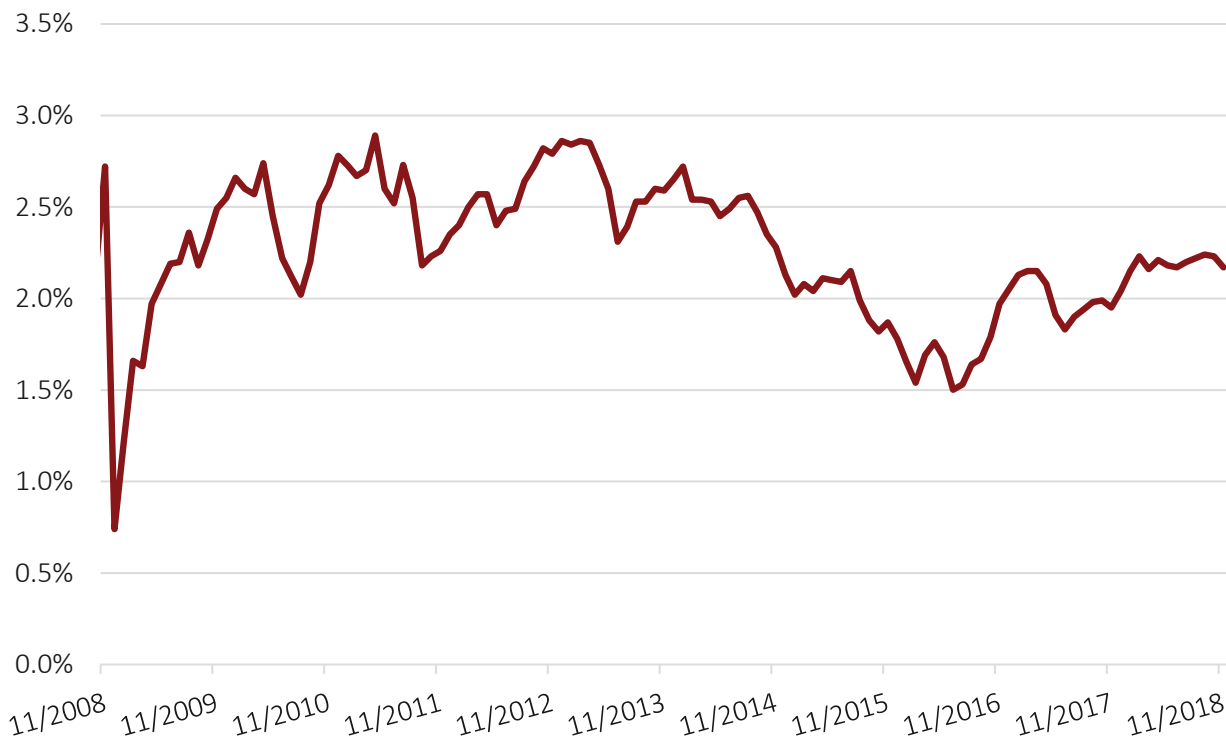
Represents the median value of the range forecast of the federal funds rate established by the FOMC.

## Corporate Bond Average Spread (bps)



Source: Bank of America

## 5-Year Forward Inflation Expectation Rate



Source: Federal Reserve Bank of St. Louis. Measure of expected inflation, on average, over the next five year period.