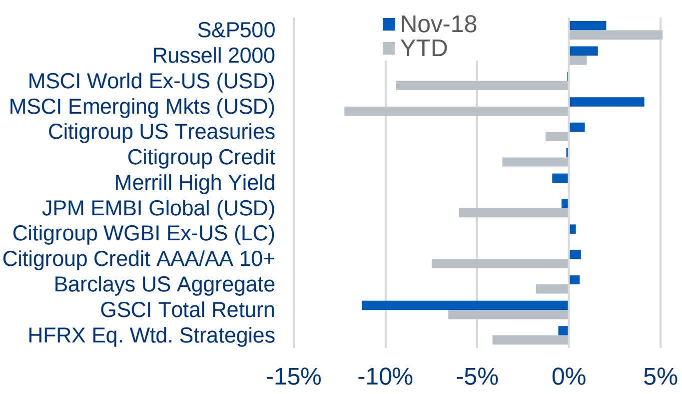
Global Market Review

Macro Summary

In the wake of October's rout, U.S. and emerging market equities rebounded in November while Brexit concerns stalled European stocks. Strong domestic profits supported U.S. equities and outweighed concerns over slowing global economic growth. China led emerging markets higher as U.S.-China trade tensions eased in the run up to the G20 summit. Comments from the Federal Reserve chair hinting at a potential dovish shift also boosted U.S. and EM equities, while sending bond yields lower. However, projections from OPEC of an impending supply-demand imbalance caused oil prices to plummet, hurting oil producers and dragging commodities sharply lower.

Performance of Major Market Indices

Sources: S&P, MSCI, FTSE Russell, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, HFR, Bloomberg.

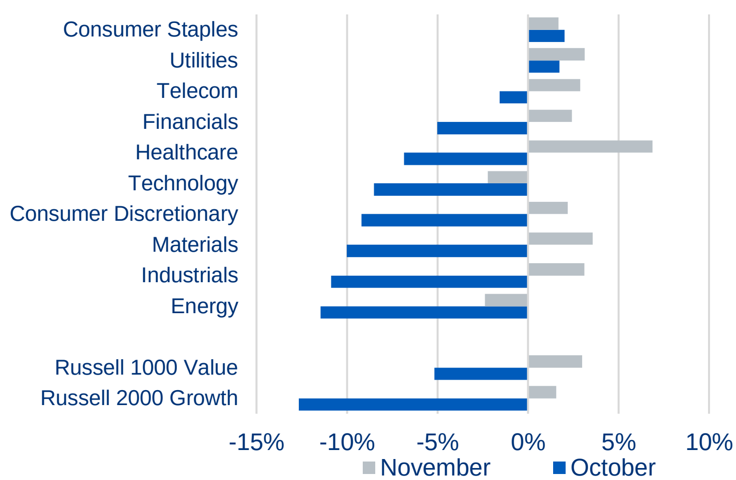


U.S. Stocks Rebound

Equities regained some composure in November after October's rout. The Russell 3000 Index clawed back 2% of last month's losses, and is now up 4.5% for the year to date. However, the stocks that fared the worst in October (growth and small cap) were also the laggards in this month's rebound (Exhibit below). The Russell 3000 Growth Index gained 1.1% while the value index rose nearly 3%. The Russell 2000 ticked up 1.6%, but was outpaced by the large cap Russell 1000 adding north of 2%. Two of last month's worst performing sectors, energy and tech, continued to slide, losing over 2% each. All other industries saw positive returns, led by a 7% gain for healthcare stocks. Remaining sectors added between 2% and 4%.

Equities Recover Some Lost Ground

Source: Bloomberg. As of November 30, 2018.



Strong domestic profits propped up U.S. equities along with low unemployment and the highest increase in hourly wages since 2009. However, other macro factors were less supportive. Growth concerns continued to roil equities throughout the month, as major U.S. retailers posted weak results and tempered guidance for the fourth quarter. Global economic woes have also begun to show evidence of spilling over into the U.S. Overseas profit growth for many U.S. companies slowed in the third quarter, as exposure to China remains an ongoing concern and output contracted in Germany and Japan.

Brexit Stalls Rebound, China Leads EM

Across the pond, a rebound in developed non-U.S. equities stagnated as heightened concerns over a no-deal Brexit weighed on European markets. Brexit stole headlines throughout the month as the British Prime Minister tried to shepherd a draft agreement through EU endorsement and prepare for Parliamentary consideration next month. Progress was marred by the departure of several key cabinet members, including Brexit secretary Dominic Raab. The continued uncertainty surrounding negotiations as the March 2019 deadline nears saw the MSCI Europe Index fall 0.9%. The broader MSCI EAFE Index was down 0.1%.

The MSCI Emerging Markets Index rose 4.5% after falling nearly 9% in October, but returns were mixed across regions. Chinese equities gained over 7% as corporate results showed some bullish signs and U.S.-China trade negotiations gained positive momentum leading into December's G20 summit. Latin American stocks dropped 2% as plummeting oil prices roiled the commodity-dependent region. Elsewhere, progress in Turkey's efforts to rein in inflation and support its currency buoyed emerging European equities. The MSCI EMEA Index rose 4.5%.

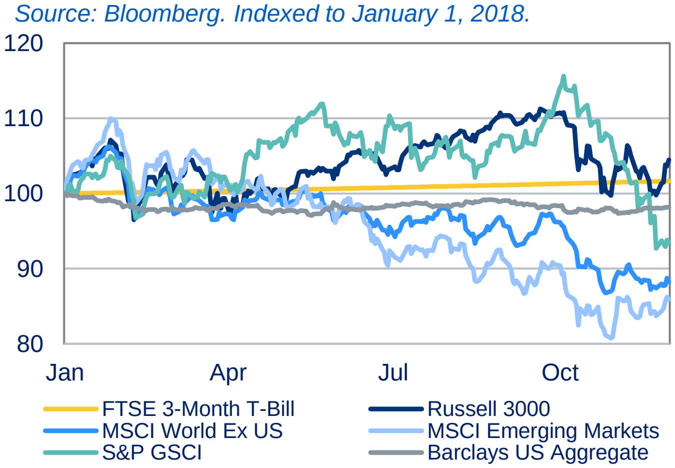
Fed Comments Drive Yields Lower

The Federal Reserve held rates steady at November's meeting, but dovish comments late in the month from Fed Chairman Powell led 10-year Treasury yields back below 3%. Investors viewed his statement that rates are "just below neutral" as a deviation from his comment only a month before that the Fed's rate was a "long way" from neutral. This tonal shift led both equities and Treasuries higher towards the end of November, while the yield curve flattened. U.S Treasuries broadly gained 0.9%.

The expectation remains that a fourth rate hike for 2018 will occur in December, but investors believe a slower pace of hikes thereafter may be in the cards after Powell's comments. This was welcomed by investors, as concerns over slowing global growth and tighter monetary policy have contributed to recent market volatility and uneven performance. Through November, U.S. equities have been the only asset class to outpace cash year to date (Exhibit below).

Global Asset Classes Struggle Year-to-Date

Source: Bloomberg. Indexed to January 1, 2018.



Hedge Funds Miss Out on Rebound

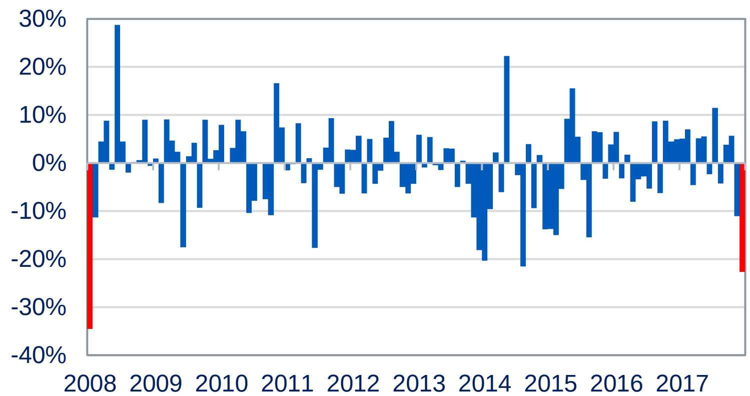
The HFRX Equal Weighted Strategies Index closed 0.6% lower in November. Equity long/short managers did not share in this month's stock recovery, also falling 0.6%. The uncorrelated Equity Market Neutral index slipped 1.5%, while credit long/short managers continued to struggle, losing 1.5%. Elsewhere, macro managers were able to capitalize on diverging global markets to outperform peers, but geopolitical headwinds led these strategies 0.2% lower.

Crude Oil Plunges on Demand Slump

Oil posted its lowest returns in a decade this month, with the WTI Crude losing 22%. Prospects of a slowdown in global growth and weakness in emerging markets led OPEC to project weaker demand for oil in 2019. The group of oil producers warned that the demand slump may force a reduction in supply, but U.S. production continues to add to the global oil stockpile. This imbalance in the oil market led the S&P GSCI Index 11.3% lower, offset modestly by a 0.4% return for the precious metals component of the index.

Oil Suffers Biggest Monthly Loss in a Decade

Source: Bloomberg. As of November 30, 2018.



Performance of Major Market Indices through 11-30-2018

Sources: MSCI, FTSE, Barclays, Citigroup, Bank of America Merrill Lynch, J.P. Morgan, S&P GSCI, HFR, Bloomberg.

	1-Month	QTD	YTD	1-Year	3-Year	5-Year
S&P500	2.0%	-4.9%	5.1%	6.3%	12.2%	11.1%
Russell 2000	1.6%	-9.4%	1.0%	0.6%	10.1%	7.5%
MSCI World Ex-US (USD)	-0.1%	-8.0%	-9.4%	-7.8%	4.3%	1.7%
MSCI Emerging Mkts (USD)	4.1%	-4.9%	-12.2%	-9.1%	9.4%	1.9%
Citigroup US Treasuries	0.9%	0.4%	-1.3%	-1.0%	0.6%	1.4%
Citigroup Credit	-0.1%	-1.5%	-3.6%	-2.8%	2.5%	2.9%
Merrill High Yield	-0.9%	-2.5%	-0.1%	0.2%	7.2%	4.4%
JPM EMBI Global (USD)	-0.4%	-2.6%	-6.0%	-5.4%	3.7%	4.0%
Citigroup WGBI Ex-US (LC)	0.4%	0.5%	0.0%	-0.2%	1.4%	3.0%
Citigroup Credit AAA/AA 10+	0.7%	-2.4%	-7.5%	-5.3%	3.3%	5.1%
Barclays US Aggregate	0.6%	-0.2%	-1.8%	-1.3%	1.3%	2.0%
GSCI Total Return	-11.3%	-16.5%	-6.6%	-2.5%	0.2%	-12.8%
HFRX Eq. Wtd. Strategies	-0.6%	-2.7%	-4.2%	-3.7%	1.1%	0.5%