

MARKET REVIEW & COMMENTARY

NOVEMBER 2018



TELEMUS[®]

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MARKET REVIEW

NOVEMBER

Markets snapped back in November, making up about half the October losses. U.S. equity markets were positive; high dividend paying and large cap value stocks held up the best, large caps did better than small, and 'value' outperformed 'growth' across capitalizations. International markets varied during November, as emerging markets rallied sharply while major developed markets declined modestly. Bonds were positive as interest rates fell across the curve. Only long credit and high yield lost value. Real assets results were broadly mixed, while hedge funds were generally negative as well.

High dividend payers rose +2.47% in November, while the S&P 500 increased +2.04%. The tech-heavy NASDAQ, which was down most of October, recovered slightly, gaining +0.49%. From a style standpoint, 'value' beat 'growth' in large caps, but the returns were about even in mid and small caps. Large growth gained +1.06%, lagging large cap value, which increased +2.98%. Mid cap growth stocks rose +2.54% versus mid value stocks gaining +2.40%. Small growth increased +2.07% while small value stocks gained +1.96%. International equities were mixed. Europe lost -0.93%, and EAFE fell -0.13% while emerging markets rallied +4.12%, and frontier markets gained +2.17%.

Bonds were mostly positive in November as interest rates plummeted. Longer maturity paper outperformed shorter

durations. Municipals outperformed on the short end, but corporates replaced Treasuries as the long duration losers, reflecting continuing preoccupation with the topping of the credit cycle. Specifically, 1-5 year government/credit rose +0.36% while 1-5 year municipals were up +0.57%, and 3-5 year Treasuries gained +0.69%. The Bloomberg Barclays long credit index was down -0.40% versus a gain in 10-year municipals of +1.30% and a +1.66% rise in the Bloomberg Barclays long Treasury index. TIPS increased +0.48%, while high yielders fell -0.86%. World bonds were up +0.48%, in dollar terms, and emerging market debt fell -0.14%.

Real assets were mostly positive outside of commodities, which were impacted by a -22.25% decline in the price of crude oil for the month. The positive results in real assets were fueled by Global and U.S. real estate, which gained more than 4% in the month. The Philly Stock Exchange Gold/Silver Index rose +0.28% while the Bloomberg Commodity Index declined -0.56%. Global natural resources fell -3.52%, driven by the decline in oil. Lastly, the dollar rose +0.15%.

Alternatives had varied results, with hedge fund returns down slightly on average. Among hedge funds, the HFRX Global Hedge Fund Index was down -0.62%. Similar declines were recorded by the HFRX Absolute Return Index, down -0.41%, and the HFRX Relative Value Arbitrage Index down -1.33%.

MARKET REVIEW

YEAR-TO-DATE

Returns on diversified portfolios are mostly positive/flat as gains in U.S. equity results have been offset by declines in International equities. The disparity between the returns of 'growth' and 'value' stocks narrowed slightly in the quarter, but remains wide for the year. U.S. growth stocks are up +7.75% (large cap growth), +4.76% (mid cap growth) and +5.34% (small cap growth). U.S. value stocks have returned +1.48% (large cap value), -2.00% (mid cap value) and -2.01% (small cap value). The S&P 500 is positive year-to-date, up +5.11%. High dividend payers are up a more modest +3.66%, and the NASDAQ remains up the most, returning +7.24% even with the large loss in this quarter. International equities continue to underperform. Year-to-date, the MSCI EAFE is down -9.39%, with its Europe component declining -10.74%. Frontier and emerging markets have experienced the deepest liquidity woes and their market returns reflect that. Year-to-date frontier markets are down -13.89%, and emerging bourses are down -12.24% (in dollar terms).

Fixed income returns follow duration inversely year-to-date. Shorter term paper remains positive. 1-3 year Treasuries are up +0.75%, 3-year municipals are up +1.10%, and 1-3 year corporate paper gained +0.91% year-to-date. Longer term paper and corporates bonds have replaced treasuries as the worst performers. The 10-20 year Treasury Index is down -3.72% while the Bloomberg/Barclay Municipal 10yr Index is now slightly positive, up +0.05%. The Bloomberg Barclays Long Credit index has fallen -8.99%. Floating rate notes are

up +1.88% while TIPS are down -1.80%. As investors stretch for yield, high yield U.S. corporate paper remains up a slim +0.06%. Mortgage backed securities are down -0.81%, world government bonds have lost -3.15%, and emerging market paper has lost -6.83% year-to-date.

Real asset returns have been broadly mixed and volatile. Year-to-date, the Bloomberg Commodity Index has lost -4.68%, precious metals are down -22.51%, and global real estate has lost -1.06%. The U.S. dollar has been volatile but remains up +5.59% for the year-to-date.

Alternative returns have been broadly negative. The HFRX Global Hedge Fund Index is down -4.89%. The HFRX Equity Hedge strategies are down -5.41%; the HFRX Event Driven strategies have lost -10.62%, while macro strategies have lost -3.98%.

We reiterate virtually the same paragraph from last month here. While quantitative tightening (QT) continues in the U.S., unemployment remains at only 3.7%. U.S. consumer confidence is at highs and wages are growing. However, storm clouds are gathering over the housing market, and we know that record corporate profit growth has probably peaked. So, the markets will continue to reflect the slow replacement of tailwinds with headwinds and volatility will remain. Our asset allocations need to reflect our risk tolerances now- we will not know if a 20% decline has ended or is merely on its way to a 50% decline while it is happening.

INDEX RETURNS AS OF 11/30/2018

BASIC INDEX RETURNS

	MONTH TO DATE RETURN	QUARTER TO DATE RETURN	YEAR TO DATE RETURN	LATEST 3 YEARS RETURN	LATEST 5 YEARS RETURN	LATEST 10 YEARS RETURN
BALANCED INDEX (50% ACWI, 35% US Gov. Cr 1-5, 5% HFRX, 5% commodity, 5% bill)	0.80%	-3.22%	-1.42%	15.29%	17.06%	82.17%
HFRX GLOBAL HEDGE FUND INDEX	-0.78%	-3.87%	-5.05%	1.79%	-0.62%	17.23%
CPI - SEASONALLY ADJUSTED	0.00%	0.33%	1.98%	6.10%	8.03%	18.66%
S&P 500 COMPOSITE	2.04%	-4.94%	5.11%	41.11%	69.43%	281.09%
LIPPER LARGE - CAP CORE	2.26%	-4.78%	4.10%	38.70%	59.78%	249.06%
WISDOM TREE LARGE CAP DIVIDEND	2.47%	-2.10%	3.66%	40.54%	64.55%	252.49%
MSCI ALL COUNTRY WORLD INDEX NET	1.46%	-6.14%	-2.55%	27.96%	34.81%	175.23%
MSCI EAFE NET	-0.13%	-8.08%	-9.39%	12.88%	9.54%	105.59%
BLOOMBERG BARCLAYS MUNICIPAL BOND 5Y (4 - 6)	0.80%	0.60%	0.70%	3.67%	9.18%	37.16%
BLOOMBERG BARCLAYS US AGGREGATE	0.60%	-0.20%	-1.79%	4.04%	10.59%	43.37%
ICE BANK OF AMERICA / MERRILL LYNCH US T - BILL 3MONTH	0.19%	0.37%	1.68%	2.91%	2.98%	3.60%

EXTENDED INDEX RETURNS

	MONTH TO DATE RETURN	QUARTER TO DATE RETURN	YEAR TO DATE RETURN	LATEST 3 YEARS RETURN	LATEST 5 YEARS RETURN	LATEST 10 YEARS RETURN
RUSSELL 1000 GROWTH	0.09%	-8.86%	6.71%	46.59%	82.81%	357.55%
RUSSELL 1000 VALUE	2.26%	-3.03%	0.77%	31.51%	50.34%	221.31%
RUSSELL MIDCAP GROWTH	1.87%	-8.22%	4.07%	36.76%	61.24%	363.05%
RUSSELL MIDCAP VALUE	1.80%	-5.54%	-2.57%	28.42%	48.76%	296.49%
RUSSELL SMALL CAP COMP GROWTH	1.18%	-10.36%	4.42%	39.14%	59.14%	392.58%
RUSSELL SMALL CAP COMP VALUE	1.43%	-7.30%	-2.53%	28.30%	38.71%	249.94%
MSCI EM (EMERGING MARKETS) NET	4.12%	-4.95%	-12.24%	30.97%	9.87%	139.54%
BLOOMBERG BARCLAYS US TREASURY BILL 6 MONTH	0.20%	0.38%	1.70%	3.44%	3.81%	5.67%
BLOOMBERG BARCLAYS US AGENCY	0.62%	0.47%	-0.08%	3.12%	7.58%	25.41%
JP MORGAN EMERGING MARKET BOND INDEX(EMBI) + COMPOSITE	-0.14%	-2.24%	-6.83%	9.18%	20.12%	115.93%
CITI GROUP WORLD GOVERNMENT BOND	0.48%	-0.62%	-3.15%	6.73%	0.56%	21.69%
BLOOMBERG COMMODITY	-0.56%	-2.71%	-4.68%	5.01%	-31.41%	-30.24%
ALERIAN ENERGY MLP	-0.83%	-8.76%	-3.38%	3.04%	-23.27%	165.29%
PHILADELPHIA STOCK EXCHANGE GOLD / SILVER	0.28%	-1.10%	-24.40%	39.67%	-25.45%	-36.55%
LIPPER GLOBL NAT RES	-3.52%	-13.82%	-14.53%	13.25%	-19.05%	40.46%
LIPPER PRECIOUS METAL FUND	-0.92%	-2.10%	-22.51%	26.50%	-14.15%	-2.78%
MSCI WORLD REAL ESTATE	4.54%	0.75%	-1.06%	17.48%	33.69%	182.73%
LIPPER REAL ESTATE FUND	4.05%	0.19%	1.53%	17.21%	50.59%	218.42%

Note: The data is cumulative not annualized. All data in U.S. dollars.



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