TELEMUS MONTHLY COMMENTARY
November 2019

PERSPECTIVE

November was a quiet month in the markets as economic indicators were stable, trade negotiations progressed but did not reach a resolution, and remaining 3rd quarter earnings reports were generally in line with expectations. Market volatility was subdued as U.S. equity returns trended higher. Bond markets have steadied as central banks appear to be halting any additional accommodative policies. Overall, there is a general calm across markets as traders await new and actionable information around geopolitical events and the global economy. In periods of calm, as we are currently experiencing, we do not want to become complacent and are actively examining opportunities and threats that could transpire if and when conditions change.

SLEEVE COMMENTARY

GROWTH

Equity markets trended higher in November as volatility remained low. The S&P 500 gained a healthy +3.6% for the month and is up +27.6% on the year.

Returns were led by Technology, Financials and Health Care stocks, all of which were up over +5.0%. Defensive oriented sectors, Utilities and Real Estate, were the laggards as both declined -2.0%.

Having lagged all year, small cap stocks ended the month edging out large caps after a strong finish at month's end. Growth stocks continued to outpace value, although the spread between the two styles was most significant among small caps.

Low volatility stocks, which have had a strong 2019, notably lagged the broader market, up only +1.3%.

International markets trailed their U.S. peers, with the MSCI EAFE up +1.1%. Emerging market stocks were the laggards registering a decline of -0.1% on the month.

INCOME

November was a quiet month in the bond market. Interest rates increased moderately, with the yield curve steepening as long-term rates rose more than short term. The broad-based Bloomberg Barclays U.S. Aggregate Index was essentially flat, returning -0.05%.

Treasury prices declined slightly due to the increase in rates. The longer the maturity, the greater the impact. Corporate bonds outpaced Treasuries, generating slightly positive results. The interest rate spread between corporate bonds and Treasuries tightened slightly during the month.

Municipal bond returns outpaced broader taxable bonds as interest rates on municipal bonds remained static. Demand for municipal bonds continues to outpace the supply of new issuance coming into the market.

DIVERSIFIER

Alternative investments largely experienced mildly negative returns in November. Hedge funds were the exception, as they generally produced positive results.

Crude oil prices held steady in November and finished higher by +2.2%. The Alerian MLP index, which tracks oil and gas pipelines, remained under pressure; falling -5.8% after having fallen over 6% in October.

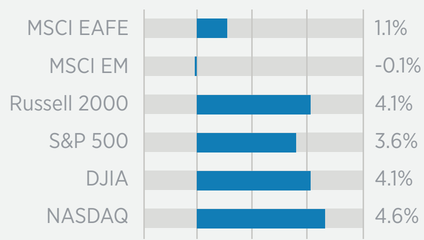
Precious metals stabilized after a strong October and third quarter. The Philadelphia Stock Exchange Gold/Silver index ticked down a mere -0.1%.

Hedge funds in aggregate posted positive returns with the HFRX Equal Weighted Strategies Index up +0.8%. Event driven hedge funds stood out with returns of +2.1%. Conversely, market neutral funds lagged, down -0.3%. For the year, market neutral strategies remain underwater declining -1.1%.

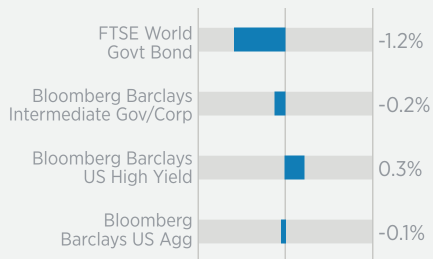
Within real estate, U.S. REITS declined -1.35%, while global real estate fell -1.69%.

After weakening in October, the dollar rebounded in November, appreciating +1.0%.

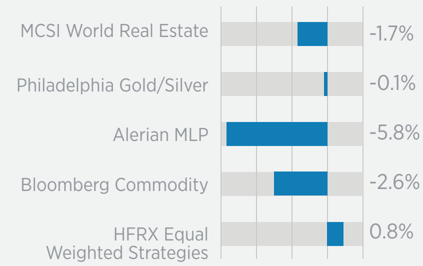
EQUITY INDEX RETURNS



BOND INDEX RETURNS



ALTERNATIVE RETURNS



ECONOMIC BACKDROP

	POSITIVES	NEGATIVES
UNITED STATES	• Consumer spending remains strong, growing at a 4% annualized rate. • Existing home sales are up +4.6% in the past year; the most in a decade. • Initial 'Black Friday' holiday sales data indicates lower retail store traffic, but high online transactions.	• Inflation remains subdued and below the Fed's 2% targeted threshold. • Consumer sentiment has softened but remains at elevated levels. • Business investment has declined over the past year as business confidence wanes.
DEVELOPED INTERNATIONAL	• Germany's economy has started to stabilize, keeping it out of a technical recession. • Eurozone industrial production has stabilized, although it remains down from year ago levels. • Australia's exports are rising, led by higher LNG sales.	• Japan's GDP growth rate slowed to an annualized rate of 0.2%, from 1.8% in the previous quarter. • Japan retail sales have fallen considerably after a retail sales tax hike. • Australia's unemployment has begun to rise.
EMERGING MARKETS	• Business confidence in Brazil is improving. • Russia is beginning to experience rising wage growth and an uptick in retail sales.	• Growth in Chinese industrial output has been slowing. • South Korean industrial production remains in decline. • The Chilean Peso is the latest emerging market currency to undergo a sizable depreciation.

INVESTMENT COMMITTEE POSITIONING

	UNDERWEIGHT	NEUTRAL	OVERWEIGHT	
GROWTH		■		Valuations are reasonable and low interest rates should continue to support market multiples.
DOMESTIC			■	Stronger relative economic conditions leads to an overweight.
INTERNATIONAL	■			Below trend economic growth in many developed economies has resulted in an underweight.
INCOME		■		Unexpected declines in interest rates have resulted in bonds achieving better than expected returns. While we continue to expect interest rates to remain range bound, they are likely at the bottom end of their range. Bonds remain an important component to diversified portfolios.
DIVERSIFIER		■		Some alternative investment categories are beginning to exhibit less attractive return prospects. Portfolios are currently emphasizing investments where we perceive the risk and reward characteristics to be more attractive.
CASH		■		Global monetary policy remains accommodative and hence we are looking to keep cash levels near their targets.

PORTFOLIO REVIEW

While there has been progress toward resolving key geopolitical risks, valuations across markets reflect limited downside probabilities associated with events such as Brexit, trade negotiations and slowing economic conditions. Given that uncertainty remains, we continue to believe it's prudent to have balanced portfolios that are positioned in line with their strategic asset allocation targets. However, within asset classes, we are more defensively positioned. Should the trade war drag on, or economic conditions soften further, we would expect the defensive posture to be a benefit for clients.