NOVEMBER 2019 MARKET RECAP

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US Equity Markets

Index	November	YTD	1YR	3YR	5YR
S&P 500	3.63%	27.63%	16.10%	14.87%	10.96%
Russell 3000	3.80%	27.34%	15.48%	14.21%	10.60%
Dow Jones Industrial Average	4.11%	23.05%	12.48%	16.31%	12.18%
Nasdaq	4.65%	31.93%	19.55%	18.96%	13.93%
S&P 400	2.96%	22.72%	8.83%	9.02%	8.58%
Russell 2000	4.10%	21.97%	7.47%	8.54%	8.20%

International Equity Markets

MSCI Index	November	YTD	1YR	3YR	5YR
EAFE	1.13%	18.17%	12.44%	9.62%	4.26%
Europe	1.45%	19.67%	13.69%	10.64%	3.83%
Japan	0.56%	17.17%	9.34%	8.52%	6.95%
China	1.65%	13.94%	7.09%	11.30%	6.22%
Emerging Markets	-0.14%	10.20%	7.28%	9.01%	3.12%
ACWI ex US	0.88%	16.47%	11.20%	9.24%	3.85%

Fixed Income Markets

Bloomberg US Bond Index	November	YTD	1YR	3YR	5YR
Agg	-0.05%	8.79%	10.79%	4.10%	3.08%
Treasury Bills	0.12%	2.06%	2.26%	1.58%	0.99%
Corporates	0.25%	14.17%	15.85%	6.04%	4.55%
High Yield	0.33%	12.08%	9.68%	6.31%	5.40%
Munis	0.25%	7.21%	8.49%	5.02%	3.57%

SOURCE: Bloomberg

November was another strong month in the equity markets as the S&P 500 increased by +3.6%. The S&P 500 is up +27.6% for the year and nine of eleven months have produced positive results. The market reached new all-time highs on optimism that the US/China phase one trade deal is getting close to completion and it could include the rollback of existing tariffs. The S&P 500 is up over +9% since early-October on what some investors are calling the "rollback rally". If the trade agreement does include a rollback of existing tariffs it would be a nice holiday gift for investors. The US/China trade war is still the biggest risk facing the market and economy, and we've seen the two sides reach cease fires followed by escalation and new tariffs before. We are pleased with the strong run in recent weeks, but we will wait to break out our party hats as the market is fragile until the agreement is signed. Going forward, we will continue to incorporate new market developments with long-term asset allocation targets as part of our overall total net worth approach to comprehensive financial planning and investment management.

We hope that everyone had a great Thanksgiving. If we don't speak with you over the next month, we extend our best wishes for a happy holiday season and a healthy start to 2020.

We'd like to highlight two key developments in November:

US/China Trade War Update – More Optimism

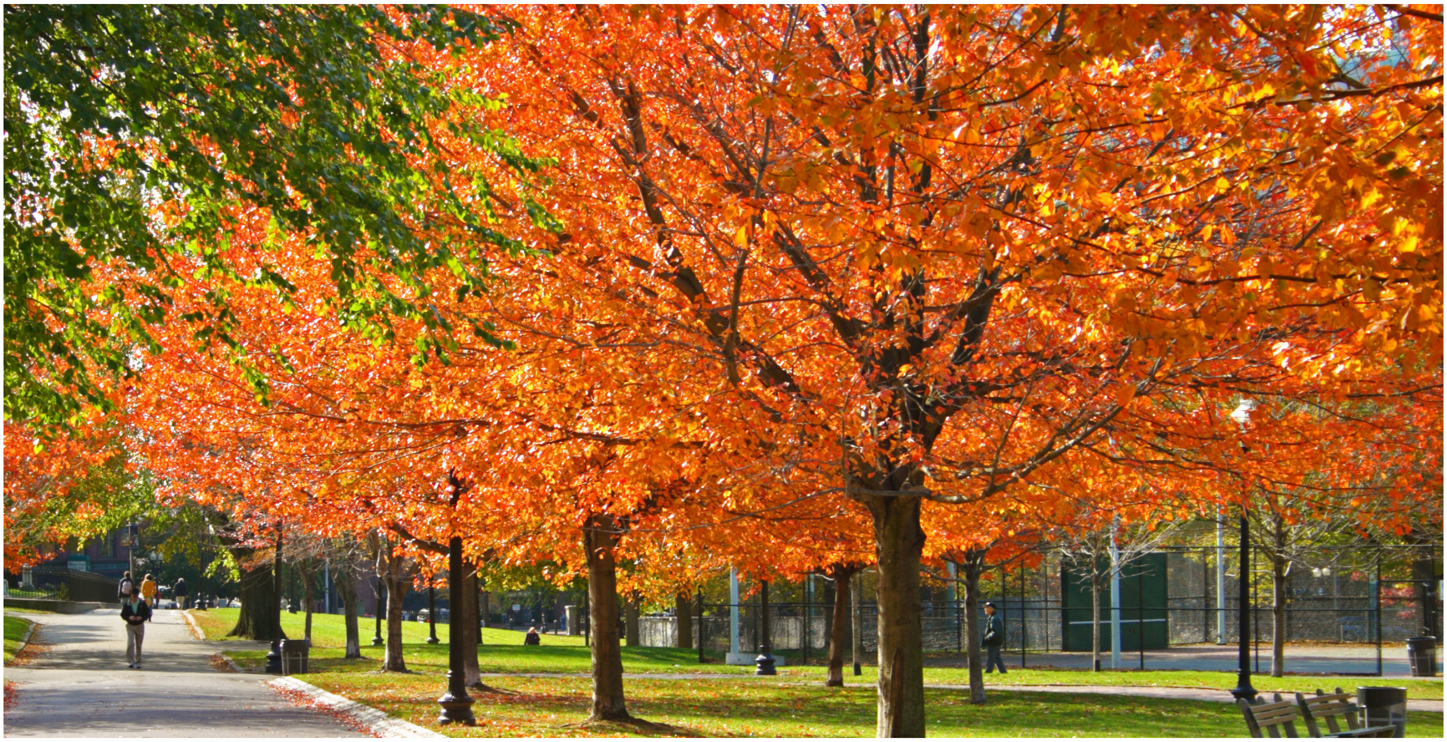
The prospects for a phase one US/China trade agreement increased throughout the month. While the odds of an agreement have increased, the deal has not been signed yet. Recall that in October, both sides agreed in principle to a deal where the US would not increase the rate on existing tariffs in exchange for China boosting agricultural purchases, bolstering its intellectual property protection, improving its foreign exchange transparency, and expanding market access for foreign financial services companies. Late in November, China announced it would raise penalties on violations of intellectual property. Intellectual property protection is a key issue in the ongoing trade war, so it is positive that China is taking steps to address the matter.

The US and China have been locked in the ongoing trade war for nearly two years as both sides have implemented tariffs. The US has placed 15-25% tariffs on $360 billion worth of imports while China implemented 5-25% levies on $110 billion worth of imports. The US has also threatened to place 15% tariffs on about $160 billion worth of Chinese imports beginning on December 15th – this list of goods includes many consumer products, including smartphones and laptops. The Trump administration will need to cancel the December 15th tariffs for the phase one agreement to be signed. Difficult issues remain but investors will be delighted to see a signed phase one agreement, especially if it includes the rollback of existing tariffs.

FOMC Throws Cold Water on Negative Interest Rates

In our **August 2019 Client Question of the Month,** we discussed negative interest rates and the potential for occurrence in the United States. Negative interest rates could occur in the US under two scenarios, either the Federal Open Market Committee (FOMC) sets the federal funds rate below zero or longer-term bond prices increase enough that their yield goes negative (bond prices move inversely to yields). Our conclusion is that negative interest rates, either the federal funds rate or longer-term bond yields, in the United States are not probable under normal circumstances and only possible in a severe economic recession.

Minutes from the October 30th Federal Reserve meeting were released on November 20th, and they included a discussion on negative interest rates. The minutes stated that FOMC members judged that, "negative interest rates currently do not appear to be an attractive monetary policy tool in the United States." The Fed further pointed out that negative rates have had limited beneficial effects for other regions/countries (Europe and Japan currently have negative interest rates), and that they could potentially distort the financial system. While President Trump has been calling for negative interest rates and there is currently over $12.4 trillion in global debt outstanding with negative yields, it doesn't look like this event will occur in the US anytime soon.



DISCLOSURES:

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Barclays Capital U.S. Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.

The Barclays Capital Municipal Bond Index is a broad market performance benchmark for the tax-exempt bond market, the bonds included in this index must have a minimum credit rating of at least Baa.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe*. With 445 constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI ACWI ex USA Index captures a large and mid cap representation across 22 or 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries. With 2,211 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The MSCI China Index captures large and mid cap representation across China H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs. With 495 constituents, the index covers about 85% of this China equity universe. Currently, the index also includes Large Cap A shares represented at 5% of their free float adjusted market capitalization.

Investing involves risk including loss of principal. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

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