ECONOMIC HIGHLIGHTS

U.S. Factory Orders were down 0.6% in September from being down 0.1% in August. Unit Labor Costs were up at a 3.6% annualized rate for the third quarter of 2019, from +2.4% in the second quarter. Consumer Confidence from the Conference Board came in at 124 for October, essentially flat with October. This indicator has been over 120 for more than two years. The prior records were four years in the late 1990's and five

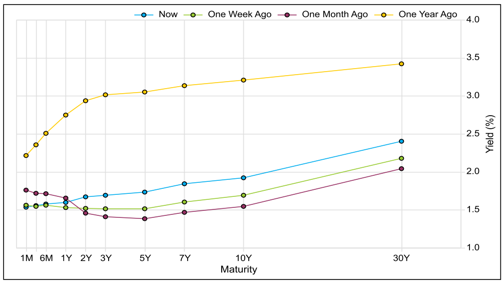
FIXED INCOME

An important bond market gauge that has been favorable for longer-term bonds is beginning to show signs that higher yields may be ahead. The bad news for bondholders is that the last time this happened, it was accompanied by the biggest sell-off since the aftermath of the global financial crisis. That indicator is the term premium, which, for both Treasuries and German bunds, has rebounded from last quarter's record lows. The U.S. measure is now on track for the biggest three-month increase since late 2016. After a monster rally through August, global bonds have pulled back in recent weeks as thawing trade tensions lightened the global economic gloom, sapping demand for the safety of sovereign debt. Rebounding term premiums now signal the sell-off has further to go -- the measure of extra compensation for holding longer-term debt versus simply rolling over a short-term security for years is in an uptrend that investors and strategists say has only just begun. The ten-year Treasury yield, a benchmark for world markets, rose last week to a three-month high as investors sold longer dated bonds as one of the biggest headwinds to global growth, the U.S.-China trade war, began to show signs of meaningful progress. At the same time, German bunds surged to levels not seen since mid-July as its ten-year equivalent moved above 0%. Investor's are increasingly worried about holding longer-term debt as easing economic anxiety raises the prospect of a capital flight out of haven assets into riskier ones. Such a trend is already pushing yields higher, which, combined with the Federal Reserve's signal that it will hold interest rates steady for the time being, is boosting term premiums. In Europe, a still-accommodative monetary policy is bolstering inflation prospects, adding to the upward pressure on yields. Ten-year Treasury term premium has climbed about 42 basis points since the end of August, on track for the biggest three-month increase since 2016, according to the widely followed New York Fed ACM model created by Tobias Adrian, Richard Crump and Emanuel Moench. Understanding the trend in term premium isn't just an academic exercise for bond nerds as it also helps gauge what's driving debt yields and valuations. That margin of safety is one of the three components that make up the yield of any given bond, according to former Fed Chairman Ben Bernanke—the other two being market expectations for monetary policy and inflation.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	1.55%	3 mo	1.59%	3 mo	1.92%	3 mo	1.23%
6 mo	1.54%	6 mo	1.56%	6 mo	1.90%	6 mo	1.25%
1 yr	1.57%	1 yr	1.54%	1 yr	1.87%	1 yr	1.26%
2 yr	1.67%	2 yr	1.71%	2 yr	1.84%	2 yr	1.28%
5 yr	1.75%	5 yr	1.74%	5 yr	2.08%	5 yr	1.43%
10 yr	1.94%	10 yr	2.16%	10 yr	2.55%	10 yr	1.87%
30 yr	2.42%	30 yr		30 yr	3.30%	30 yr	2.53%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	0.95%	21.14%
S&P 500 (Large Cap)	0.41%	25.35%
S&P 400 (Mid Cap)	0.06%	21.71%
Russell 2000 (Small Cap)	-0.02%	19.77%
NASDAQ Composite	0.55%	28.92%
MSCI EAFE (International)	-0.08%	18.73%
iShares Real Estate	-2.51%	24.30%

U.S. Equity finished the week positive for its first five-week win streak since February. U.S.-China trade is still the main market driver, along with support from an earnings season performing better-than-expected and the ISM non-manufacturing number coming in stronger-than-expected which helped decrease recession fears. Financials led the sectors with a 1.60% gain while Real Estate (-2.40%) and Utilities (-2.01%) got hit the hardest. Gold fell -3.36% as oil finished up 1.50%.

The Financial Times discussed how the Street has significantly scaled back earnings expectations for Q4, putting the S&P 500 on track for its slowest annual pace of earnings growth in four years. The report also highlighted the negative revisions to 2020 estimates. Last week's Earnings Insight report from FactSet noted that the Street is now looking for the S&P's earnings to decline for a fourth straight quarter in Q4, something that has not happened since Q3 2015 through 2016. It also pointed out that during the month of the October, the bottom-up S&P 500 EPS estimate fell to $41.51 from $42.69. That 2.8% decline was worse than the 1.7% five-year average decline during the first month of the quarter (and the 1.2% ten-year average decline). On another note, the preliminary November's University of Michigan's consumer sentiment number came in at 95.7, slightly lowe r than the consensus of 96.0. The release did note that consumer voiced a slightly more positive outlook for the economy, yet they also voiced less favorable views of their own finances.

The Financial Times released an article that stated according to EPFR Global, mutual funds and exchange traded funds that inv est in global equities attracted $7.5B for the week ended Wednesday. This is the most since the last week of January 2018. The report also added that global s tocks have seen their longest daily streak of inflows since January 2018.

The S&P 500 Index continues to climb towards new highs as it ends its fifth straight week of gains, in which the Large Cap Index closed at 3093.

ASSET ALLOCATION

CURRENT SENTIMENT	
Cash	Neutral
Short Fixed Income	Neutral
Intermediate Fixed Income	Neutral
Inflation-Adjusted Fixed Income	Unfavorable
High Yield Fixed Income	Neutral
International Fixed Income	Unfavorable
Equity Income	Favorable
Large Cap Equity	Favorable
Mid Cap Equity	Favorable
Small Cap Equity	Neutral
International Equity	Neutral
Emerging Markets Equity	Neutral
Real Estate	Neutral
Commodities	Unfavorable

Below is a summary of our current stance on most asset classes:

Cash - Neutral weighting now that Fed Funds rate is above 2%. Any exposure is for defensive positioning or liquidity needs.
Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the outlook for higher interest rates.
Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain present in floating rate securities.
Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.
High Yield Bonds - Spreads have tightened considerably and do not warrant exposure to unnecessary credit risk when compared to Treasuries.
International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.
Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.
Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should be overweighed versus Value.
Mid Cap Stocks - Mid cap exposure remains an attractive market capitalization. Mid cap stocks continue to provide the "sweet spot" of market capitalization - large enough to provide stability, but small enough to be more nimble.
Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. However, a recent divergence of relative strength between small caps and large caps warrants a neutral exposure.
International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, an underweight to neutral weight is recommended.
Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than developed countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.
Real Estate - Pricing has stabilized and long-term valuations appear attractive. Real Estate has performed well of late and should continu e to be a strong alternative to other asset classes.
Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commoditi es will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversified portfolio. Used alone though is not recommended as the short-term outlook is not favorable.