ECONOMIC HIGHLIGHTS

The U.S. Index of Leading Economic Indicators was down 0.1% for October, after having been down for the few months leading into October. U. S. Single and Multi-Family Housing Starts came in at 1.324mm units in October, up from 1.266mm units in September.

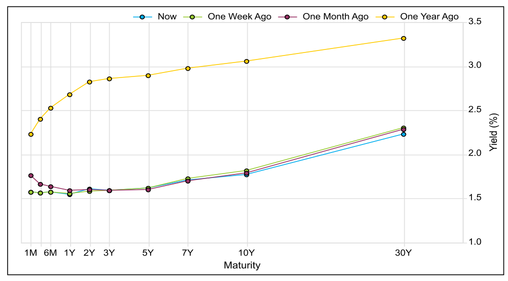
FIXED INCOME

It appears that investors are giving up on trades positioned for a steeper yield curve. The gap between two- and ten-year yields has narrowed by about 12 basis points over the past few weeks. This move has reversed November's spread widening, which had extended a trend in place since late August. The spread has narrowed for an eighth straight day, the lengthiest streak since November 2017. That is leaving fixed-income specialists at several major wire house firms cold on the steepening trade they were counting on continuing. The rationale for the trade has crumbled as the Federal Reserve signaled its preference to keep rates on hold even as uncertainty over the progress of a U.S.-China trade deal clouds the growth outlook. The Fed's current stance on rates has anchored the two-year part of the curve, while the ten-year yield has come down on the headlines on talks stalling between the world's two largest economies. "It feels like we're trading water now," said Iain Stealey, a fixed-income manager at JPMorgan Asset Management. "It's very hard to have a high conviction view." As little as a few weeks ago, it seemed the steepening trend was hitting its stride, after a mid-year breakdown. The case for a wider yield gap could flourish in either of two likely scenarios: If either the growth and inflation outlook turned out not to be as dire as it appeared in August, when the curve inverted, or if the Fed was forced into cutting rates more aggressively to boost the economy. Stealey believes the current limbo on trade has left the ten-year yield stuck in the middle of a trading range. He sees scope for it to rise or fall 25 basis points based whether the U.S. decides to proceed with the threatened additional tariffs in mid-December. Vanguard portfolio manager Gemma Wright-Casparius doesn't see much stamina left in the current flattening move. Her stance on the curve is currently neutral, and she's looking for further deterioration in economic conditions in the near term. The firm's economists expect the Fed will probably cut interest rates twice by the middle of 2020, and then she would expect that to cause the curve to steepen.

CURRENT GENERIC BONDS YIELDS

TREASURIES		AGENCIES		CORPORATES		MUNICIPALS	
3 mo	1.58%	3 mo	1.57%	3 mo	1.87%	3 mo	1.16%
6 mo	1.58%	6 mo	1.55%	6 mo	1.85%	6 mo	1.18%
1 yr	1.56%	1 yr	1.50%	1 yr	1.82%	1 yr	1.18%
2 yr	1.63%	2 yr	1.67%	2 yr	1.78%	2 yr	1.19%
5 yr	1.61%	5 yr	1.64%	5 yr	2.00%	5 yr	1.32%
10 yr	1.77%	10 yr	1.99%	10 yr	2.45%	10 yr	1.74%
30 yr	2.22%	30 yr		30 yr	3.20%	30 yr	2.46%

CHANGE IN TREASURY YIELD CURVE



EQUITY

INDEX RETURNS	LAST WEEK	YTD
Dow Jones Industrials	-0.53%	22.12%
S&P 500 (Large Cap)	-0.39%	26.27%
S&P 400 (Mid Cap)	-0.51%	21.28%
Russell 2000 (Small Cap)	-0.13%	19.34%
NASDAQ Composite	-0.31%	29.70%
MSCI EAFE (International)	-0.66%	18.07%
iShares Real Estate	-1.49%	25.18%

U.S. Equity finished the week lower, as the S&P 500 Index snapped its' six-straight week of gains. Flash PMI numbers for November, positive retail earnings, and as expected, U.S. -China trade talk continue to be the main focus of the Market. Energy (+1.24%) finishes as the weeks biggest sector gainer, while Materials (-1.62%) and Consumer Discretionary (-1.73%) close as the largest losers. Gold closed -0.62% while WTI Crude finished the week positive at +1.54%.

November's Philadelphia Fed Manufacturing Index came in at 10.4 beating the consensus of 6.9 and October's 5.6. New orders are down to 8.4 from October's 26.2 level; shipments are lower m/m as well. The prices paid and received indicators also remained positive, but lower m/m. The release noted respondents remain generally optimistic. In other news, the initial jobless claims report came in at 227K in the latest week versus the consensus of 217K. Comes after last week's 14K w/w rise, the sharpest since July. The four-week average now sits at 221K, the highest since June. Continuing claims are at 1695K versus the consensus of 1690K and the prior week's 1692K (revised up from 1683K).

The ECB's October meeting saw a strong call for unity regarding future policy decisions. While it was underlined that open and frank discussions were necessary, it was regarded as important to form a consensus and unite behind its commitment to meet its inflation aim. This idea came after the backlash against Draghi's September policy package. It was also noted that time was needed to assess measures, given that two-tier rate system and QE had yet to be implemented. However, the incoming data since September vindicated its decision and it reiterated to its readiness to act aga in with all instruments. As stated by FactSet, ECB President Christine Lagarde's first keynote speech on policy largely echoed that of her predecessor Mario Draghi. The speech pointed out that ECB's accommodative policy has been a key driver of domestic demand recovery, and that stance remains in place. President Lagarde will continue to support economy and respond to future risks in line with its price stability mandate, as well as monitor side effects.

It has been a busy month for retail as the beginning of the month saw some a small breakout for the sector. However, near the middle of the month the industry was hit hard as retail stores such as Macy's and Kohls cut earnings. The sector was soon revitalized by the likes of Walmart and Target who far exceeded their earnings estimates, as well as raised forecasts. Other notable positive earnings reports include Ross Stores, Nordstrom, and Williams Sonoma.

The Markit flash November Manufacturing PMI number came in at 52.2, which beat the consensus of 51.5 and the October reading of 51.3. This number comes in at a seven-month high, showing moderate growth. Production, new orders and employment all gained. The flash November services PMI was released at 51.6, beating the estimate of 51.2 and October's 50.6. New business seemed weak, however, employment increased. Business confidence dipped in both measures. Lastly, the final Michigan Consumer Sentiment number for November came in at 96.8, up 1.1 from the preliminary print and up 1.3 points m/m. One-year inflation expectations remain unchanged at 2.5%. Analysts at JP Morgan noted that the reports reflect easing of concerns on a global trade policy.

The S&P 500 seems to finally snap its six-week winning streak as the Large Cap Index falls -0.40% for the week. Since the beginning of November, the Large Cap Index has seen a breakout to new highs and continues to climb above the most notable level of support at ~3027. The index has lagged some this week, which is only natural for the run the index has been having. Though the index could continue to climb further, one should not be surprised if the index reverts closer to the mean. The S&P 500 index closed at 3110.

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 continue 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 commodities 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.

Sources of statistical information are Bloomberg and Ned Davis Research.