

~ NOVEMBER 2016 NEWSLETTER ~

Monthly Summary

November began by completing the longest streak of consecutive down days (9) for the S&P 500 since 1980. The month ended with the longest string of consecutive up days (15) for the Russell 2000 in 20 years. The driver of the former was Donald Trump's gain in pre-election polls. Strangely enough, his election as the nation's 45th president drove the latter! Following the election, investors were swift to assess the potential ramifications of the Trump platform, namely lower taxes, reduced regulation, and fiscal support through infrastructure spending. The dollar, interest rates, and inflation expectations all catapulted higher. Healthcare, financial, energy, and industrial stocks rose dramatically, and domestic-centric small capitalization shares performed exceptionally well. On the flipside, capital flowed out of emerging markets and bonds suffered uncharacteristic losses. So, despite headline news of a market rally in domestic equities, gains were off-set by the undertow of fixed income and international equities in balanced portfolios.

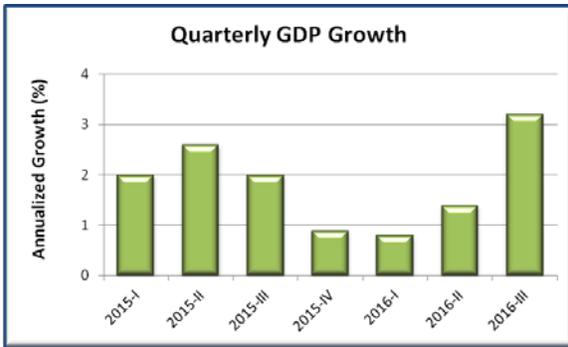
The month drew a strong line of demarcation between winners and losers. Going forward, however, such distinctions are likely to be far more nuanced. After all, with the inauguration itself still weeks away, it is impossible to assess how actual governance will deviate from campaign rhetoric. Likewise, exuberant investors seem to be downplaying material challenges. For example, dollar strength can act as a headwind to economic growth. Higher interest rates challenge corporate profits, can depress stock market valuations, and weigh on debt reliant economic sectors such as housing and autos. Moreover, fiscal spending takes time, acts with a lag, and fiscally minded Congressional leaders are unlikely (perhaps unable) to provide President Trump with a blank check. Lastly, the potential for protectionist driven trade wars is not insignificant. Such an outcome could be globally recessionary. In short, for excited stock holders and agitated bond investors, the future is unlikely to be quite so rosy or dismal, respectively.

Economic Data

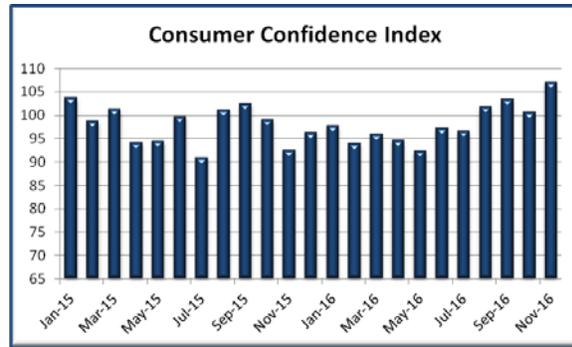
General	Prior	Current
GDP growth	1.4% (Q2)	3.2% (Q3)
Trade balance	-\$40.5B (Aug)	-\$36.4B (Sep)

Employment	Prior	Current
Initial jobless claims	251,000 (11/19)	268,000 (11/26)
Continuing claims	2.0MM (11/12)	2.1MM (11/19)
Change in nonfarm payrolls	191,000 (Sep)	161,000 (Oct)
Unemployment rate	5.0% (Sep)	4.9% (Oct)
Average weekly hours	34.4 (Sep)	34.4 (Oct)

Consumer	Prior	Current
Consumer confidence index (Conf. Board)	100.8 (Oct)	107.1 (Nov)
Retail sales growth (YoY)	3.9% (Sep)	2.1% (Oct)
Change in consumer credit	\$26.8B (Aug)	\$19.3B (Sep)



Data Source: U.S. Bureau of Economic Analysis



Data Source: The Conference Board

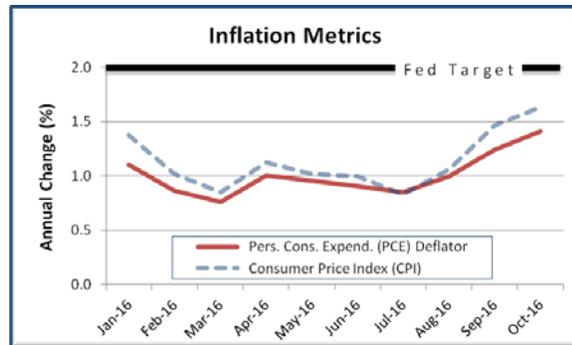
Manufacturing & Service	Prior	Current
ISM manufacturing index	51.5 (Sep)	51.9 (Oct)
ISM non-manufacturing index	57.1 (Sep)	54.8 (Oct)
Durable goods orders growth	0.4% (Sep)	4.8% (Oct)
Industrial production growth	-0.2% (Sep)	0.0% (Oct)
Capacity utilization	75.4% (Sep)	75.3% (Oct)

Real Estate	Prior	Current
New home sales	574,000 (Sep)	563,000 (Oct)
Existing home sales	5.5MM (Sep)	5.6MM (Oct)
S&P CoreLogic CS home price index (YoY)	5.2% (Aug)	5.5% (Sep)

Inflation	Prior	Current
Consumer price index/Core (YoY growth)	1.5%/2.2% (Sep)	1.6%/2.1% (Oct)
Producer price index/Core (YoY growth)	0.7%/1.2% (Sep)	0.8%/1.2% (Oct)



Data Source: U.S. Treasury



Data Sources: U.S. Bureau of Labor Stats/U.S. Federal Reserve

Market Returns

	Nov. 2016	YTD 2016
Fixed Income		
Barclays Aggregate Bond	-2.4%	2.5%
Barclays Municipal Bond	-3.7%	-0.9%
Barclays Gbl Agg. ex. U.S.	-5.3%	2.5%
Alternatives		
Bloomberg Commodity	1.3%	9.8%
DJ US Real Estate	-2.2%	3.2%

Data Source: Morningstar

	Nov. 2016	YTD 2016
Domestic Equities		
Wilshire 5000	4.6%	11.1%
S&P 500	3.7%	9.8%
Russell 2000	11.2%	18.0%
International Equities		
MSCI EAFE (Developed)	-2.0%	-2.3%
MSCI EM (Emerging)	-4.6%	10.9%

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