Eye on the Market Express: December 2015

MARKET DATA				
	November	**3 Mo.**	**YTD**	**1 Year**
S&P 500	0.05%	5.49%	1.04%	0.62%
Russell 2000	3.12%	3.33%	-0.55%	2.12%
NASDAQ	1.09%	6.95%	7.87%	6.62%
MSCI EAFE ($ basis)	-1.73%	0.24%	-1.91%	-5.37%
MSCI EAFE (local)	1.12%	3.57%	5.65%	4.07%
UK (FTSE)	-0.08%	1.73%	-3.20%	-5.45%
Germany (DAX)	4.90%	10.94%	16.08%	14.04%
Japan (NIKKEI)	7.11%	5.94%	14.68%	14.62%
MSCI Emerging Markets ($ basis)	-3.96%	-0.54%	-14.85%	-18.95%
Barclays Aggregate	-0.26%	0.43%	0.88%	0.98%

All market data as of the end of November 2015. Quoted index returns are based on month end index prices (in local currency except where noted) and do not include dividends.

U.S. ECONOMIC DATA				
	November	**Prior Month**	**Beginning of Year**	**1 Year Prior**
10 year Treasury Yield	2.22%	2.15%	2.17%	2.24%
Gold (London pm fixing per ounce in dollars)	1,062	1,142	1,199	1,183
Oil ($ per barrel)	41.59	46.60	53.27	66.15
VIX Index	16.13	15.07	12.80	13.33

All economic and market data as of the end of November 2015.

Economic data released in November was mixed, but certain heavily watched data points came in better than expected. Housing data was mixed this month. Existing home sales modestly disappointed for October by coming in at a 5.36 million annualized pace and declined from the previous month, although September was an unusually strong month for existing home sales. The decline in sales was attributed to tighter inventory. New home sales also came in slightly under expectations at a 495,000 annualized pace when a 500,000 pace had been expected. Finally, home prices rose by more than anticipated, rising by 0.6% for September when only a 0.3% rise had been predicted. Consumers spent less last month than expected, with retail sales rising by 0.1% in October when a 0.3% increase had been expected. However, this reading does not reflect changes in price levels, so if auto and gas station sales are excluded the index rose by 0.3% when a 0.4% increase had been expected. For the third month in a row, the two primary measures of consumer attitudes have moved in opposite directions with the University of Michigan consumer sentiment index rising to 91.3 and the Conference Board's consumer confidence index declining sharply from 99.1 to 90.4. Industrial production declined 0.2% in October when a 0.1% gain had been expected. The decline was attributed to declining mining production and utility output, whereas manufacturing was up 0.4%. The Institute for Supply Management (ISM) manufacturing index declined to 50.1, although it this was better than expected, and any reading over 50 indicates expansion. The ISM non-manufacturing index, which accounts for a much larger share of the U.S. economy than the manufacturing index, unexpectedly rose from 56.6 to 59.1. While most data this month was mixed, data relating to the labor market was uniformly positive. Non-farm payroll additions for October came in at 271,000 when only 185,000 had been expected and the unemployment rate edged down from 5.1% to 5.0%. Additionally, the U-6 unemployment rate, which measures both unemployment and part time workers who would like to have full time work, fell below 10% for the first time since 2008 to 9.8%. Additionally, weekly initial jobless claims continued to come in at subdued levels with the weekly readings ranging from 260,000 to 276,000. While we have consistently seen strong job growth throughout 2015, wage growth has lagged. October was a pleasant reversal of trend and average hourly earnings increased 0.4% for the month when a 0.2% gain had been expected. On an annual basis average hourly earnings are up 2.5%, and this is the largest growth rate seen since 2009. In terms of inflation, the Fed's preferred measure, the Personal Consumption Expenditure (PCE) index rose by 0.1% when a 0.2%

gain had been expected, and on an annual basis it is up 0.2%. However, if more volatile food and energy prices are excluded, the PCE is up 1.3% for the year. This is an improvement, but it is still well under the Fed's 2% target. Finally, GDP for the second quarter was revised up from 1.5% to 2.1%. The increase was mainly due to declining inventory levels being less of a drag than previously estimated.

Domestic equities moved modestly higher in November. The benchmark S&P 500 rose by 0.05%, and its year-to-date return is now 1.04%. Small cap stocks as measured by the Russell 2000 index outperformed larger stocks and rose 3.12%, although the index is still down 0.55% for the year. The tech heavy NASDAQ composite, came in between large cap and small cap stocks, rising 1.09% in November, and is doing the best year-to-date, posting a 7.87% gain. Drilling down into sector performance, financials, industrials, and materials were the strongest performers for the month, rising 1.89%, 0.93%, and 0.87%. Information technology has been the best performing sector this year, rising 10.60% through November, although there have been some concerns about tech valuations recently. For example, this month Square, a payment processing company that focuses on small businesses, had a disappointing IPO with shares prices coming in below the suggested range, indicating earlier private investors had overestimated the value of the company. The worst performing sectors were consumer staples, telecom services, and utilities, which declined by 1.11%, 1.26%, and 2.14% this month respectively.

International stocks were mixed in November with the benchmark MSCI EAFE Index rising by 1.12% on a local currency basis, which when translated into dollars resulted in a 1.73% loss as the dollar strengthened against the euro on solidifying expectations that the Fed will raise rates at its next meeting in December. In developed markets, GDP growth in the Eurozone was disappointing, growing 0.3% in the third quarter when a 0.4% growth rate had been expected. The slowdown was mainly attributable to weaker exports to developing economies, such as China. The deceleration was led by Germany, which has been one of the strongest Eurozone economies since the financial crisis. Despite the disappointing GDP figures, German equities as measured by the DAX index rose 4.90% in November. The U.K.'s economy was also hurt by exports, with GDP for the third quarter coming in below expectations at 0.5% when a 0.7% growth rate had been anticipated. British equities, as measured by the FTSE 100 were nearly flat for the month, declining by 0.08%, and year-to-date the index is down 3.20%. In Japan, GDP for the third quarter declined by 0.8% when a 0.3% decline had been expected, and the country is now technically in a recession again since its economy has contracted for two quarters in a row. In emerging markets, the benchmark MSCI Emerging Markets index declined by 3.96%, bringing its year-to-date loss to 14.85%. The month concluded with the International Monetary Fund deciding to add the Chinese renminbi to the basket of currencies that make up its Special Drawing Rights.

Fixed income prices mostly declined this month with the benchmark Barclays Aggregate Bond index declining by 0.26% in November, and year-to-date the index is up 0.88%. Both credit and interest rate sensitive indexes delivered losses this month. High yield bonds, as measured by the Barclays U.S. Corporate High Yield Index lost 2.22% in November, and long maturity Treasury notes as measured by the Barclays Long Term U.S. Treasury index lost 0.82%. The benchmark 10-year Treasury note increased from 2.15% to 2.22%. The only fixed income sector to post gains were municipal bonds, with the Barclays Municipal index growing by 0.40% for the month.

Commodity prices declined in November with the benchmark Reuters/Jefferies CRB index losing 6.69% for the month, bringing its year-to-date loss to 20.63%. Sugar was once again a bright spot for commodities as the supply of sugar has been constrained due to heavy rains in Brazil. Sugar rose 2.82% in November, although there are signs other countries, especially India, are stepping in to fill demand. The worst performing commodity this month was nickel, which lost 11.60% for the month. Nickel is used to make stainless steel and has been hurt by slowing growth in China. WTI crude oil prices also declined this month moving from $46.59 to $41.59, and gold declined from $1,142 to $1,062. Finally, volatility, as measured by the VIX rose from 15.07 to 16.13.

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INDEX	DESCRIPTION
10 Year Treasury	The closing yield on 10-year Treasury notes calculated on a daily basis. Data sourced from the Federal Reserve.
Barclays Capital Aggregate Bond Index	A broad based index used to represent performance of investment grade bonds traded in the United States. The index includes Treasury securities, government related and corporate securities, mortgage-backed securities and asset-backed securities.
Barclays Municipal Bond Index	An unmanaged index considered representative of the tax-exempt bond market.
BofAML Masters II High Yield Index	An unmanaged index tracks the performance eof below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.
Conference Board Consumer Confidence	An indicator used to measure consumer confidence in the economy produced by the Conference Board on a monthly basis based upon a survey of 5,000 households.
DAX (Germany)	A total return index of 30 selected German blue chip stocks traded on the Frankfurt Stock Exchange.
Dow Jones Industrial Average	An unmanaged index of 30 widely held securities.
Federal Funds Rate	Targeted interest rate at which depository institutions lend to each other overnight. The rate is targeted by the Federal Open Market Committee (FOMC).
FTSE (UK)	A capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange.
FTSE NAREIT All REITs Index	Market capitalization weighted index that includes all tax-qualified REITs listed on the New York Stock Exchange.
GDP	A measure of broad economic output in the United States produced by the US Bureau of Economic Analysis on a quarterly basis with revisions made monthly.
Gold	Value of gold based upon the afternoon fix (15:00 GMT) in London each afternoon.
ISM	A measure of manufacturing activity reported by the Institute of Supply Management each month. A reading over 50 signifies growth in manufacturing during the month.

MSCI EAFE	A widely accepted benchmark of foreign stocks. It comprises 21 MSCI country indices, representing the developed markets outside North America: Europe, Australasia and the Far East.
MSCI Emerging Markets	A widely accepted benchmark of emerging markets stocks. It is a float-adjusted market capitalization index designed to measure equity market performance in the global emerging markets.
NASDAQ	An unmanaged index of all stocks traded on the NASDAQ over-the-counter market.
Nikkei (Japan)	An unmanaged price-weighted index of 225 widely held stocks listed in Japan.
Oil	Closing value of light, sweet crude oil futures in the near month.
Retail Sales	A measure of retail sales compiled monthly by the US Department of Commerce
Russell 2000	An unmanaged index of small cap securities.
S & P 500	An unmanaged index of 500 widely held stocks.
Shanghai Composite	Index of all listed (A and B share class) stocks traded on the Shanghai Stock Exchange.
Thomson-Reuters Jefferies CRB Index	A widely accepted benchmark of commodity prices. The index is designed to provide a representation of long-only broadly diversified investment in commodities.
Unemployment	A measure of unemployment compiled monthly by the US Bureau of Labor Statistics.
VIX Index	Measure of market expectations of near-term volatility based on S&P 500 stock option prices.