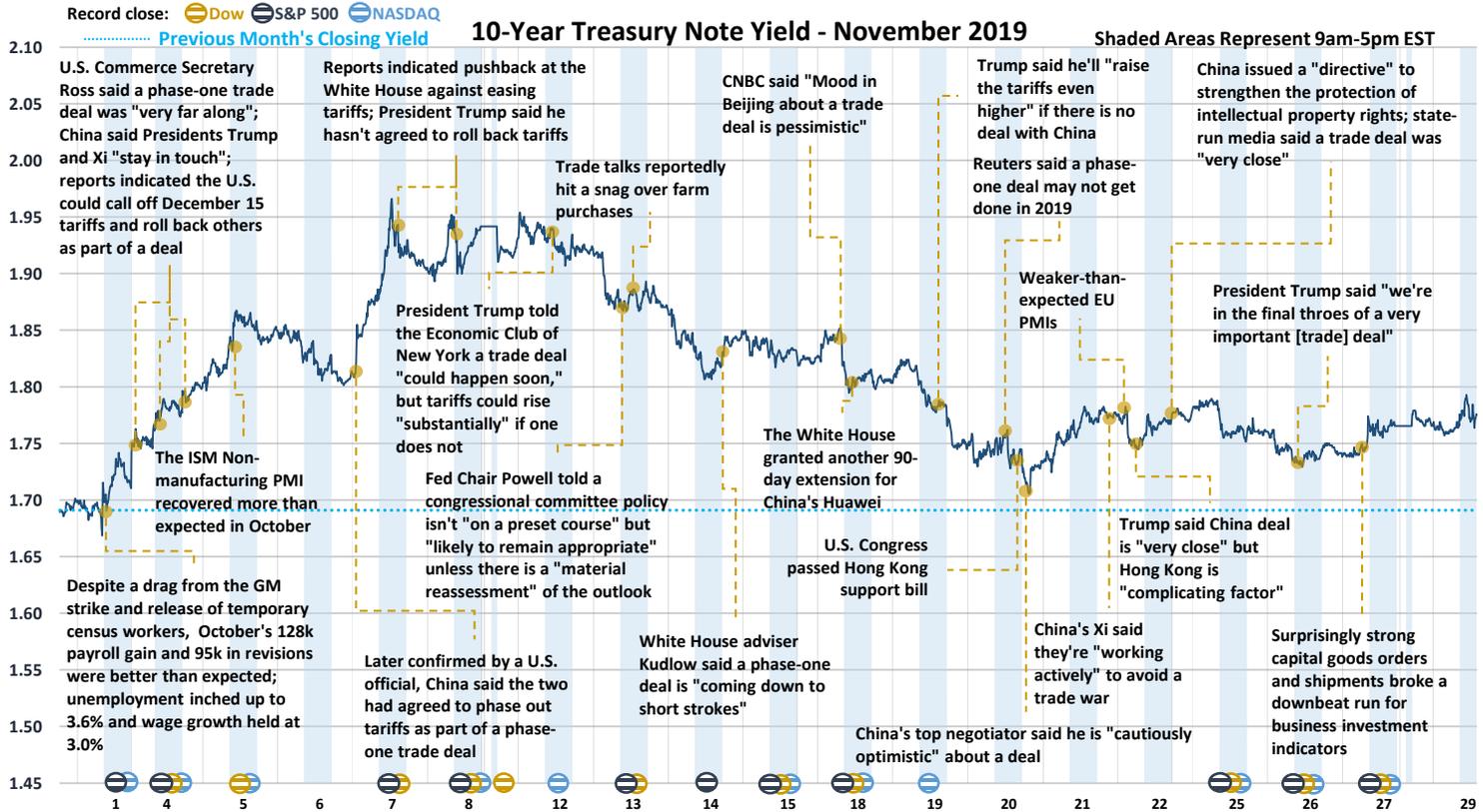


Monthly Review

November 2019

Cautious Optimism around a Trade Deal Boosted U.S. Equities to New Records and Gave Yields a Modest Lift



Following the Fed's Move to the Sidelines in October, Conflicting Trade Headlines Drove Markets in November as Cautious Optimism around a Trade Deal Returned

Markets: With the Fed on hold, stocks set a string of records in November on renewed hopes for a U.S.-China trade deal. Treasury yields also moved higher early, but closed well off their peaks after mid-month developments reminded investors how difficult tying up the loose ends of an agreement could be. The early optimism was the result of both sides of the negotiations separately sending signals that a trade deal could be close and may include the rolling back of current and planned tariffs. The 2-year yield climbed as high as 1.71% while the 10-year yield peaked at 1.97%. Subsequent headlines, however, showed that there continued to be some disagreement related to agricultural purchases and other details that could delay a deal into the new year. The passage of U.S. legislation supporting protestors in Hong Kong further complicated the negotiations. While comments from both Presidents Trump and Xi late in the month leaned more toward optimism around reaching a deal, the overall caution created during the second half of the month pulled yields back down by month's end. The 2-year yield settled up 8.8 bps at 1.61% and the 10-year yield added 8.5 bps to 1.78%. After notching eleven new all-time highs throughout the month, the S&P 500 gained 3.4% in November, increasing its year-to-date gain for 2019 to 25%.

Consumer: The strong recent trend in the consumer data appeared to slow in the most recent updates released during November. An early indication from the retail sales report, later confirmed in the official spending data, reflected only a modest recovery in activity following a downbeat September. Hiring outpaced expectations in October, even with temporary drags from GM workers on strike and the reversal of Federal census hiring. Jobless claims ended the month back at low levels after a couple of elevated readings during the month stirred some concerns. Wage growth, by a couple of measures, remained solid but softer than might be expected with unemployment near 50-year lows. The major confidence measures were mixed but remained well below better levels earlier in the year and from 2018.

Private Investment: After contracting in 3Q at the second sharpest rate of the cycle, business investment indicators showed some signs of life in the latest round of releases. The ISM's Non-manufacturing index recovered more strongly than expected in October while the manufacturing index inched up from September's cycle-low. Business confidence rose more than expected and, encouragingly, capital goods data was surprisingly strong in October after a string of disappointments. Nonetheless, soft manufacturing output in October and weaker-than-expected regional Fed surveys kept a cautious tone to the optimism. The housing data were mixed but remained upbeat over a longer horizon, reflecting the positive trend that has unfolded since the decline in mortgage rates that began late last year.

External Trade: A first look at trade in October showed a sharper-than-expected narrowing of the goods deficit, positive mathematically for 4Q GDP, but declining volumes of both imports and exports, a negative for the global growth outlook.

Inflation: Inflation metrics remained subdued in October with core CPI edging back to 2.3% while the Fed's preferred PCE measure dipped to a five-month low of 1.59%. Broadly muted inflation pressures are a primary reason that the Fed has been able to offset economic uncertainty with a set of three rate cuts since July.

Monetary Policy: The messaging from Fed officials' public comments reflected a comfort with holding policy steady for now. That was consistent with the tone of the Minutes from the Fed's late-October meeting, where officials voted to cut rates for a third time, but signal that they were shifting back to a posture of patience as they watch to see how the economy responds to recent accommodation. While risks "remained prominent" and "tilted to the downside," the Minutes said "most participants judged" policy was now "well calibrated to support the outlook" and "likely would remain" appropriate absent a "material reassessment" of economic expectations.

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2-Year Treasury Note Yield - November 2019



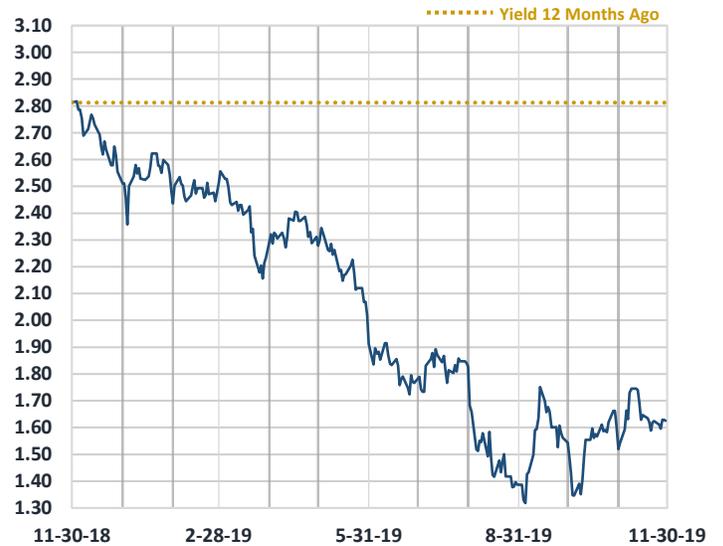
5-Year Treasury Note Yield - November 2019



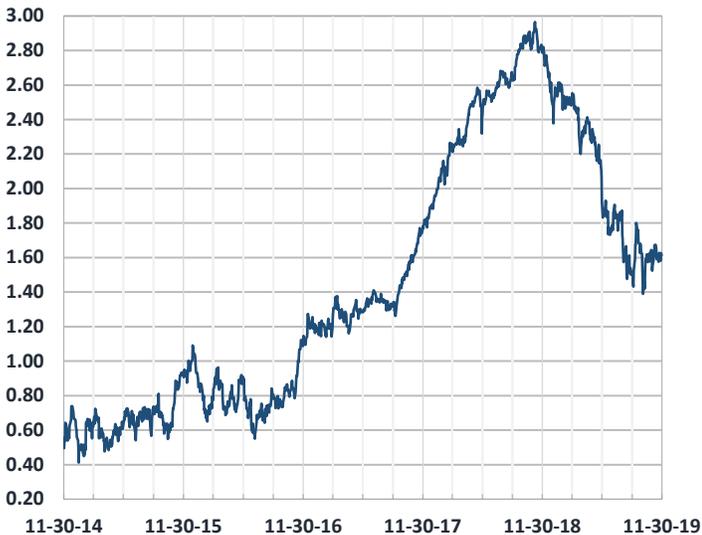
2-Year Treasury Note Yield - Last 12 Months



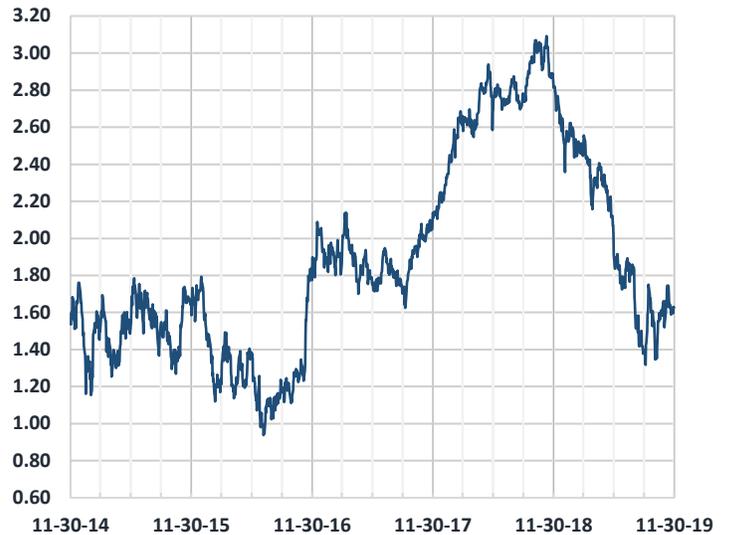
5-Year Treasury Note Yield - Last 12 Months



2-Year Treasury Note Yield - Last 5 Years



5-Year Treasury Note Yield - Last 5 Years

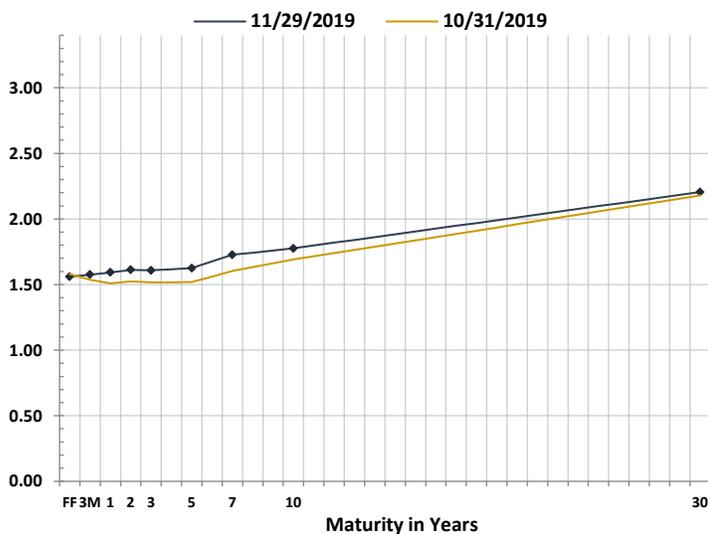


Monthly Review

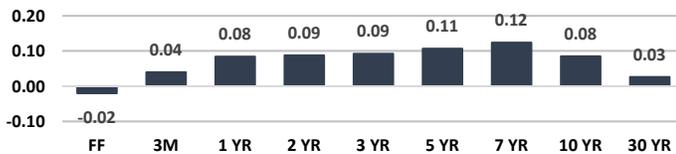
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Treasury Month-Over-Month



Month-Over-Month Change in Treasury Yields



Global Stock Performance

	Value	MTD Change	QTD Change	YTD Change
Dow Jones	28,051	3.72% ↑	4.22% ↑	20.25% ↑
S&P 500	3,141	3.40% ↑	5.52% ↑	25.30% ↑
Nasdaq	8,665	4.50% ↑	8.33% ↑	30.60% ↑
Stoxx Europe 600	407	2.69% ↑	3.63% ↑	20.67% ↑
China CSI 300	3,829	-1.49% ↓	0.37% ↑	27.17% ↑
Nikkei 225	23,294	1.60% ↑	7.07% ↑	16.38% ↑

Global Sovereign Debt Performance

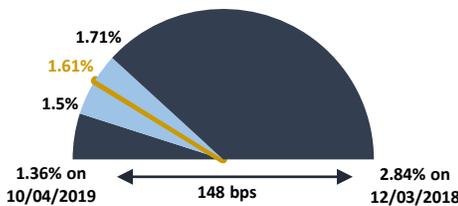
	Yield	MTD Change (in bps)	QTD Change (in bps)	YTD Change (in bps)
U.S. 2-year	1.61%	8.8 ↑	-1.0 ↓	-87.6 ↓
U.S. 5-year	1.63%	10.6 ↑	8.2 ↑	-88.5 ↓
U.S. 10-year	1.78%	8.5 ↑	11.1 ↑	-90.8 ↓
German 10-year	-0.36%	4.7 ↑	21.1 ↑	-60.2 ↓
U.K. 10-year	0.70%	6.8 ↑	20.9 ↑	-58.0 ↓
French 10-year	-0.05%	4.8 ↑	22.5 ↑	-75.9 ↓
Italian 10-year	1.23%	30.8 ↑	40.9 ↑	-151.1 ↓
Japanese 10-year	-0.07%	6.0 ↑	14.0 ↑	-7.6 ↓

Commodity Performance

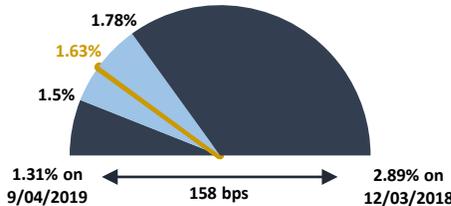
	Value	MTD Change	QTD Change	YTD Change
WTI Crude	\$ 55.17	1.83% ↑	2.03% ↑	21.49% ↑
U.S. Dollar	98.27	0.95% ↑	-1.11% ↓	2.18% ↑
Gold Spot	1,464	-3.24% ↓	-0.57% ↓	14.15% ↑
Commodity Index	77.11	-2.68% ↓	-0.86% ↓	0.52% ↑

Treasury Notes Intraday Ranges: 52-Week Yield Range / Monthly Yield Range / Last Traded Yield

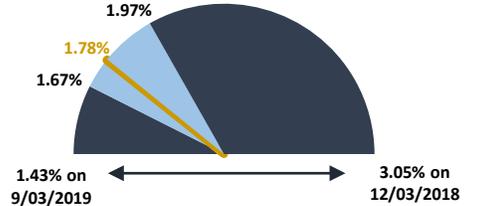
2-Year Treasury



5-Year Treasury



10-Year Treasury



Nonfarm Payrolls

October 128k



October's gain occurred despite a temporary 42k drag from the auto sector (GM strike); there were also +95k in prior revisions

Unemployment Rate

October 3.6%
Up 0.1%



Existing Home Sales MoM

October 1.9%



New Home Sales MoM

October -0.7%



October's result was better than expected and the second best of the cycle

Core Retail Sales

October 0.3%



Consumer Confidence

November 125.5
Down 0.6 pts

Declined unexpectedly to a five-month low

ISM Non-Manufacturing

October 54.7
+2.1 pts



ISM Manufacturing

October 48.3
+0.5 pts



Manufacturing Production

October -0.6%



The GM strike dragged, but other activity was also weak

Core Capital Goods Orders

October 1.2%



Surprisingly stronger than the expected 0.2% decline

Trade Balance

September -52.5B
+2.6B



Core PCE YoY

October 1.6%
Down 0.06%

Cooled unexpectedly to a five-month low

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