

Open-End Net Fund Flows (\$)	10/18	9/18	YTD (Oct)
Equity	-18.96B	-28.06B	-145.44B
Taxable Bond	-27.19B	11.50B	82.03B
Municipal Bond	-4.40B	-0.24B	11.03B
Hybrid	-11.49B	-6.54B	-53.53B
Taxable Money Market	15.29B	-6.90B	10.89B

Key Interest Rates	11/30/18	12/29/17	11/30/17
Federal Funds Target Rate	2.25%	1.50%	1.25%
ICE LIBOR (3-Month)	2.74%	1.69%	1.49%
2-Year T-Note	2.79%	1.89%	1.78%
10-Year T-Note	2.99%	2.41%	2.41%
Bond Buyer 40	4.18%	3.87%	3.98%

Commodities/U.S. Dollar	11/18	YTD	12 Mo.
U.S. Dollar Index (DXY)	0.14%	5.59%	4.54%
TR/CC CRB Commodity Index	-4.83%	-6.25%	-3.93%
Crude Oil (Barrel)	-22.02%	-15.71%	-11.27%
Natural Gas (per million BTUs)	41.41%	56.27%	52.15%
Gold Bullion (Ounce)	0.43%	-6.81%	-4.16%

Total Return Performance

U.S. Stock Indices	11/18	YTD	12 Mo.
S&P 500	2.04%	5.10%	6.26%
DJIA	2.11%	5.59%	7.62%
NASDAQ 100	-0.09%	9.72%	10.29%
S&P MidCap 400	3.11%	0.25%	0.47%
Russell 2000	1.58%	0.97%	0.56%
Russell 3000	2.00%	4.48%	5.52%

U.S. Styles/Market Caps	11/18	YTD	12 Mo.
S&P 500 Growth	1.53%	9.42%	10.05%
S&P 500 Value	2.63%	0.57%	2.25%
S&P MidCap 400 Growth	3.36%	1.06%	0.92%
S&P MidCap 400 Value	2.87%	-0.61%	-0.02%
Russell 2000 Growth	1.55%	2.65%	2.77%
Russell 2000 Value	1.61%	-0.86%	-1.81%

Foreign Stock Indices (USD)	11/18	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-0.09%	-9.41%	-7.78%
MSCI Emerging Markets NET	4.12%	-12.24%	-9.09%
MSCI Europe NET	-0.93%	-10.74%	-9.40%
MSCI BRIC NET	5.72%	-9.62%	-7.02%
MSCI EM Latin America NET	-2.19%	-5.80%	-1.62%
Nikkei 225	1.43%	-1.00%	-0.73%

Barclays Bond Indices	11/18	YTD	12 Mo.
U.S. Treasury: Intermediate	0.69%	-0.09%	-0.06%
GNMA 30 Year	0.87%	-0.80%	-0.58%
Municipal Bond (22+)	1.26%	-1.02%	0.51%
U.S. Aggregate	0.60%	-1.79%	-1.34%
Intermediate Corporate	-0.01%	-1.26%	-0.97%
U.S. Corporate High Yield	-0.86%	0.06%	0.36%
Global Aggregate	0.31%	-3.16%	-2.82%
EM Hard Currency Aggregate	-0.22%	-4.28%	-3.82%

Sources: Bloomberg, Barclays, Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

With just one month remaining in 2018, the focus in the markets seems to have shifted to expectations for 2019, in our opinion. Brian Wesbury, Chief Economist at First Trust Advisors L.P., has stated that he sees the U.S. economy growing by an average of 3% in both 2018 and 2019. Others, like the International Monetary Fund (IMF), appear to be more concerned about the potential drag on global growth from the ongoing trade tensions between the U.S. and China, both of which just agreed to a 90-day truce with respect to the scheduled ratcheting up of tariffs at years-end, and the lack of a Brexit deal more than two years into the process. The climate in the U.S. continues to be compelling, in our opinion. Both the Conference Board's Consumer Confidence Index and the NFIB Small Business Optimism Index were sitting at or near their bull market highs as of the close of October. We find that encouraging considering the bull market in stocks is in its 10th year.

Stock Market

The S&P 500 Index ("index") closed at 2,760.17 on 11/30/18, 5.82% below its all-time high of 2,930.75 set on 9/20/18, according to Bloomberg. The index posted a total return of 2.04% in November. Eight of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Health Care, up 7.05%, while the worst showing came from Information Technology, down 1.88%. Year-to-date (YTD) through 11/30/18, the index posted a total return of 5.10%. Six of the 11 sectors were up on a total return basis. The top-performer was Health Care, up 16.50%, while the worst showing came from Materials, down 8.38%. Despite enduring two corrections (price declines of 10.00% to 19.99%) in the benchmark S&P 500 Index so far in 2018, most major U.S. equity indices are still up for the year as of 11/30/18. In fact, corporate earnings results were quite strong in Q3'18. With 494 S&P 500 companies having reported, the year-over-year earnings-per-share growth rate stood at 26.11% for the index, with revenue (top-line sales) growth coming in at 8.04%, according to Bloomberg. A Bloomberg survey of 25 equity strategists found that their average year-end price target for the S&P 500 Index was 2,942 as of 11/16/18, according to its own release. The highest estimate was 3,025, while the lowest was 2,750. On 11/30/18, Bloomberg released a subsequent survey with 14 of those same strategists and found they had an average 2019 year-end price target of 3,056. The highest estimate was 3,350, while the lowest was 2,750. The major U.S. stock indices have significantly outperformed their major foreign counterparts in 2018 (see performance tables).

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 11/30/18 at 2.99%, down 15 basis points (bps) from the close on 10/31/18, according to Bloomberg. The yield, however, stood 49 bps above its 2.50% average for the 10-year period ended 11/30/18. Its closing yield of 2.99% on 11/30/18 marked the first time it fell below the 3.00% level since 9/17/18, when it also closed at 2.99%. The markets received some upbeat news on 11/28/18 when Federal Reserve Chairman Jerome Powell indicated in a speech that the current federal funds rate was sitting "just below" neutral, according to CNBC. In October 2018, Powell had said that he believed the rate was "a long way" from neutral. While we still believe the Fed is poised to hike the federal funds target rate (upper bound) another 25 bps in December, taking it from 2.25% to 2.50%, the Fed may no longer feel compelled to carry out all three rate hikes it has been signaling for 2019. Bond traders currently have just one rate hike priced in for 2019, according to CNBC. Keep in mind that at 2.25%, the federal funds target rate (upper bound) does not reflect a tight monetary policy by historical standards. For the 30-year period ended 11/30/18, the federal funds target rate (upper bound) averaged 3.19%, according to Bloomberg.

Takeaway

An inverted Treasury yield curve could portend that a recession is looming. The decline in the overall credit quality of U.S. corporate bonds brought to market after the financial crisis in 2008-2009 could present a problem for the markets in the coming years when the debt is due to rollover. Gridlock could be returning to Washington D.C. once the Democrats take control of the House of Representatives in January 2019. These are just some of the reasons why some industry pundits believe that the good times may soon be over. They could be right, but we do not concur. A new trade agreement with China alone could go a long way in easing much of the anxiety we are reading about today, in our opinion.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2930.75	9/20/2018	676.53	3/9/2009	2760.17	-5.82%	5.10%	1.93%
S&P 500 Growth	1785.51	10/1/2018	363.99	3/9/2009	1656.53	-7.22%	9.42%	1.35%
S&P 500 Value	1195.51	1/26/2018	307.16	3/9/2009	1106.78	-7.42%	0.57%	2.62%
S&P MidCap 400	2050.23	8/29/2018	404.62	3/9/2009	1878.65	-8.37%	0.25%	1.70%
S&P MidCap 400 Growth	962.51	9/14/2018	177.31	3/9/2009	875.93	-9.00%	1.06%	1.30%
S&P MidCap 400 Value	680.56	8/29/2018	144.98	3/9/2009	625.55	-8.08%	-0.61%	2.12%
S&P 100	1302.80	10/3/2018	322.13	3/9/2009	1225.19	-5.96%	5.60%	2.04%
DJIA	26828.39	10/3/2018	6547.05	3/9/2009	25538.46	-4.81%	5.59%	2.21%
NASDAQ 100	7660.18	8/29/2018	1043.87	3/9/2009	6949.01	-9.28%	9.72%	1.07%
Russell 2000	1740.75	8/31/2018	343.26	3/9/2009	1533.27	-11.92%	0.97%	1.49%
Russell 2000 Growth	1117.18	8/31/2018	190.73	3/9/2009	966.24	-13.51%	2.65%	0.73%
Russell 2000 Value	2049.42	8/22/2018	469.32	3/9/2009	1835.70	-10.43%	-0.86%	2.26%
Russell 3000	1737.97	9/20/2018	389.61	3/9/2009	1625.99	-6.44%	4.48%	1.93%
MSCI World Net (ex U.S.) (USD)	6487.64	1/25/2018	2131.84	3/9/2009	5531.11	-14.74%	-9.41%	3.48%
MSCI Emerging Markets Net (USD)	573.23	1/26/2018	172.98	3/2/2009	457.61	-20.17%	-12.24%	2.97%
Ibovespa/Brazil (USD)	43619.40	4/8/2011	9077.09	1/21/2016	23169.57	-46.88%	0.31%	3.27%
RTS/Russia (USD)	2123.56	4/8/2011	498.20	1/23/2009	1126.14	-46.97%	2.86%	5.69%
S&P BSE 500/India (USD)	245.12	1/24/2018	57.52	3/9/2009	206.90	-15.59%	-10.84%	1.30%
Shanghai Composite/China (USD)	832.07	6/12/2015	266.77	12/31/2008	371.91	-55.30%	-25.04%	2.61%
KOSPI/South Korea (USD)	2.42	1/29/2018	0.65	3/2/2009	1.87	-22.80%	-18.30%	2.26%
Hang Seng (USD)	4241.01	1/26/2018	2854.18	1/4/2017	3387.62	-20.12%	-8.42%	3.79%
MSCI Euro (USD)	1544.35	1/26/2018	682.47	3/9/2009	1226.71	-20.57%	-11.57%	3.68%
S&P 500 Consumer Discretionary	939.41	9/27/2018	125.72	3/9/2009	853.59	-9.14%	10.03%	1.32%
S&P 500 Consumer Staples	605.24	1/26/2018	199.80	3/9/2009	576.42	-4.76%	0.80%	2.89%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	486.42	-34.01%	-6.21%	3.23%
S&P 500 Utilities	287.82	11/14/2017	113.81	3/9/2009	280.71	-2.47%	8.47%	3.32%
S&P 500 Financials	501.29	1/26/2018	81.74	3/6/2009	447.08	-10.81%	-1.98%	1.95%
S&P 500 Banks	372.05	2/1/2018	49.02	3/5/2009	327.21	-12.05%	-2.02%	2.37%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	687.30	-5.28%	4.16%	4.00%
S&P 500 Health Care	1107.28	10/1/2018	252.84	3/5/2009	1096.84	-0.94%	16.50%	1.55%
S&P 500 Pharmaceuticals	723.95	11/30/2018	214.50	3/3/2009	723.95	0.00%	17.20%	2.37%
NYSE Arca Biotechnology	5400.34	9/27/2018	541.77	3/9/2009	4755.55	-11.94%	12.94%	0.30%
S&P 500 Information Technology	1332.87	10/3/2018	199.62	3/9/2009	1189.88	-10.73%	8.93%	1.53%
Philadelphia Semiconductor	1445.90	3/12/2018	183.24	12/1/2008	1239.60	-14.27%	0.57%	1.91%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	149.86	-18.49%	-5.66%	1.50%
S&P 500 Industrials	678.74	1/26/2018	132.83	3/9/2009	607.87	-10.44%	-2.90%	2.06%
S&P 500 Materials	401.59	1/26/2018	108.33	3/2/2009	341.11	-15.06%	-8.38%	2.12%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	64.46	-71.85%	-23.84%	0.90%
TR/CC CRB Commodity	370.56	4/29/2011	155.01	2/11/2016	181.74	-50.96%	-6.25%	N/A
ICE BofAML Perpetual Preferred	259.60	8/30/2018	51.79	3/9/2009	248.26	-4.37%	-3.26%	6.12%
ICE BofAML U.S. High Yield Constrained	429.18	10/2/2018	130.37	12/12/2008	417.35	-2.76%	-0.06%	7.37%

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