

THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished November at 25,538, up +1.68% for the month and +3.31% year-to-date. The S&P 500 closed November 30 at 2,760, up +1.79% for the month and +3.24% so far for the year. The NASDAQ Composite gained +0.34% in November, up +6.19% so far in 2018. Small company stocks as measured by the Russell 2000 ended November at 1,533, up +1.45% for the month, down -0.15% year to date. Health Care (+6.8%) was the best performing sector in November.

"Stocks have rallied lately and could end 2018 with modest gains. But it has been a tough year across the asset-class universe: Bonds are in a rut, and losses have piled up in oil, gold, and emerging markets - just about everything." *Barron's Streetwise* by Daren Fonda, Nov 30, 2018.

Roller Coaster Continues

November 30 ended with the best weekly market return since 2011, but only after a choppy month saw sharp moves both up and down. Markets continue to experience volatile conditions as the U.S. - China trade negotiations and the Federal Reserve's interest rate policy have become central drivers of market sentiment. Tariffs are considered a negative for markets, and any signal that the trade dispute may escalate has led to sharp sell-offs in stocks. Rising interest rates are also considered a drag on future growth, and comments made by fed leadership possibly indicating the pace of interest rate hikes could slow led to a sharp increase in market sentiment. With stocks still above historical valuations by most measures, and with the outlook for future growth increasingly sluggish, we expect the markets to continue to be especially sensitive to news and developments in the near term. Daily swings of 2%+ in the markets have become more common in 2018, and this may continue moving forward. We advise investors to plan ahead for any significant near-term cash needs from their portfolios, and to otherwise view daily, weekly, and monthly market swings in the context of their multi-decade goals.

Employment Reports

In the latest report, unemployment remained at 3.7%, the lowest level since 1969. Wage growth, at 3.1%, was the highest since 2009. Future reports will be closely watched, as numbers which are too weak may cause concern growth is slowing, while numbers that are too strong may spark concern the tight labor market could push inflation higher than expected.

"Markets' mixed messages Monday led some observers to say there isn't likely to be much of a respite from the kind of volatility that has shaken investors this fall ... With or without a trade resolution, both global and domestic growth appears to be slowing. And although stocks rallied last week, lifted by bets that the Federal Reserve would raise rates more slowly than initially expected, many say the central bank's path remains uncertain." (The Wall Street Journal, *Stocks, Oil Rise as Trade Tensions Ease*, by Akane Otani and Georgi Kantchev, Dec. 3, 2018)

Fixed Income

In a tough year for bonds, the total return for the Bloomberg Aggregate Bond Index is -1.79% year-to-date. The Federal Reserve is expected to raise interest rates for the fourth time this year during their December 18 meeting. Bond prices fall as interest rates rise. The Fed's rate path into 2019 has become more uncertain, as some economic indicators such as housing have moderated, and the yield curve has significantly flattened. Any signals from the fed leaders' comments will be closely watched, and may cause a sharp market reaction.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 10/31/2018	CLOSE AS OF 11/30/2018	CHANGE PREVIOUS MONTH END	2018 YTD % CHANGE
Dow Jones Industrial Average	25,115.76	25,538.46	+422.70	+3.31%
S&P 500	2,711.74	2,760.17	+48.43	+3.24%
NASDAQ Composite	7,305.898	7,330.535	+24.64	+6.19%
RUSSELL 2000	1,511.41	1,533.27	+21.86	-0.15%
Fed Funds Rate	2.0% - 2.25%	2.0% - 2.25%	UNCHANGED	
2-Year Treasury	2.87%	2.80%	-.07%	
10-Year Treasury	3.15%	3.01%	-.14%	
Crude Oil \$ per Barrel	\$65.31	\$50.93	-\$14.38	-15.71%
Gold \$ per Troy oz.	\$1,215.00	\$1,226.00	+\$11.00	-6.36%
UK Pound in U.S. \$	\$1.2778US = 1£	\$1.2759US = 1£	\$ STRONGER	-5.68%
Euro in U.S. \$	\$1.1331US = 1€	\$1.1323US = 1€	\$ STRONGER	-5.71%
Canada \$ per U.S. \$	\$1.31325C \$1.00 US	\$1.3291C \$1.00 US	\$ STRONGER	+6.08%
Japan Yen per U.S. \$	112.855¥=\$1.00 US	113.55¥=\$1.00 US	\$ STRONGER	+0.80%



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