

THE CAPITAL MARKETS



The Dow Jones Industrial Average (DJIA) finished November at 28,051, up +3.72% for the month and up +20.25% year-to-date. The S&P 500 closed November 29 at 3,141, up +3.40% for the month, up +25.30% so far for the year. The NASDAQ Composite gained +4.50% in November, up +30.60% for the year. Small-company stocks, as measured by the Russell 2000, ended November at 1,625, up +3.97% for the month, and up +20.46% year-to-date. Health Care (+6.07%) was the best performing sector in November.

"Tuesday's declines, however, knocked major U.S. stock indexes further from their records, underscoring the negative impact trade tariffs continue to have on markets." (The Wall Street Journal, *U.S. Stocks Slide After Trump Signals Further Delays to China Deal*, Michael Wursthorn, Dec 03, 2019)

Trade Developments

Markets enjoyed a relatively calm upward climb through November, as increasingly optimistic U.S.-China trade headlines drove markets to new all-time highs. Expectations increased through the month that a 'phase one' trade deal was in the final stages of negotiations and likely to be agreed to in time to prevent tariff increases planned for December 15th to take effect. At the time of this writing, however, tweets and statements from President Trump have not only signaled the potential that a phase one U.S.-China trade deal may not be made in 2019, but also that new tariffs may be applied to Brazil, Argentina, and France/the European Union. Surprise trade developments by tweet and sharp reversals in market sentiment have become routine for most market observers by now. The volatility surrounding trade policy, however, is considered by many to be a key headwind for businesses who have to make strategic investment, inventory, and staffing decisions months, if not years, in advance. The full effects from this period of trade uncertainty may not be known for some time, and investors should continue to expect choppiness in the equity markets for the foreseeable future. As we end the year, it may be an appropriate time for families or investment committees to revisit their allocations between stocks, bonds, and cash, and to affirm their risk levels are appropriate for their time horizon, goals, and ability to experience volatility. If you'd like any guidance or supporting data which may help in making this decision, please don't hesitate to reach out to your Ministry Relations Officer or NCTC contact, we'd be happy to help.

"The pronouncements jolted investors, who had expected the U.S. and China to reach a 'phase-one' trade deal this month. Such a move would have likely staved off further tariff increases and signaled to investors that the two sides were working to de-escalate tensions after more than a year of contentious negotiations..."It's extremely difficult to base any investment thesis around trade, given how challenging the protagonists are," said Colin Reddie, co-head of global fixed income at Legal & General Investment Management." (The Wall Street Journal, *U.S. Stocks Slide After Trump Signals Further Delays to China Deal*, By Michael Wursthorn, Dec 03, 2019)

Monetary Policy

Since our last newsletter, the Federal Reserve has lowered interest rates once more for the third rate decrease in 2019. Importantly, the Committee signaled that additional rate cuts are unlikely in the immediate term, unless economic indicators begin deteriorating significantly. Since the last rate cut, the yield curve has un-inverted and is upward sloping again, meaning longer term bonds earn higher yields than short-term bonds, which is expected during normal conditions. Lower rates may be a positive for mortgage borrowers, and companies who issue debt, but persistently low rates may challenge income-focused investors and certain sectors of the economy such as banks. For now, some clarity around near term monetary policy is welcome given volatility elsewhere with trade policy and geopolitics.

MARKET METRICS

INDEX OR METRIC	CLOSE AS OF 10/31/2019	CLOSE AS OF 11/29/2019	CHANGE PREVIOUS MONTH END	2019 YTD % CHANGE
Dow Jones Industrial Average	27,046.23	28,051.41	+1,005.18	+20.25%
S&P 500	3,037.56	3,140.98	+103.42	+25.30%
NASDAQ Composite	8,292.36	8,665.47	+373.11	+30.60%
RUSSELL 2000	1,562.45	1,624.50	+62.05	+20.46%
Fed Funds Rate	1.75%- 2.00%	1.50% - 1.75%	-0.25%	
2-Year Treasury	1.52%	1.61%	+0.09%	
10-Year Treasury	1.69%	1.78%	+0.09%	
Crude Oil \$ per Barrel	\$54.18	\$56.14	+\$1.96	+23.63%
Gold \$ per Troy oz.	\$1,521.80	\$1,470.50	-\$51.30	+14.77%
UK Pound in U.S. \$	\$1.2940US = 1£	\$1.2935US = 1£	\$ STRONGER	+1.56%
Euro in U.S. \$	\$1.1156US = 1€	\$1.1026US = 1€	\$ STRONGER	-3.55%
Canada \$ per U.S. \$	\$1.31435C = \$1.00 US	\$1.32825C = \$1.00 US	\$ STRONGER	-2.75%
Japan Yen per U.S. \$	108.105¥=\$1.00 US	109.51¥=\$1.00 US	\$ STRONGER	-0.19%



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