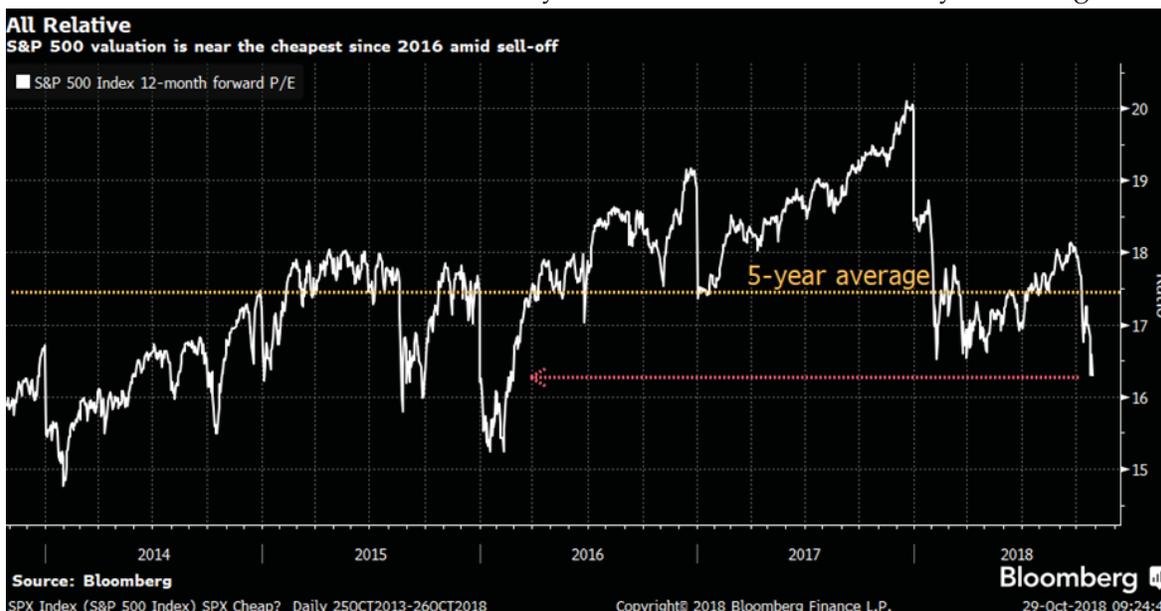




A sincere thank you to all our readers. Whether you have invited us into your home or office each week for a very short time, or for nearly two decades, or somewhere in between, please know it is an honor to be included in your lives. We look forward to providing what we believe is valued information for decades to come.

Last Week:

- The Dow Jones Industrial Average reversed its prior week skid and advanced +2.4% to get back in black for the year
 - Twenty-two of the Dow 30 moved higher on the week by two percent or more ... last week's top three losers were this week's top winners ... Caterpillar gained +9.3% while DowDuPont took the top spot +11.0%, joined by Goldman Sachs +8.2% ... Nike And ExxonMobil rounded out the top five
 - IBM sank (-7.3%) as Apple fell (-4.1%) ... the two were the only components to see a drop of greater than 1% for the week
 - For October, it was a tough month (-5.1%)
- Dow Transports sprinted +4.0% while Dow Utilities declined (-0.7%)
- The S&P 500 matched the Dow Industrials with a gain of +2.4%
 - Utilities was the only sector in the red (-0.4%)
 - Materials was clearly the best sector +6.1% while Financials and Consumer Discretionary +4.3% both contributed mightily
 - S&P valuations are now near a three year low and well below the 5-year average

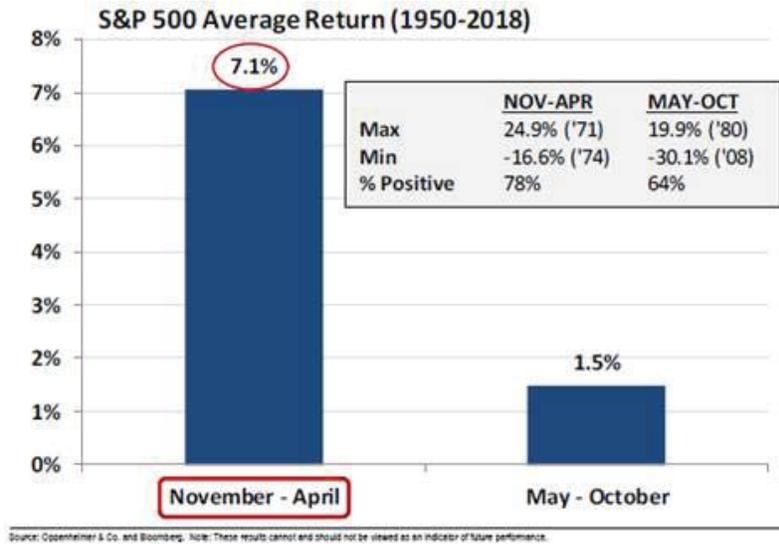


- It was an October to forget ... if it were only that easy ... (-6.9%)
 - Last Tuesday, the S&P 500 was on track to record its 17th down day for the month, which would have marked the most number of down days in a month since April 1970



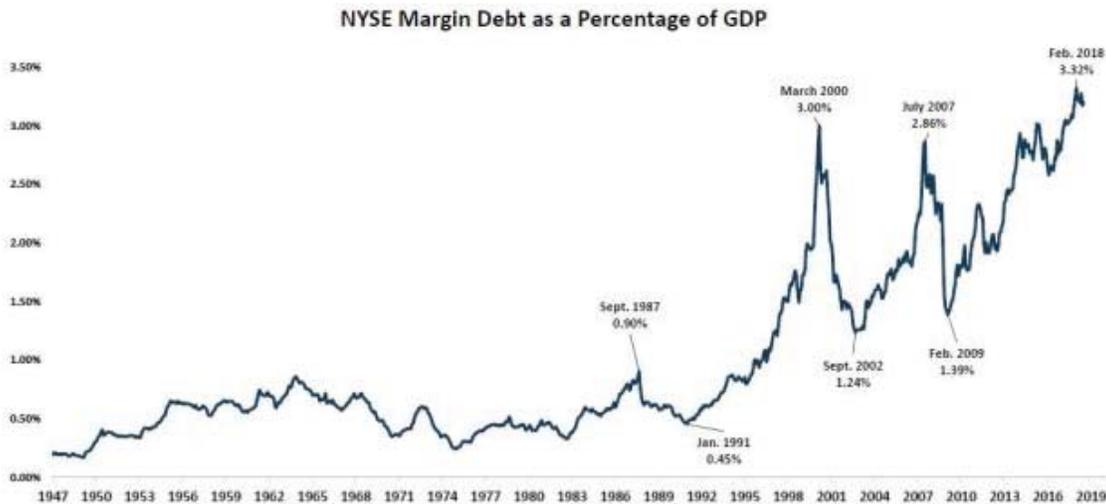
... a sharp afternoon rally ending in a 1%+ gain for the day enabled the S&P to avert that dubious distinction

- November begins a seasonally strong period for the market, for what that's worth



Source: Oppenheimer & Co, Bloomberg

- The S&P Midcap 400 had a solid rebound +3.8% while the S&P Smallcap 600 did it one better +4.4%
- NASDAQ also had a good week +2.7%
 - Tuesday's intraday reversal was the biggest for the index in three years
- We have to ask if the chart below is a function of investors feeling comfortable with the market, or the proliferation of ETFs and other investment vehicles that include leverage as part of their strategy



Source: Jefferies

- The VIX settled down by 4 points to finish the week at 19.51
 - While October's volatility is certainly greater than it's been in recent memory, the year's volatility has been quite normal relative to the past 67 years, as shown in the accompanying chart



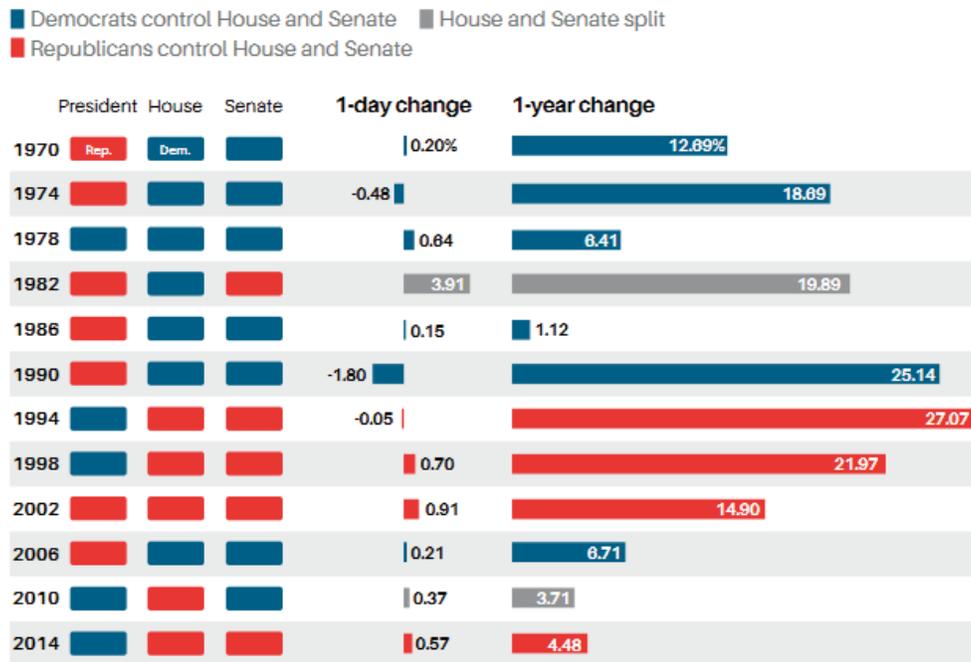
- Major markets worldwide again took their cues from US markets:
 - The STOXX Europe 600 bounced solidly +3.3% while major markets fared slightly worse ... Frankfurt picked up +2.8% while Paris gained +2.7 and London tacked on +2.2%
 - Greece and Portugal were the only major European markets in the red
 - At JP Morgan, CEO Jamie Dimon opined that a European sovereign debt crisis is among his biggest worries, telling a German newspaper that the “long-term health of Europe is important for the whole world”
 - Asia Pacific markets advanced more strongly
 - Hong Kong took flight +7.2% as Tokyo and Bombay both caught a bid as well +5.0%
 - Chinese stocks weren’t able to keep pace but still posted solid weeks, with Shanghai up +3.0% and Shenzhen ahead +2.4%
- Speaking of JP Morgan CEO Jamie Dimon, he has colorfully attacked cryptocurrencies in the past, and now says that he “doesn’t give a” rip about Bitcoin. We’ve substituted the word “rip” for the actual term Dimon used, which is one of the seven words George Carlin claims you can’t say on TV ... therefore, we won’t print it in our family-friendly publication
- Crude oil fell sharply, dropping over four bucks to \$63.14/barrel, its lowest level since last April
- Gold held fairly steady and finished at \$1,232/troy ounce
- The Dollar Index moved only slightly, rising a few ticks to 96.50
- The US 10-year Treasury bounced off its recent lows, adding 13 basis points to close the week at 3.21%
- The IRS raised the cap on 401k and IRA contributions, the former to \$19,000 in 2019 (vs. \$18,500 in 2018), the latter to \$6,000 (from \$5,000)
- President Trump hinted at good conversations with President Xi of China and the possibility of improved trade relations between the two countries
 - President Xi spoke at a national trade show in China today mentioning globally that he favored lower tariffs, more imports and broader market access



- With Election Day now just a day away, President Trump spent much of last week making the case for voters to side with Republicans, saying that “the stock market is up massively since the Election, but is now taking a little pause – people want to see what happens with the Midterms. If you want your stocks to go down, I strongly suggest voting Democrat. They like the Venezuela financial model, high taxes, and open borders”
 - As of Thursday afternoon, an average of polls by Real Clear Politics was forecasting Democrats picking up 25-26 House seats, with 23 being the number needed to flip majority control

Foggy Forecast

The evidence suggests no clear relation between partisan control of Congress and the performance of the S&P 500.



Source: Dow Jones Market Data

BARRON'S

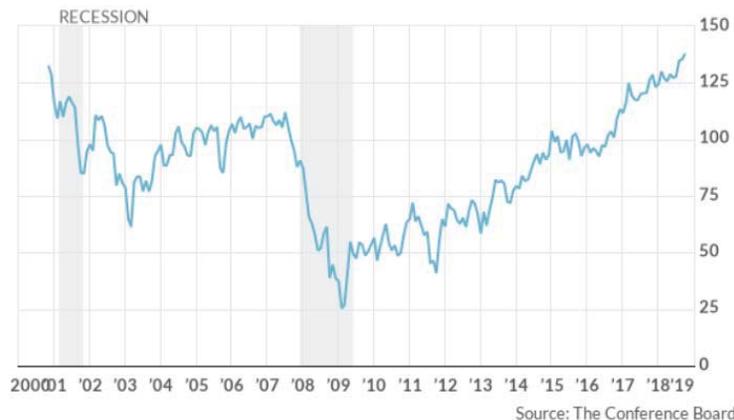
- Illumina announced it is acquiring Pacific Biosciences for \$8/share in cash, or \$1.2 billion in total consideration
- A rumor leaked that Amazon’s second headquarters location would be in Crystal City, Virginia ... Amazon CEO Jeff Bezos responded non-committally, with an admonition that employees should treat their non-disclosure agreements as more than a “used napkin”
- **Berkshire Hathaway** reported it had bought back \$928 million of its stock, its first stock buyback since 2012
- General Electric recorded a \$23 billion impairment charge and cut its dividend to a penny per quarter, its second dividend cut in a year



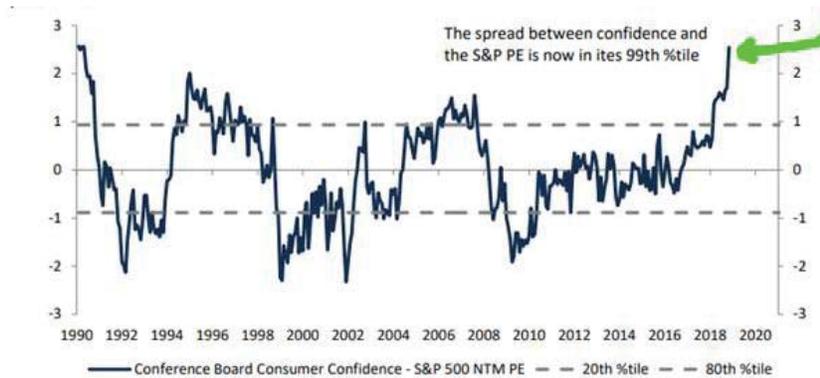
- Less than two days later, Moody's cut GE's credit rating two notches to Baa1, but says that rating is "stable"
- Weekly Jobless Claims dipped 2,000 to 214,000
- Markit's Manufacturing PMI gauge registered 55.7 in October, a tick higher than September's 55.6
- ISM Manufacturing printed 57.7 in October, missing the 58.9 consensus forecast, and the lowest since April
- The S&P/Case-Shiller Home Price index rose 5.8% year-over-year in August, and the 20-city index rose 5.5%, its lowest gain in 20 months. Las Vegas and San Francisco topped the charts with double-digit percentage increases year-over-year, while New York and Washington's 2.8% gains brought up the rear
- The Conference Board's Consumer Confidence index rose to 137.9 in October, an 18-year high, from a downwardly revised 135.3 in September. Still, that's an impressive showing considering the stock market has taken it on the chin for the month

Consumer confidence close to all-time high

Confidence in October rises to 137.9 from 135.3. Record is 144.7 in May 2000.

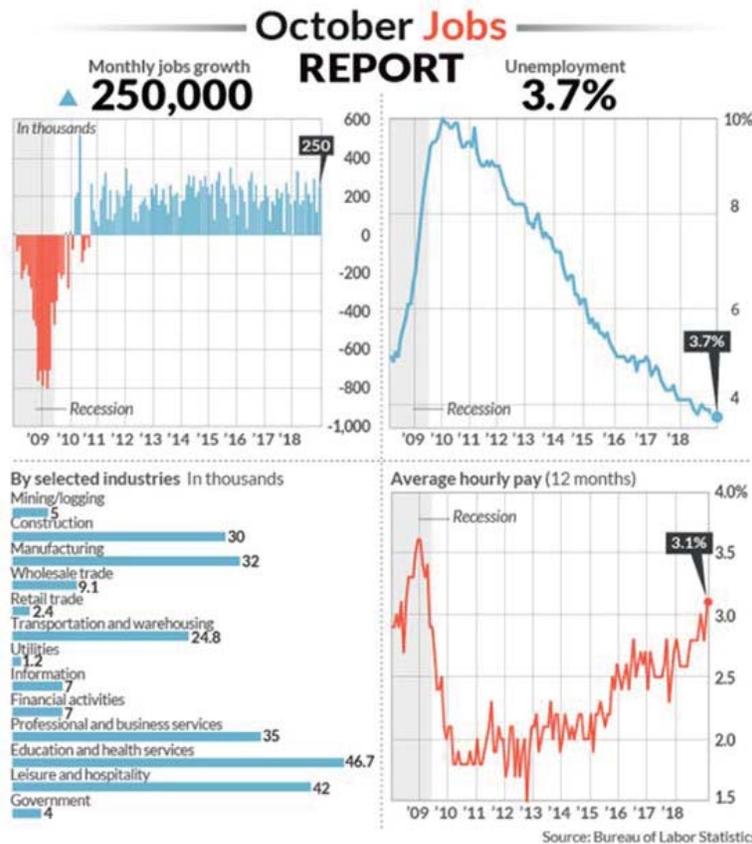


- Perhaps that bodes well for stocks, as confidence and stock valuations tend not to diverge for long, as shown in the accompanying chart



Source: Evercore ISI

- ADP's Private Payrolls printed an increase of 227,000 for October, topping September's 218,000 and well ahead of the 189,000 consensus forecast, though don't worry – the data will surely get revised!
- Non-Farm Payrolls jumped 250,000 in October, well ahead of the 208,000 consensus estimate. Wages increased 3.1% year-over-year, their fastest rate in more than nine years, with the unemployment rate plumbing 3.7%. Investors may view such strong results with a mixed reaction, insofar as the strong job market suggests the Federal Reserve has more room to continue raising interest rates





This Week:

- *Election Day is Tuesday ... please cast your vote for the candidate(s) of your choice*
- Overseas, stocks leaned negatively to begin the week
 - Asia Pacific markets were down, with China only off (-0.4%) while Hong Kong (-2.1%) and Japan (-1.6%) fell harder
 - European markets are closer to break even in early trading
- U.S. stocks look to open down slightly
- Sanctions take effect today on Iran following the US withdrawing from a prior deal due to ongoing concerns about Iran's nuclear program ... the US has given several allies extensions to determine how best to integrate these sanctions, particularly as it relates to oil, into their economic plans ... reports say that Iran is now looking to reopen talks with the US
- The Federal Reserve Open Market Committee meets Wednesday and Thursday with an announcement on interest rates Thursday afternoon ... no rate change is expected at this meeting, though Fed Funds Futures continue to see a very high likelihood that another rate hike will occur at the Fed's December 18-19 meeting
- Sunday is Veteran's Day ... please remember those that have sacrificed for the freedom we so enjoy
 - President Trump will be in France for a commemoration event for WWI ... it is anticipated he will meet with Russian President Putin on that same trip
 - China has "Singles Day" on Sunday ... no, this isn't about a dating site, this is the big one-day on-line sale (and in-store, too)
- S&P 500 third quarter profit margins thus far rose to their highest level on record ... earnings reports are slowing down ...
 - Monday: Altice, Booking Holdings, CNA Financial, Ferrari, FMC Corp, Franco-Nevada, **frontdoor**, International Flavors & Fragrances, Invitation Homes, Loews, Marriott, Mosaic, Mylan, Neurocrine Biosciences, Nutrien, **Occidental Petroleum**, Pacific Gas & Electric, SBA Communications, Sysco and Westrock
 - Tuesday: Air Products & Chemicals, Alliant Energy, AmerisourceBergen, Archer Daniels Midland, Becton Dickinson, Broadridge, **CVS**, Devon Energy, DexCom, Diamondback Energy, DXC Technology, Eli Lilly, Emerson Electric, Expeditors International, **Genpact**, GoDaddy, Henry Schein, Jack Henry & Associates, Jazz Pharmaceuticals, KAR Auction, Martin Marietta Materials, Match Group, Pioneer Natural Resources, Plains All American Pipeline, Ralph Lauren, Regeneron Pharmaceuticals, ServiceMaster, Transdigm Group and Zillow
 - Wednesday: Albemarle, ANSYS, Atmos Energy, CGI Group, CNH Industrial, Ctrip.com, DaVita, **Delphi Technologies**, DISH, Energy Transfer, Evergy, **Hologic**, Humana, IAC, Keurig Dr. Pepper, Liberty Global, Manulife, Marathon Oil, Microchip



Technology, **Monster Beverage**, Prudential, **Qualcomm**, Rockwell Automation, Sempra Energy, Southern Company, Square and Wynn Resorts

- Thursday: **Activision Blizzard**, Astrazeneca, Cardinal Health, CenterPoint Energy, CenturyLink, Cheniere Energy, DR Horton, **Discovery**, Johnson Controls, Liberty Broadband, Liberty Media, Magna International, Mettler-Toledo, **Norwegian Cruise Lines**, NRG Energy, Skyworks Solutions, Targa Resources, TELUS, Disney and Worldpay
- Economic data
 - Monday: ISM Non-Manufacturing and Markit Services PMI
 - Wednesday: US Consumer Credit
 - Thursday: Weekly Jobless Claims
 - Friday: PPI, Wholesale Trade and Michigan Sentiment

As always, thanks very much for your interest and support.

Farley Shiner, CFA®
Managing Director

Adam Bergman, CFA®
Executive Director

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