Weekly Market Recap
November 26, 2018

Index	Close	Return Week	Return YTD
Dow Jones Industrial Average	24,286	-4.4%	-1.8%
S&P 500 Index	2633	-3.8%	-1.5%
NASDAQ	6939	-4.3%	0.5%
Russell 2000 Index	1489	-2.5%	-3.0%
MSCI EAFE Index	1794	-1.0%	-12.5%
10-yr Treasury Yield	3.04%	-0.02%	0.63%
Oil ($/bbl)	$50.39	-10.8%	-16.6%
Bonds*	$104.65	0.0%	-2.1%

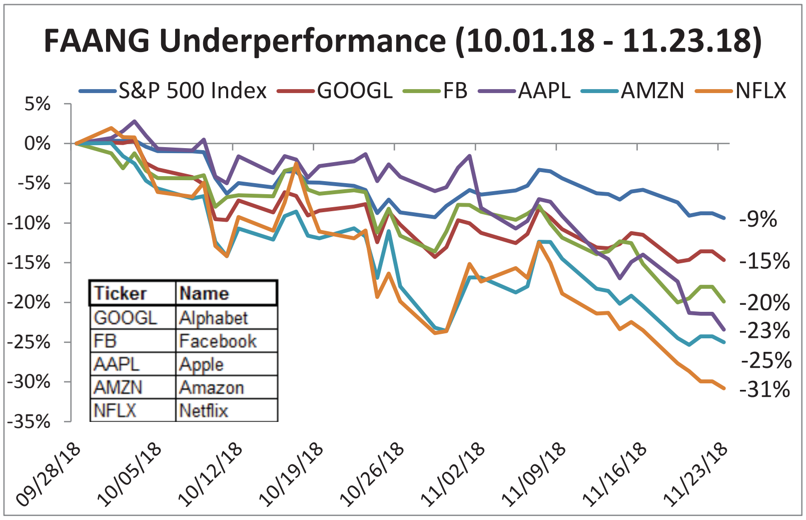
Source: Bloomberg, 11/23/18.

*Bonds represented by the iShares U.S. Aggregate Bond ETF.

Last Week:

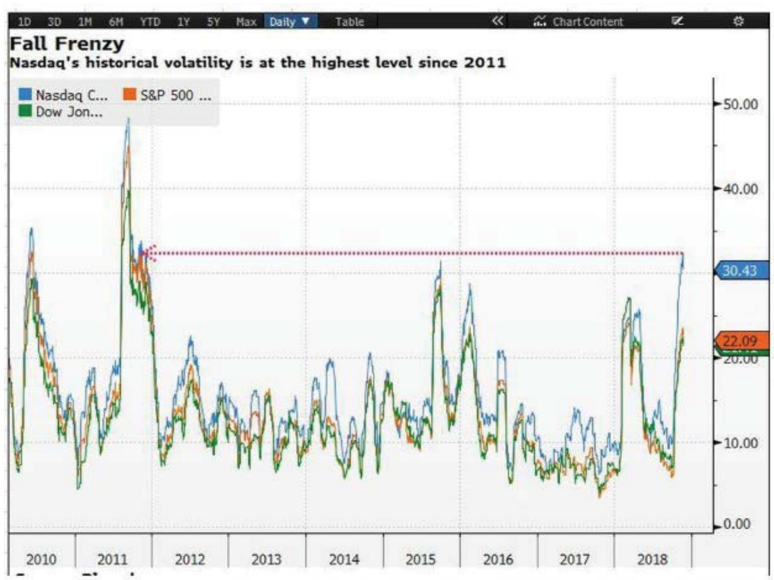
U.S. Equity Markets

- U.S. large cap equities (S&P 500 Index) finished lower (-3.8%) during the shortened Holiday week as information technology and higher-valuation growth stocks underperformed slower-growing value shares for the fourth consecutive week
  - Utilities (-1.4%), real estate (-1.5%), consumer staples (-2.4%), health care (-2.5%), financials (-2.9%), industrials (-3.2%) and materials (-3.5%) outperformed as investors favored value oriented sectors
  - Communication services underperformed aided by declines in Netflix (-9.6%) and Facebook (-5.6%)
  - Consumer discretionary (-4.3%) underperformed as Amazon (-5.7%) drove weakness in retail, despite strength in homebuilders and household appliances
  - The energy (-5.0%) sector was dragged down by commodity weakness as the price of oil fell nearly 11%
  - Information technology (-6.1%) was the worst performing sector led by Apple (-11.0%) on reduced orders of components for the latest iPhones due to weaker sales, and chip maker Nvidia (-11.8%)
- Higher-valuation growth stocks were not helped by the so-called "FAANG," as Apple (-10.98%), Netflix (-9.6%), Amazon (-5.7%), and Facebook (-5.6%) underperformed, continuing the FAANG underperformance trend since the end of September



Source: Factset, S&P Dow Jones

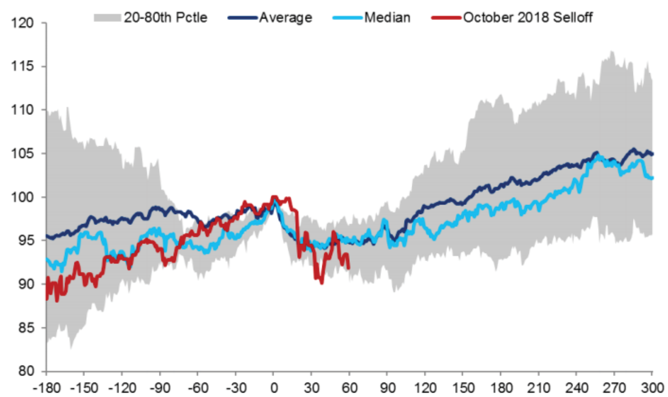
- The Dow Industrials underperformed (-4.4%) during the week as Apple fell on news it was slashing orders to suppliers of components for the latest iPhones due to disappointing sales
- Small-cap equities outperformed U.S. large caps as the Russell 2000 Index fell 2.5%
- The technology-heavy Nasdaq Composite Index (-4.3%) underperformed the S&P 500 Index as its volatility surged to a seven year high



30-day volatility chart for NASDAQ, S&P500 and Dow Index. SOURCE: BLOOMBERG, THINKMARKETS.

- Per the Citi chart below, buying *after* a 10%+ correction has led to near- and intermediate-term gains, on average

Figure 1: S&P 500 in a "Typical" Correction



Source: Bloomberg as of November 21, 2018. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only. Past performance is no guarantee of future returns. Real results may vary.

International Markets and News

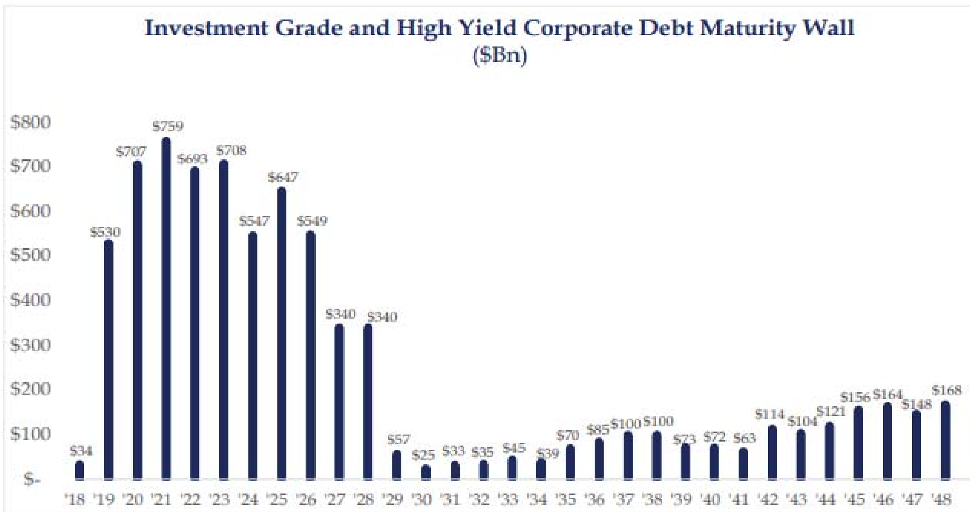
- European equities declined (STOXX Europe 600 -1.0%) less than US and Asian markets as the ongoing uncertainty regarding Brexit and Italy's budget deficit weighed on markets
  - Basic resources (-5.4%) and oil & gas (-4.5%) sectors led the losses on the selloff in commodities. The spotlight remained on the exodus out of the information technology sector (-2.0%), while travel & leisure (2.2%), autos & parts (0.7%) and retail (0.4%) outperformed
  - Brexit (UK exiting the European Monetary Union) concerns remained as British Prime Minister Theresa May avoided a leadership challenge and got support from businesses and the Bank of England for her Brexit plan, but faced push-back from members of her own Conservative party, her Northern Irish allies and the opposition, raising questions about parliamentary approval next month
  - The European Union (EU) rejected the revised Italian budget due to its spending plans, which violate EU law. The Commission made a recommendation to adopt a disciplinary procedure against Italy for excessive debt, but the Italian's stuck to their budget plans and said they would talk "politely" with the EU in a year
  - Nissan Motor confirmed its board voted to remove Carlos Ghosn as chairman on suspected breach of financial trading law, providing uncertainty to long-term alliance between Renault and Nissan as Ghosn headed both auto companies
- Chinese stocks dropped Friday with the Shanghai Composite Index falling 2.5%, its biggest percentage loss in a month. Losses followed a report that the U.S. government was lobbying allies (Germany, Italy, Japan & others) to avoid buying equipment from Chinese telecommunications equipment maker Huawei Technologies, citing security concerns
  - More than 100 companies listed on China's exchanges in Shanghai and Shenzhen were halted from trading after falling 10% on Friday, which is the one day maximum allowed by local regulators

  - The Huawei story dimmed hopes for a breakthrough in the U.S. –China trade battle ahead of a significant meeting between President Trump and China's President Xi Jinping at the Group 20 summit set to begin November 30th in Argentina
- Japanese equities outperformed (Nikkei 225 Index -0.4%) as the trade deficit was wider than expected, trade surplus with the U.S. declined, and inflation was benign
  - According the Finance Ministry, Japan's monthly trade balance widened to a deficit of $4 billion in October, about nine times larger than forecast by Nikkei poll of economists, driven by a 20% rise in imports (largely oil, liquefied natural gas, and grains) that outweighed the 8% increase in exports
  - Japan's trade surplus with the U.S. declined 11% from a year ago despite increased exports of autos, machinery, medical products and rubber
  - Japan's Statistics Bureau reported that the core consumer price index (excludes fresh food costs) rose 1.0% in October, in line with consensus estimates, but well below the central bank's 2.0% target level, which may bring challenges for policymakers looking to exit the current stimulus programs

U.S. Economic and Political News

- Economic data was generally disappointing, even if it pointed to continued expansion
  - Core durable goods orders were roughly flat in October after a decline in September that was larger than originally estimates, indicating softer economic conditions
  - Durable goods orders dropped -4.4% in October, the sharpest decline in 15 months, and below the -3.4% consensus forecast. The weakness owed to a -59% fall in fighter jets. Ex-transportation durable goods actually ticked up 0.1%
  - Weekly jobless claims printed 224,000, highest in 4.5 months
  - The University of Michigan's consumer sentiment index fell to 97.5 in its final November reading, down from 98.6
  - Measures of manufacturing and services activity also missed expectations
  - Existing home sales of 5.22 million annualized units slightly exceeded the 5.20 million consensus forecast for October, and marked the first increase in six months
- Vice President Mike Pence and Chinese President Xi Jinping reportedly had a tense exchange during the Asian economic summit last week, reducing hopes for progress in talks between Xi and President Trump at the G-20 summit this week
  - Trade tensions may also have been behind U.S. efforts to restrict its allies' business with Chinese telecommunications equipment maker Huawei Technologies
- According to Barron's, the Fed Funds Futures market is baking in a 74% probability of a 25 basis point increase at the FOMC's December 18-19 meeting and only one further increase in 2019. That compares to the Fed's dot plot which calls for three additional hikes in 2019
  - We'll be listening for a change in tone from Fed Chairman Powell during Wednesday's speech to the Economic Club of New York

- According to the World Trade Organization, tariffs among the G-20 nations now pertain to a record $481 billion of global trade
- Increasing concerns over the significant amount of corporate debt maturing in the next eight years may have contributed to recent volatility



Source: Strategas

Commodities

- Bitcoin* fell to its lowest level in more than a year, down nearly 75% year-to-date, closing near $4,000
- WTI crude was down nearly 11%, falling for the 7th consecutive week
  - Above-average inventory levels contributed to the decline as the Energy Information Administration reported a 4.9 million barrel increase in crude oil supplies, well above the 1.9 million consensus forecast, and the ninth consecutive weekly gain
  - China's gasoline exports in October fell to their lowest in 13 months and 33% lower than a year ago, amid a glut of the fuel in Asia and globally, customs data showed on Friday
  - Sunday President Trump patted himself on the back, tweeting "So great that oil prices are falling (thank you President T)." Earlier in the week he tweeted, "Oil prices are getting lower... Thank you Saudi Arabia but let's go lower"
  - We wouldn't expect the Saudi's to support lower prices from here. OPEC is scheduled to meet December 6, and may well pursue production cutbacks. Saudi Arabia's average November crude output surged to an all-time high of between 11.1 and 11.3 million barrels per day
    - Recall the Saudi's responded to calls from the U.S. and India during the summer to increase output to curb the rise in prices. However, the combination of increased supply from OPEC and less stringent sanctions on Iran has led to a supply gut

**Sterling Capital Management in no way recommends Bitcoin or other cryptocurrencies.*

This Week:

- U.S. earnings calendar will be relatively quiet as third quarter reports winds down, but data surrounding Black Friday and Cyber Monday sales may be in focus
    - Early updates suggest traffic to stores was down, but more than offset by online shopping. Adobe says e-commerce sales rose 26% year-over-year from Wed-Fri
- U.S. economic data:
    - Monday: Chicago Fed National Activity Index, Dallas Fed Manufacturing Index
    - Tuesday: S&P/Case-Shiller Home Price, House Price Index, Consumer Confidence. Fed Speaker Clarida
    - Wednesday: Building Permits, revision to 3Q GDP, Wholesale Inventories, New Home Sales. Fed Chair Powell Speech
    - Thursday: Core PCE Index, Personal Income, Personal Spending, Pending Home Sales, FOMC minutes
    - Friday: Chicago PMI. Fed Speaker Williams
- International economic data:
    - Monday: ECB Speech, UK Finance Approvals, BoE Governor Carney speech, Japan: manufacturing PMI, Coincident Index, & Leading Economic Index
    - Tuesday: ECB Mersch speech, Germany import prices, UK nationwide housing prices, China industrial profits
    - Wednesday: Eurozone: M3 money supply & loan growth, Germany consumer confidence
    - Thursday: Euro-zone: business confidence, services sentiment, consumer confidence, economic sentiment, & industrial sentiment, Germany: unemployment & CPI, UK BoE mortgage approvals, China retail sales
    - Friday: Euro-zone: CPI core & unemployment rate, Germany import price index, China NBS manufacturing PM, Japan: Tokyo CPI, job applications, unemployment, industrial production, consumer confidence, construction orders & housing starts

As always, thank you very much for your interest in our thoughts and support of our services

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