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MARKET *minute*

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Hartland is an independent institutional and wealth advisory firm that seeks to meet clients' investment objectives with appropriate risk and in a low-cost manner. Once this has been achieved, we seek superior returns compared to client-specific, market-based and peer group benchmarks. We believe broad diversification reduces portfolio volatility and enhances the opportunity for superior risk-adjusted returns.

November was a relatively light news month coupled with light trading around the Thanksgiving holiday in the U.S. The topic of tax legislation loomed large, although no final agreement was reached. There are several key differences between the House and Senate bills that need to be resolved before President Trump can sign the bill into law.

Solid U.S. economic data generally supported the equity markets. Third quarter U.S. GDP growth was revised up by 0.3% to 3.3%. The U.S. economy continues to be led by consumer spending and business investment which is a harbinger of future productivity and profits. The IHS Markit's U.S. Manufacturing Purchasing Managers' Index (PMI) registered 53.9 in November, which albeit down slightly from October, signaled robust growth in the manufacturing sector [1]. The Fed is monitoring inflation which is stubbornly low despite the low unemployment rate (4.1%) and continued tightening in the labor market [2].

Purchasing Managers' surveys remain supportive of a broad-based pickup in global economic activity. The IHS Markit's Eurozone Manufacturing Purchasing Managers' Index (PMI) increased to 60.1 in November from October's 58.5 [1], with all eight nations registering growth. The data show a broad-based expansion led by a solid core of Germany, the Netherlands, and Austria.

U.S. EQUITY MARKETS

Index	1 Month	Year-to-Date	1 Year	3 Year
DJIA	4.2	25.7	30.0	13.7
S&P 500	3.1	20.5	22.9	10.9
Russell 2000	2.9	15.1	18.3	11.1
Russell 1000 Growth	3.0	29.2	30.8	13.1
Russell 1000 Value	3.1	12.0	14.8	8.3
FTSE NAREIT U.S.	2.6	9.4	14.0	7.3
Bloomberg Commodity	-0.5	-1.2	0.5	-8.4

U.S. equity markets extended their gains with the S&P 500 returning 3.1% for November, while small caps as measured by the Russell 2000 advanced 2.9%. Both the Consumer sectors and Telecommunications led the way with returns of 5.1%-6.0% for November. The Technology sector has led the way by a wide margin in 2017 with a 38.8% return followed by HealthCare at +22.9%. Technology's sizeable outperformance contributed to growth styles having "trumped" value styles year-to-date.

Earnings season is just about wrapped up for the holidays; 98% of S&P 500 companies have reported earnings, reflecting 6.3% year-over-year earnings growth [3]. Based on U.S. equity multiples that are above historical averages, earnings growth may be an important driver of future returns.

INTERNATIONAL EQUITY MARKETS

Index	1 Month	Year-to-Date	1 Year	3 Year
MSCI ACWI ex USA	0.8	24.4	27.6	5.7
MSCI EAFE	1.0	23.1	27.3	6.0
MSCI Emerging Markets	0.2	32.5	32.8	6.1
MSCI EAFE Small Cap	1.6	30.0	33.8	13.4

Foreign developed equity markets, as represented by the MSCI EAFE Index, continued their advance, gaining 1.0%. Japan's Nikkei Index had another strong month returning 3.3% following October's reelection of Prime Minister, Shinzo Abe. The MSCI Emerging Markets Index returned 0.2%, resulting in a 32.8% year-to-date return.

FIXED INCOME MARKETS

Index	1 Month	Year-to-Date	1 Year	3 Year
BarCap US Aggregate	-0.1	3.1	3.2	2.1
BarCap Global Aggregate	1.1	7.0	6.5	1.7
BarCap US High Yield	-0.3	7.2	9.2	5.7
JPM Emerging Market Bond +	-0.8	7.6	9.0	5.4
BarCap Muni	-0.5	4.4	5.6	2.8

Jerome "Jay" Powell is set to become the next Chair of the Federal Reserve in January, at which time Janet Yellen will step down entirely from the Fed Board. Jay has served as a Fed board member for the past five years and is viewed as a stable figure, expected to continue the current monetary policy of gradual rate increases to avoid disrupting the recovery.

The Bloomberg Barclay's Aggregate Index total return for November was -0.13% and +3.07% year-to-date. The Fed has raised rates twice this year with an expectation of one more hike in December [4]. The 2-year U.S. Treasury yield rose 18 basis points, the 10-year yield rose 3 basis points while the 30-year U.S. Treasury yield fell 5 basis points to 2.83%[5]. The U.S. Treasury yield curve further flattened raising some concerns that it may portend a warning signal of a recession. Inflation expectations have an impact on the longer end of the curve along with foreign demand for yield which may partly explain the flatter curve.

Strong demand supported a heavy supply of investment grade corporate bonds in November with spreads widening only modestly. High yield's total return for November was -.26% bringing its year-to-date return to +7.18%. The JPM Emerging Market Bond+ Index declined -0.81% in November but has been a bright spot this year, generating a 7.61% return year-to-date.

Sources:
1 IHS Markit, 12/1/17
2 U.S. Bureau of Labor Statstics, 11/3/17
3 Factset, 11/27/17
4 & 5 Bloomberg

Definitions:
Markit U.S. Manufacturing Purchasing Managers' Index: The U.S. PMI is based on original survey data collected from a representative panel of around 600 companies.
Markit Eurozone Manufacturing Purchasing Managers' Index: The Eurozone PMI is based on original survey data collected from a representative panel of around 3,000 manufacturing firms.