

*This month's Market Minute reflects the views of Clearstead's Research Team and was composed by Anna Rathbun.*

#### OVERVIEW

The month of November played out much like the ones before it, swayed by headline news on the U.S. and China trade negotiations. The U.S. markets traded up incrementally, setting new record highs throughout the month. Looming large in the background was the December 15th deadline, the date on which the U.S. would begin implementing additional tariffs if there is no progress on the talks with China. Meanwhile, the U.S. Congress passed a bipartisan legislation supporting Hong Kong's pro-democracy protestors, introducing another dimension of discomfort to the negotiations. The bill sat unsigned on Mr. Trump's desk until the night before Thanksgiving; the White House's support of the protests angered China and increased the possibility of a retaliation. The month ended with domestic markets in the green but with increased uncertainty over whether phase one of the deal could be done between now and December 15th.

Underneath the trade discussions, the picture of global economic growth seemed to brighten. Germany, the bellwether of the European economy, avoided a technical recession for the time being by posting a positive GDP growth for the third quarter<sup>1</sup>. Increased headwinds for China from the trade disputes eased for the month, as November saw a bounce in manufacturing activity<sup>2</sup>. We saw U.S. manufacturing continuing an upward trend after a soft patch that began about a year ago<sup>3</sup>, while consumer spending remains strong, accompanied by a robust labor market. It is nice to see the global fundamentals post positive statistics for the month, but one month of synchronized good news does not make a trend, and the highest confidence of positive momentum continues to be in the U.S. consumers.

#### U.S. EQUITY

*As of November 30, 2019*

U.S. EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
DJIA	4.1%	4.7%	23.0%	12.5%
S&P 500	3.6%	5.9%	27.6%	16.1%
Russell 2000	4.1%	6.8%	22.0%	7.5%
Russell 1000 Growth	4.4%	7.4%	32.4%	21.0%
Russell 1000 Value	3.1%	4.5%	23.1%	11.3%

U.S. equities continued their march higher in November as optimism surrounding the first phase of a US-China trade deal pushed markets to record highs. Despite the last trading day's losses, the S&P 500 Index returned 3.6% for the month. Small-cap stocks have lagged their larger counterparts for most of the year, but the trend reversed in November as improving manufacturing data and consumer sentiment at home boosted investor optimism. Growth continued the trend of outperforming value buoyed by the same expectations. The blended quarterly earnings growth for S&P 500 came in at -2.2% year-over-year<sup>4</sup>, but the reports were generally better than expected. We are constructive on the U.S. consumer, especially as we head into the holiday shopping season, but there are trade negotiations looming large and presidential election rhetoric that will continue to grace the headlines. We continue to be cautious around the headlines, amidst optimism for the fundamentals.



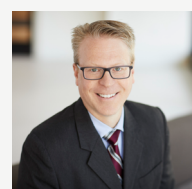
Tom Seay  
Managing Director



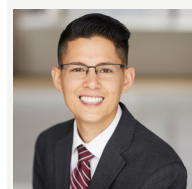
Joe Boushelle  
Managing Director



Anna Rathbun  
Director



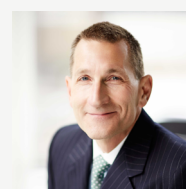
Dan Meges  
Senior Analyst



Joe Nitting  
Analyst



Erin Gray  
Research Associate



Brad Turner  
Head of Investments &  
Administration

For any inquiries about this document please contact [marketminute@clearstead.com](mailto:marketminute@clearstead.com).

For information on our team members, please click on photo.

## INTERNATIONAL EQUITY

As of November 30, 2019

INTERNATIONAL EQUITY MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
MSCI ACWI ex USA	0.9%	4.4%	16.5%	11.2%
MSCI EAFE	1.1%	4.8%	18.2%	12.4%
MSCI Emerging Markets	-0.1%	4.1%	10.2%	7.3%
MSCI EAFE Small Cap	2.2%	6.9%	19.7%	12.0%

Outside the U.S. – China relationship, there were other geopolitical news that stood out. Brexit remains unresolved, and there is news of fresh protests around the world, in Chile, Colombia, and Lebanon, to name a few. Nevertheless, the international equity markets responded broadly to the dynamics surrounding the U.S. and China relationship. Emerging markets, represented by the MSCI Emerging Markets Index, were up for most of the month but ended slightly down, -0.1%, after Mr. Trump signed the bill supporting the Hong Kong protestors. Developed markets saw a more muted reaction to the bill, with the MSCI EAFE Index ending the month on a positive note, returning 1.1%. The latest challenges in the trade negotiations are expected to have negative influence on international markets as well, but for the moment, the markets remain supported by the central banks with some capacity (and pressure) for fiscal policy to foster economic reinforcement.

## FIXED INCOME

As of November 30, 2019

FIXED INCOME MARKETS				
Index	1 Month	Quarter-To-Date	Year-To-Date	1 Year
BarCap US Aggregate	-0.1%	0.2%	8.8%	10.8%
BarCap Global Aggregate	-0.8%	-0.1%	6.2%	8.4%
BarCap US High Yield	0.3%	0.6%	12.1%	9.7%
JPM Emerging Market Bond	-0.2%	0.2%	12.3%	14.0%
BarCap Muni	0.3%	0.4%	7.2%	8.5%

With incremental movements in the equity markets and no Federal Reserve action, the U.S. Treasury yield curve inched higher in parallel fashion with no significant moves. The Bloomberg Barclays U.S. Aggregate Bond Index returned -0.1%, with the price declines offset by the coupon income. The major sovereign yields outside the U.S. also moved up incrementally, with the Bloomberg Barclays Global Aggregate Index returning -0.8%. The Barclays High Yield Index posted positive returns, 0.3%, as the constructive sentiment in equity markets helped to keep the corporate spreads tight. The central banks around the world have continued to keep their policies accommodative, and while the Fed has the U.S. rates on hold for the moment, we expect the Fed to balance the upside and downside risks in its policy decisions, especially as it pertains to the global trade conditions and outlook.

## CLOSING

In the last two years, we have learned that the trade negotiation with China is not clear-cut, easy, nor predictable. One part of the issue is that the current Administration's policies have been in flux and unstable. Another aspect is that the stories surrounding trade with China are complex. There is clarity, however, in the U.S. bi-partisan support for how we deal with China, whether on the need for better trade terms or in supporting pro-democracy protests. While we see a short-term headwind of running against the December 15th tariff deadline, these conversations with China are a part of a longer-term game, which will bleed into the new year and may continue to influence the markets. And yet, as long as the day-to-day fundamentals remain strong, consumers remain confident, and companies perform well, investors can continue to find good investing opportunities ahead.

### Sources:

<sup>1</sup> German Federal Statistical Office – 3Q GDP growth SA QoQ 0.1%.

<sup>2</sup> National Statistics Bureau – China Federation of Logistics and Purchasing: Manufacturing Purchasing Managers' Index 50.2, 11/30/2019.

<sup>3</sup> IHS Markit Manufacturing Purchasing Managers' Index 52.2, 11/22/2019

<sup>4</sup> FactSet Earnings Insight 11/22/2019. The blended quarterly earnings growth represents about 96% of the S&P 500 Index companies reporting.

### Disclosures

Information provided in this article is general in nature, is provided for informational purposes only, and should not be construed as investment advice. The views expressed by the author are based upon the data available at the time the article was written. Any such views are subject to change at any time based on market or other conditions. Clearstead disclaims any liability for any direct or incidental loss incurred by applying any of the information in this article. All investment decisions must be evaluated as to whether it is consistent with your investment objectives, risk tolerance, and financial situation. The performance data shown represent past performance. Past performance is not indicative of future results. Current performance data may be lower or higher than the performance data presented.