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INVESTMENT COMMITTEE MARKET COMMENTARY

NOVEMBER 30, 2015 www.clearbrookglobal.com

U.S. EQUITIES

U.S. stocks were essentially flat last week as the drop in energy stocks prompted by another decline in oil prices was offset by gains in defensive sectors such as telecoms, utilities and consumer staples.

a) ***Dow Jones -0.10% MTD +1.13% YTD +2.18%*** b) ***S&P 500 +0.08% MTD +0.76% YTD +3.48%***
c) ***Russell 2000 +2.35% MTD +3.62% YTD +0.99%***

Drivers: I) ***Consumers last Thanksgiving day spent $1.1 billion between midnight and 5 p.m. ET, according to Adobe Digital Index. That is a 22% increase from the same period last year***, and 4% above the 18% growth that Adobe had projected. Out-of-stock rates were double normal levels, driven by toys like Star Wars and the Pie Face Game, which sparked interest after seeing more than 4 million views on YouTube.

II) ***Spending rose a seasonally adjusted 0.1% for the second month in a row, the Commerce Department reported last Wednesday. That was below Wall Street expectations as economists had forecast a 0.3% increase.*** Less was spent on autos even though the number of new cars and trucks sold last month was at a decade high, perhaps a sign of more discounting or larger sales to car-rental agencies. Households also spent less on electricity and home heating fuel because of unseasonably warm weather.

III) ***Manufacturing sentiment fell in November to its lowest level in 25 months, according to data released last Monday. The flash manufacturing purchasing managers index from Markit fell to a reading of 52.6 from 54.1*** in October, with all five of the PMI components deteriorating. While over the 50 mark indicating improving conditions, this puts the PMI closer to the more downbeat assessment from the Institute for Supply Management.

IV) ***Higher prices and tighter inventory are straining the recovering housing market. Sales of existing homes ran at an annual rate of 5.36 million in October***, the National Association of Realtors reported. That was down 3.4% from 5.55 million in September, a level which marked the second-best in eight years. Sales were 3.9% higher compared to the same period a year ago. Inventory remained lean. ***There were 2.14 million homes available for sale, or 4.8 months at the current sales pace. That is well below the long-term average of 6 months.***

V) ***Equity prices in November are mixed, with Small-Cap, Growth, Industrials and Financials leading equity price performance. The laggards for the month are Mid-Cap and Value stocks along with Utilities.***

Capitalization: Large Caps +0.80% (YTD +3.25%), ***Mid-Caps +0.61%*** (YTD +0.60%) and ***Small Caps +3.62%*** (YTD +0.99%). Style: ***Value +2.10%*** (YTD -1.36%) and ***Growth +2.30%*** (YTD +6.80%). Industry Groups (Leaders): Consumer Discretionary +0.60% (YTD +14.02%), Technology +0.55% (YTD +7.58%), Healthcare +0.92% (YTD +6.37%), Consumer Staples +0.10% (YTD +4.87%), Communication -1.55% (YTD +1.26%) and ***Financial Services +2.15%*** (YTD +0.80%). (Laggards): ***Industrials +1.52%*** (YTD -1.18%), Basic Materials +0.63% (YTD -4.83%), ***Utilities -2.31%*** (YTD -7.00%) and Energy -0.42% (YTD -12.62%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index advanced last week from 381.79 to 383.67, to close higher by +0.49%. European stocks rallied to a three month high after it was reported that the ECB is looking to expand stimulus measures for the euro-zone. Year to date the Stoxx Europe 600 is up + 12.01% (MTD +2.18%).

Drivers: I) ***European Central Bank policy makers are looking at widening the scope of their bond buying or implementing a two-tier penalty charge on banks that leave cash with the ECB, Reuters reported.*** The moves under consideration include purchases of regional bonds and even buying re-bundled loans with a risk of non-payment, Reuters said, citing officials speaking on condition of anonymity.

II) ***French consumer spending dropped in October for the first time since March as households cut back in nearly all areas, from cars to clothing. Consumer spending in the eurozone's second largest economy fell 0.7% in October*** from September, statistics agency Insee reported last Friday. Still, after steadily increasing for most of 2015, spending was up 2.1% on year.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index rose by +0.49% for the week (MTD +2.18% YTD +12.01%).***

ASIAN EQUITIES

Asian equity markets declined last week, as Chinese authorities' investigations into two major Chinese brokerages over suspected violations drove shares in Shanghai sharply lower last Friday. The Dow Jones Asia Pacific Index was down -1.19% for the week.

Drivers: I) ***China's securities regulator has launched a probe into Citic Securities Co. for suspected violations of securities rules, escalating a crackdown on the country's largest stockbroker at the center of a broad campaign to clean up the financial sector following the summer's stock-market rout.*** The latest move by the Chinese authorities marks a significant shift in the nature of its probe into the brokerage, which has been at the forefront of Beijing's effort to modernize its underdeveloped capital market and globalize the reach of its state-owned financial SOE's over the past decades.

II) ***Chinese industrial data released last week showed that the profit made by industrial companies in the country fell for a fifth straight month in October, down 4.6% from the year-ago period.*** There are still little signs of recovery, with exports again acting as a drag on growth in the third quarter, and consumers still unwilling to spend their savings from lower oil prices.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +0.02% (MTD +4.20% YTD +13.94%), the Hang Seng Index was lower by -3.02% (MTD -2.53% YTD -6.51%) and the Shanghai Composite lost -5.35% (MTD +1.59% YTD +6.23%).***

FIXED INCOME

Treasury yields fell to the month's lowest levels after an overnight downdraft in Chinese equities fueled global demand for investments considered a safe haven, such as U.S. government debt.

Performance: I) ***The 10-year Treasury yield was lower last week ending at 2.223% down from 2.264%. The 30-year yield fell last week declining from 3.021% to 2.998%.***

II) ***Barclays US Aggregate Bond was up +0.14% last week, MTD -0.32% and YTD +0.82%. The Barclays US MBS TR rose by +0.09% last week, MTD -0.24% and YTD +1.44%. The BofAML US HY Master II declined last week by -0.13%, MTD -2.38% and YTD -2.28%.***

COMMODITIES

The DJ Commodity Index was lower last week declining from 251.14 to 250.15 and is lower month to date -7.50% (YTD -22.71%) as expectations of a December Fed rate hike pushed the USD higher and commodities lower.

Performance: I) ***The price of oil fell sharply for the week, driven by a growing glut of global crude supplies, a forecast for a slowdown in demand growth next year and data showing a weekly rise in the number of U.S. oil rigs.*** For the week the price of oil dropped from $44.52 to $40.73 per barrel.

II) *The ICE USD Index*, a gauge of the US Dollar's movement against six other major currencies, ***was higher advancing from 99.61 to 100.08 for the week. The USD rallied against major currencies based on the notion that the Federal Reserve is on track to tighten monetary conditions while the rest of the world continues to ease.*** For the week the Yen was unchanged at ¥122.81 and the Euro declined from 1.0646 to 1.0593 against the USD. For the week the Yen rose from ¥123.16 to ¥122.62 and the Euro advanced from 1.0741 to 1.0773 against the USD.

III) ***Gold fell to five-year lows last week, with the precious metal posting its sixth consecutive weekly loss, as the strengthening dollar continues to encourage selling***. For the week gold was lower dropping from $1077.3 to $1056.1.

HEDGE FUNDS

Hedge funds returns in November are mostly lower, with core strategy Macro/CTA posting positive returns, while Equity Hedge, Distressed, Event Driven and Relative Value are in negative territory.

Performance:

I) ***The HFRX Global Hedge Fund Index is lower at -0.70% MTD and -2.32% YTD.***
II) ***Equity Hedge is negative at -0.04% MTD and has fallen -1.33% YTD.***
III) ***Event Driven is down MTD -1.62**% **and is down YTD -5.84%.***
IV) ***Distressed Debt is lower at -3.61% MTD and is negative YTD -8.03%***
V) ***Macro/CTA is higher at +1.99% MTD and is down -0.54% YTD.***
VI) ***Relative Value Arbitrage is negative at -2.31% and is down -1.26% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week investors will see whether the U.S. consumers are willing to open their wallets and spend, and whether they have more to spend. The early holiday shopping sales data rolls next week and the November jobs report will indicate whether there has been any real wage growth. ***With a slew of data coming this week, two things are going to stand out: early returns on Black Friday and Cyber Monday sales, and the last jobs report before the Federal Reserve meets in December.***

On the economic data front all eyes will be on the November jobs report due next Friday. This will be the last key measure of the labor market Federal Reserve officials will see before their Dec. 15-16 meeting, when the central bank is expected to rise short-term interest rates for the first time. ***Employers stepped up hiring in October well beyond economists' expectations, by adding 271,000 new jobs. Thus Friday's jobs data (projected to decline from 271,000 to 205,000) would need to be far below expectations in order for the Fed delay a rate rise.***

The Labor Department releases its report on third-quarter productivity and costs Wednesday***. Productivity (estimated to increase from 1.6% to 2.0%) has been advancing at one of its slowest rates on record, despite strong hiring and a declining unemployment rate***. Weaker productivity numbers Wednesday could raise concerns about the economy's long-term ability to boost Americans' living standards.

American manufacturing have struggled to build momentum in the face of a stronger dollar and weak demand from overseas customers. Recent data on the sector has been mixed. An index from the Institute for Supply Management showed manufacturing expanded at the slowest pace in more than two years in October. ***The new ISM manufacturing survey (expected to improve from 50.1% to 50.6%) to be released on Tuesday will show whether there are signs of improvement.***