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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks finished mostly higher last week, as the three major indexes posted their longest period of weekly gains since late last year propelled by the stronger than expected October jobs report.

a) ***Dow Jones +1.52% MTD +1.52% YTD +2.58%*** b) ***S&P 500 +1.02% MTD +1.02% YTD +3.76%***
c) ***Russell 2000 +3.29% MTD +3.29% YTD +0.68%***

Drivers: I) ***Companies added new jobs in October at the fastest pace of the year***, worker pay surged and unemployment fell to a seven-year low, setting the stage for the Federal Reserve to raise U.S. interest rates before the end of 2015. ***The economy generated 271,000 new jobs last month and the surge in hiring topped the economist consensus of 180,000 new jobs.***

II) ***In October, the government reported hourly wages jumped 9 cents to $25.20. The latest increase shows hourly pay has climbed 2.5% over the past 12 months, the fastest year-over-year gain since July 2009.*** The rise in pay might also portent higher paychecks for many workers in the months ahead. Wages usually increase 3% to 4% a year when the economy is growing at a higher rate, as they did in 2006 and early 2007 before the recession.

III) ***The unemployment rate, meanwhile, fell to 5% from 5.1%, marking the lowest level since April 2008***. More people also entered the labor force in search of work, a sign that jobs are widely available. The latest employment report also offers concrete evidence the U.S. remains on a solid growth path despite turmoil in the global economy and tougher times for some domestic industries such as manufacturing and energy.

IV) ***The Institute for Supply Management's services index rose to a reading of 59.1% in October, up from 56.9% in September, the highest level in three months***, and above the 56.5% expected in a compiled economist poll. The components also were strong, with new orders at 62% and employment at 59.2%.

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

Capitalization: Large Caps +1.03% (YTD +3.48%), ***Mid-Caps +0.74%*** (YTD +0.74%) and ***Small Caps +3.29%*** (YTD +0.68%). Style: ***Value +2.20%*** (YTD -1.27%) and ***Growth +1.36%*** (YTD +5.81%). Industry Groups (Leaders): Consumer Discretionary +0.54% (YTD +13.96%), Technology +1.59% (YTD +8.69%), Healthcare +0.54% (YTD +5.97%), Consumer Staples -1.41% (YTD +3.29%), Financial Services +2.78% (YTD +1.42%) and Communication -1.57% (YTD +1.24%). (Laggards): Industrials +1.10% (YTD -1.58%), Basic Materials +0.01% (YTD -5.41%), ***Utilities -3.43%*** (YTD -8.14%) and Energy +2.59% (YTD -9.97%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index advanced last week from 375.47 to 379.95, to close higher by +1.19%. European stocks finished higher last week, driven by a sharp down in the euro after a stronger than expected U.S. jobs report gave a boost to exporters. Year to date the Stoxx Europe 600 is up + 10.92% (MTD +1.19%).

Drivers: I) ***ECB President Mario Draghi said last week the central bank's current stimulus program will need to be re-examined at the December meeting, indicating more easing or a rate cut could be on the way.*** The comments reflect the message from the ECB's Oct. 22 meeting, when Draghi expressed concern over the low inflation levels in the euro-zone.

II) ***The Bank of England on Thursday signaled that the need to raise borrowing costs in the U.K. anytime soon has receded given the gloomier prospects for global growth, after it held its benchmark interest rate steady.*** "The outlook for global growth has weakened since the August inflation report," the BOE's Monetary Policy Committee said in a statement, referring to its quarterly collection of forecasts. In response to this darkening picture, the BOE signaled that it is in no rush to raise its benchmark interest rate, which has been held at 0.5% since early 2009.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index rose by +1.19% for the week (MTD +1.19% YTD +10.92%).***

ASIAN EQUITIES

Asian equity markets were mixed as benchmarks in the region responded to either disappointing earnings or accommodative central bank policy. The Dow Jones Asia Pacific Index was down -0.53% for the week.

Drivers: I) ***A private gauge of China's service activity expanded at a faster pace in October, indicating that Beijing's stimulus measures may have taken effect. The Caixin China services purchasing managers' index rose to 52.0 in October***, up from September's 14-month low of 50.5, Caixin Media Co. and research firm Markit said. In the first three quarters of 2015, services accounted for 51.4% of gross domestic economy, up from 49.1% in the year-earlier period.

II) ***Shares in China led Asian markets higher last week, helped by speculation that Chinese authorities will open a trading link between Shenzen and Hong Kong by year-end.*** The rally comes after China's central bank published an article last week, citing Gov. Zhou Xiaochuan saying that China will unveil the Shenzhen-Hong Kong Stock Connect this year. Shares of HKex pared gains after trading up as much as 9%, although Chinese markets stayed sharply higher, after the central bank later clarified that Zhou had made the comments in May.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was higher by +0.96% (MTD +0.96% YTD +10.40%), the Hang Seng Index was up by +1.00% (MTD +1.00% YTD -3.13%) and the Shanghai Composite advanced by +6.13% (MTD +6.13% YTD +10.99%).***

FIXED INCOME

Short term Treasury yields spiked last week to their highest level in five years, after the Labor Department reported the U.S. economy created 271,000 new jobs in October marking the largest monthly employment gains of the year and exceeding economists' estimates.

Performance: I) ***The 10-year Treasury yield was higher last week ending at 2.324% up from 2.145%. The 30-year yield rose last week advancing from 2.924% to 3.086%.***

II) ***Barclays US Aggregate Bond was down -0.80% last week, MTD -0.80% and YTD +0.34%. The Barclays US MBS TR fell by -0.49% last week, MTD -0.49% and YTD +1.18%. The BofAML US HY Master II declined last week by -0.33%, MTD -0.33% and YTD -0.22%.***

COMMODITIES

The DJ Commodity Index was lower last week declining from 270.44 to 263.84 and is lower month to date -2.44% (YTD -18.48%) as commodities were driven lower by the strong surge in the U.S. dollar.

Performance: I) ***The price of oil fell last week after a far stronger than expected U.S. October jobs report made a decision by the Federal Reserve to lift interest rates at its December meeting much more likely.*** For the week the price of oil dropped from $46.39 to $44.52 per barrel.

II) ***The ICE USD Index***, a gauge of the US Dollar's movement against six other major currencies, ***was higher rising from 96.91 to 99.15 for the week. The USD rallied strongly, as the euro finished the week just above a six month low after a robust October jobs report.*** For the week the Yen fell from ¥120.62 to ¥ 123.16 and the Euro dropped from 1.1006 to 1.0741 against the USD.

III) ***Gold extended the losing streak to a seventh straight session, settling at thelowest level in more than three months after a better-than-anticipated jobs report made a December interest rate rise look more likely.*** For the week gold was higher rising from $1141.7 to $ 1088.9.

HEDGE FUNDS

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

Performance:
I) ***The HFRX Global Hedge Fund Index is higher at +0.02% MTD and -1.61% YTD.***
II) ***Equity Hedge is positive at +0.03% MTD and has fallen -1.25% YTD.***
III) ***Event Driven is down MTD -0.09% and is down YTD -4.37%.***
IV) ***Distressed Debt is higher at +0.03% MTD and is negative YTD -4.57%***
V) ***Macro/CTA is higher at +0.45% MTD and is down -2.05% YTD.***
VI) ***Relative Value Arbitrage is negative at -0.17% and is up +0.91% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week investors will have their eyes on consumer-based companies which will be reporting over the next few weeks as earnings season winds down. This week, 16 S&P 500 components, with an emphasis on retailers and consumer-based companies, release earnings, with one Dow component, Cisco Systems Inc.

Thus far with about ninety percent of the S&P 500 having reported, the index is looking at a 2.2% profit drop from a year ago and a 2.9% decline in revenue, according to FactSet. At the beginning of October, the S&P 500 was forecast to suffer a 5.2% decline in earnings with revenue falling 3.3%. ***An earnings loss in the third quarter would have the S&P experience the first back to back down quarters since the "Great Recession".***

With the consumer discretionary and tech earnings on tap this week, S&P numbers could see a bit of an improvement if trends hold. Consumer discretionary earnings are expected to gain 12.2% from a year ago, up from the forecast 10.2% gain at the beginning of the October, and tech earnings are projected to rise 3.2%, as opposed to a previously forecast decline of 0.3%. Consumer-based earnings are showing steady growth while industrial-based earnings are showing more anemic earnings growth, according to Goldman Sachs.

On the economic data front Friday's report on October retail sales will provide an idea as to the mood of consumers heading into the crucial holiday shopping season. Auto sales have been robust, but purchases outside of the auto sector have been moderate at best. The economy's fourth-quarter growth will greatly depend on consumer spending, due to the head winds manufacturers are facing from the weak global economy.

Next Thursday the government will release a key gauge of employee confidence, and thus, labor market strength: the government's job openings and labor turnover survey for September. Job vacancies have risen over the past two years, though they declined in August. But even with steady hiring, workers remain reluctant to quit and go for potentially higher-paying jobs, limiting the turnover that is normally seen in a strong jobs market.

On Tuesday the import-price index will be reported, and Friday we will see the producer-price index. Both will provide a clue as to the direction of overall inflation. Each has been a drag on consumer prices this year, due primarily to a sharp decline in the price of oil and weakness overall in commodities. Fed officials need to be confident that inflation is heading toward their 2% annual target before raising interest rates.