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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks as represented by the S&P 500 ended lower for a ninth straight session, the longest losing streak since December 1980. Loses of about 3.00% during this period have been due to U.S. Presidential election uncertainty.

a) ***Dow Jones -1.47% MTD -1.37% YTD +4.91%*** b) ***S&P 500 -1.89% MTD -1.88% YTD +3.88%***
c) ***Russell 2000 -2.01% MTD -2.33% YTD +3.69%***

Drivers: I) ***Global equity weakness has been tied in part to Republican presidential nominee Donald Trump's gains against Democratic rival Hillary Clinton in the polls*** over the past week. He is viewed as more likely to inject uncertainty into domestic and global affairs, and ***investors generally do not like uncertainty.***

II) ***The U.S. added 161,000 new jobs in October and the unemployment rate fell below 5% to 4.9%***, reflecting a tight labor market that's forced firms competing to fill open positions to boost pay at the fastest pace in seven years. The jobless rate has barely changed in the past year. But ***a steady jobs market gives the Federal Reserve the "further evidence" it's seeking to justify an expected increase in interest rates when officials meet in mid-December.***

III) ***The most important aspect of the Jobs report was average hourly earnings rose 0.4% in October, and were up 2.8% from a year earlier***, the fastest pace since June 2009. As the job market gets tighter, firms are responding to tougher competition for workers by raising pay. This is a big positive for income growth, consumer spending, and the overall economy.

IV) ***A broader measure of unemployment fell to 9.5% from 9.7%, touching the lowest level since May 2008***. The so-called U6 rate includes part-timers who cannot find a good full-time position and discouraged jobseekers who have recently given up looking for work. Although the rate is still elevated, it continues to decline. The U6 rate hovered around 8% shortly before the 2007-2009 downturn.

V) ***Equity prices in November are lower with Large-Cap, Value and Materials leading equity price performance. The laggards for the month are Small-Cap and Growth Stocks, Consumer Discretionary and Utilities.***

Capitalization: ***Large Caps -1.89%*** (YTD +3.82%), Mid-Caps -1.96% (YTD +4.67%) and ***Small Caps -2.33%*** (YTD +3.69%). Style: ***Value -1.94%*** (YTD +10.49%) and ***Growth -2.15%*** (YTD +3.58%). Industry Groups (Leaders): Energy -1.23% (YTD +14.57%), ***Utilities -2.99%*** (YTD +13.43%), Information Technology -2.60% (YTD +9.54%), Technology -2.69% (YTD +9.22%), ***Materials -0.70%*** (YTD +8.26%), Consumer Staples -2.80% (YTD +8.20%), Telecommunication -2.19% (YTD +7.69%), ***Consumer Discretionary -3.63%*** (YTD +4.83%) and Financial Services -1.37% (YTD +2.16%). (Laggards): Healthcare -1.36% (YTD -6.27).

EUROPEAN EQUITIES

The MSCI Europe index was lower last week falling -1.44%. European equities were pulled lower last Friday, as markets were upset by political risks, pushing the region's indexes to their deepest weekly decline in nine months.

Drivers: I) In what was one of the nation's most important constitutional cases in decades, ***the U.K. high court said Prime Minister Theresa May does not alone have the power to trigger the so-called Article 50 that begins negotiations with the European Union***. In short, ***Prime Minister May must put it up for a vote in parliament***. The government has said it will appeal the verdict according to media reports.

II) ***The European Central Bank will taper its bond-buying program sooner than the markets expect, according to economists at Citigroup.*** The announcement could come as soon as next month, they said. In a note published last Thursday, the Wall Street bank said it expects the European Central Bank, at its Dec. 8 meeting, to extend its quantitative easing program beyond its current March end date. But they also ***expect the ECB to announce that it will pare back its purchases to €60 billion ($66.70 billion) a month beginning in April. The bank currently buys €80 billion a month.***

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III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The MSCI Europe Index was down -1.82% for the week (MTD -1.57% YTD -4.78%).***

ASIAN EQUITIES

Asian equity markets were primarily lower for the week, as Japan shrugged off better-than-expected economic data as persistent concerns around the narrowing race for the White House curbed investors' appetite for risk. The Dow Jones Asia Pacific Index was lower by -1.36% for the week, (MTD -1.52), (YTD +3.87%).

Drivers: I) ***Japanese retail sales fell for the seventh straight month in September amid continued weakness in domestic consumption.*** Retail sales fell 1.9% from a year before, according to data released by the Ministry of Economy, Trade and Industry. Domestic consumption remains weak as Japan's economy makes a very gradual recovery. Retail sales have also been affected by an unusually large number of typhoons reaching Japan this year.

II) ***An official report of the China's factory activity rose to the highest level in more than two years in October, adding to recent signs that the world's second-largest economy is stabilizing***. China's official manufacturing purchasing managers' index increased to 51.2 from September's 50.4 for a third straight month of expansion. In seven out of the last eight months, the index has stayed at or above the 50 mark that separates an expansion of activity from a contraction.

III) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -3.10% (MTD -2.98% YTD -11.18%), the Hang Seng Index fell by -1.36% (MTD -1.28% YTD +3.32%) and the Shanghai Composite advanced by +0.68% (MTD +0.80% YTD -11.69%).***

FIXED INCOME

Treasury yields dropped last week extending a week-long price rally as worries over the U.S. election offset a strong October jobs report.

Performance: I) ***The 10-year Treasury was lower last week ending at 1.776% down from 1.849%. The 30-year yield fell last week declining from 2.618% to 2.562%.***

II) ***Performance for the week, month-to-date and year-to-date. Barclays US Aggregate Bond was up +0.24% last week, MTD +0.16% and YTD +5.15%. The Barclays US MBS TR was higher at +0.11% last week, MTD +0.09% and YTD +3.54%. The Barclay's US Corporate HY Index fell by -1.13%, MTD -0.84% and YTD +14.71%.***

COMMODITIES

The DJ Commodity Index was lower last week by -2.83% and is down month to date -1.78% (YTD +7.33%) as commodities were supported by a rise in gold and positive supply/demand dynamics in agriculture.

Performance: I) ***The price of oil was lower last week by -9.31%*** falling from $48.66 to $44.13 and is down month to date -5.83% (YTD +8.40%). Oil ended at a more-than-six-week low last Friday, suffering a nearly 10% weekly drop as traders dealt with ***uncertainty surrounding a plan by the Organization of the Petroleum Exporting Countries to curb output.***

II) ***The ICE USD Index, a gauge of the U.S dollar's movement*** against six other major currencies, was negative falling -1.47% from 98.34 to 96.89 for the week (MTD -1.49% YTD -1.82%). The USD ***was down last week as investors weighed a payrolls report that pointed to improving labor market conditions, as well as next week's U.S. election, which has become a renewed source of uncertainty.***

III) ***Gold finished higher on Friday, as uncertainty surrounding the U.K.'s exit from the European Union and the coming U.S. election raised the metal's attractiveness as a haven.*** For the week gold was higher by +2.29% climbing from $1276.6 to $1305.2 (MTD +2.52% YTD 22.96%).

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HEDGE FUNDS

Hedge funds returns in November are down with all the core strategies Equity Hedge, Event Driven, Distressed, Macro and Relative Value all in negative territory.

Performance:

I) ***The HFRX Global Hedge Fund Index is lower at -0.86% MTD and -0.11% YTD.***
II) ***Equity Hedge has fallen -1.27% MTD and is down -2.78% YTD.***
III) ***Event Driven is down MTD -0.84% and is higher YTD +6.14%.***
IV) ***Distressed Debt is lower at -0.76% MTD and is positive YTD +14.61%***
V) ***Macro/CTA has fallen by -1.12% MTD and is down -3.81% YTD.***
VI) ***Relative Value Arbitrage is lower at -0.27% and is down -0.51% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

As we head into next week, investors will note that equity market experienced their first nine-day losing streak in almost 36 years, but some analysts view declines of eight days or longer as buying opportunities that are usually followed by gains over the next six or 12 months. According to S&P Dow Jones Indices, since 1931 there have been 22 times when the S&P 500 posted a losing streak of eight days or more. ***In those instances, the S&P 500 rose over the next 12 months 76% of the time, with an average return of 14%. Stocks also rose in the six-month period after such a streak 74% of the times, returning 8.9% on average.***

Some analysts suggested that markets could sell off harshly next week if the Republican nominee Donald Trump is elected president, as investors view him as unpredictable. ***Since 1928, there have been 13 instances when the S&P 500 declined for nine straight sessions or more, with an average loss of 6.8%, according to Dow Jones data. The current decline is the second smallest.*** One of the strange characteristics of the latest decline was the fact that the S&P 500 has been positive at some point in each of the last nine sessions before ending in negative territory, according to FactSet.

On the economic data and political front, the US Presidential election will be held on November 8th. The Congressional elections for one-third of the Senate and all of the House of Representatives will also be held on the same day. Just over a week ago, Democrat contender Clinton appeared to be heading for a comfortable victory over Republican Trump, especially in the Electoral College.

There has been a major jolt in expectations following the FBI announcement that it has re-opened the investigation into e-mails sent by Clinton while she was Secretary of State. Opinion polls overall still give Clinton the edge in national terms and the individual state breakdowns should also favor Clinton, but an overall narrowing of polls and a tightening race has disrupted market confidence.

Federal Reserve Vice Chair Fischer will speak on Friday November 11th in Santiago at 04:00 EST via satellite. Comments from Federal Reserve speakers will continue to be watched closely in the short term. ***Markets will be looking for any specific comments on the December policy decision and any longer-term remarks surrounding likely policy in 2017.***

The latest EIA inventories report will be released on Wednesday November 9th at 10:30 EST. ***Oil prices have*** been a big focus this week with a slide of over 8% as overall sentiment ***has weakened sharply. There have been increased concerns surrounding OPEC's ability to deliver a cut in production at the end-November meeting.***

This week's data will be watched very closely and another substantial build would further undermine sentiment. In contrast, there will be some important relief if there is a draw in stocks in the data. Comments from OPEC members will also be a crucial focus during the week following reports on Friday that Saudi officials had threatened to ramp-up production if Iran refused to scale-back production plans.

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