Week Ending **November 25, 2016**

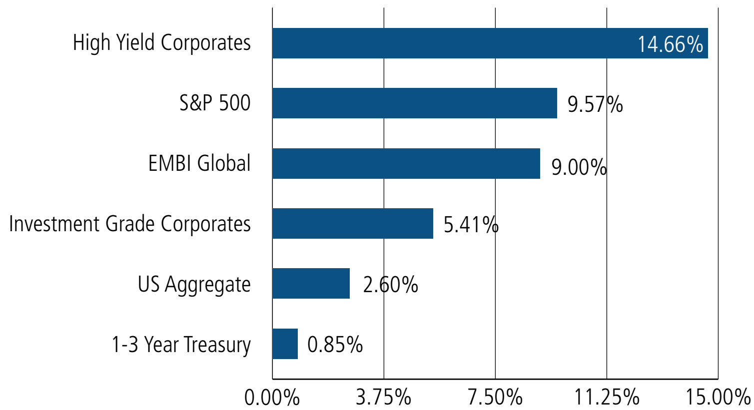
Ordering Up a Hearty Plate of Strong Economic Data

Economic Overview:

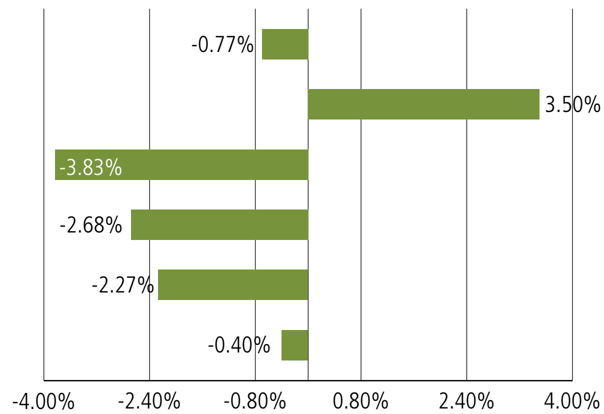
Orders up. Durable goods orders, that is. After an industrial slowdown in 2015 driven by strength in the U.S. dollar and weakness in commodity prices, the durable goods-producing sectors in the U.S. have started to rebound. In October, new orders for manufactured durable goods rose 4.8%. Core capital goods orders, a segment comprised of nondefense capital goods orders excluding aircraft, rose 0.4% on the month. These data suggest there may be a pick-up in the offing for the annualized growth rate of gross domestic product in the fourth quarter, which tracking estimates put at roughly 3%. Perhaps we shouldn't be surprised to observe the market pricing a 96% chance of a rate hike in December.

Total Returns by Asset Class

Year to Date Total Return



Month to Date Total Return



Highlights of the Week:

- **Equities:** The S&P 500, Dow Jones Industrial Average, and NASDAQ Composite indices all hit record highs this week as the post-election positive market sentiment intensified. The nearly century-old Dow Jones Industrial Average index ended Tuesday's session above 19,000 for the first time in its much-followed history.

- **Corporates:** Trading activity has soared in the last week. Investors sold into strength creating "dry powder" for future buying opportunities on any weakness. Few such opportunities presented themselves during the week though as new issuance slowed. In most other markets we hit record highs, but in the investment grade space activity has been high but spread moves muted. The corporate OAS closed at 130, unchanged on the week.

- **Securitized Product:** It is more of the same in mortgage land. Higher interest rates are leading to mortgage average life extension as the refinance incentive moves further and further out of the money. If there is one thing to be thankful for, it has to be the stabilization of oil and commodity prices, which has, in turn, stabilized and improved CLO valuations.

- **High Yield:** New issue proceeds in the High Yield market over the past five years have been used primarily for refinancing activity. As a result, the near-term maturity burden on most high yield companies is light: only $93 billion, or 8% of the US High Yield market, is scheduled to mature before the end of 2018.

- **Emerging Markets:** High-yield rated sovereigns Jamaica and Mongolia saw diverging credit ratings paths this week. Moody's rewarded Jamaica's commitment to fiscal consolidation and structural reforms by upgrading the country to B3, from Caa1. Meanwhile, Mongolia was lowered one notch to Caa1 and B- by Moody's and Fitch, respectively. Both agencies cited Mongolia's poor budget performance, rising public debt levels and external liquidity challenges.

- **Municipals:** The slope of the municipal yield curve is currently 237 basis points, 53 basis points steeper than the day before the Presidential election. The 10-year benchmark Money Market Deposit yield is 2.33%, the highest level in over a year. Constrained supply should continue to lend support for municipal performance, with only $10 billion of new issuance expected over the next 30 days.

- **Currencies:** In a week that was light on trading due to the Thanksgiving break, the FX market was relatively muted. One exception was the Australian dollar, which gained ground against the US dollar. The Aussie was supported by a rise in commodity prices and iron ore prices in particular, which soared after production cuts were announced in China. Positive comments by the Reserve Bank of Australia's Deputy Governor Kent about the outlook for the Australian economy additionally helped the currency.