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ECONOMY: Data Improves but Uncertainty Remains

Good, But Not Great…And Slowing

U.S. GDP grew at an annualized rate of 1.9% in Q3 according to the initial estimate from the Commerce Department. While this is down slightly from the 2% rate of growth in Q2, it was higher than economists' consensus estimates of 1.6% growth. The better-than-expected data was the result of continued consumer and government spending.

Employment Rebounds

U.S. employers added 128,000 jobs in October according to the Bureau of Labor Statistics. The unemployment rate rose slightly to 3.6%, but this was due to more people entering the workforce. Average hourly earnings increased 0.2%, a slightly slower pace than expected, but up are 3% over the past year. Revisions added 95,000 jobs for August and September.

Another Rate Cut

As widely expected, the Federal Reserve again reduced its target range for the fed funds rate by 0.25%. The rate cut was the third in as many consecutive meetings. The committee noted the "implications of global developments for the economic outlook as well as muted inflation pressures" as factors that supported its decision to cut rates.

Consumer Remains Strong

The Commerce Department said consumer spending, which accounts for more than two-thirds of U.S. economic activity, gained 0.2% in September. Households stepped up purchases of motor vehicles and spent more on healthcare. August data was revised up 0.2% from initial estimates of 0.1% as well.

Confidence High, But Falling

The Conference Board ***Consumer Confidence Index*** decreased slightly in October, following a September decline. *"Consumer confidence was relatively flat in October, following a decrease in September. The Present Situation Index improved, but Expectations weakened slightly as consumers expressed some concerns about business conditions and job prospects. However, confidence levels remain high and there are no indications that consumers will curtail their holiday spending."*

Positive Data From Europe!

While the economic situation in the Eurozone has not been all that positive, GDP and inflation data both beat consensus forecasts. GDP expanding at 0.2% in Q3, largely driven by robust growth in France (0.3%) and Spain (0.4%), the second and fourth largest economies in the union. Core inflation rose 1.1% year-over-year. Lastly, data out of Germany indicates the country avoided a widely expected recession.

BREXIT Now in 2020…

UK politics continued to dominate headlines with news that Prime Minister Boris Johnson had negotiated a revised withdrawal agreement with the European Union. The markets took comfort from the decreased likelihood of a no-deal exit. However, uncertainty persisted as Parliament chose to postpone a vote on the deal until legislation needed to turn the withdrawal agreement into UK law is completed. The deadline has been extended until January 31, 2020.

Central Banks Continue to Ease

The theme of global monetary easing remained prevalent through October:

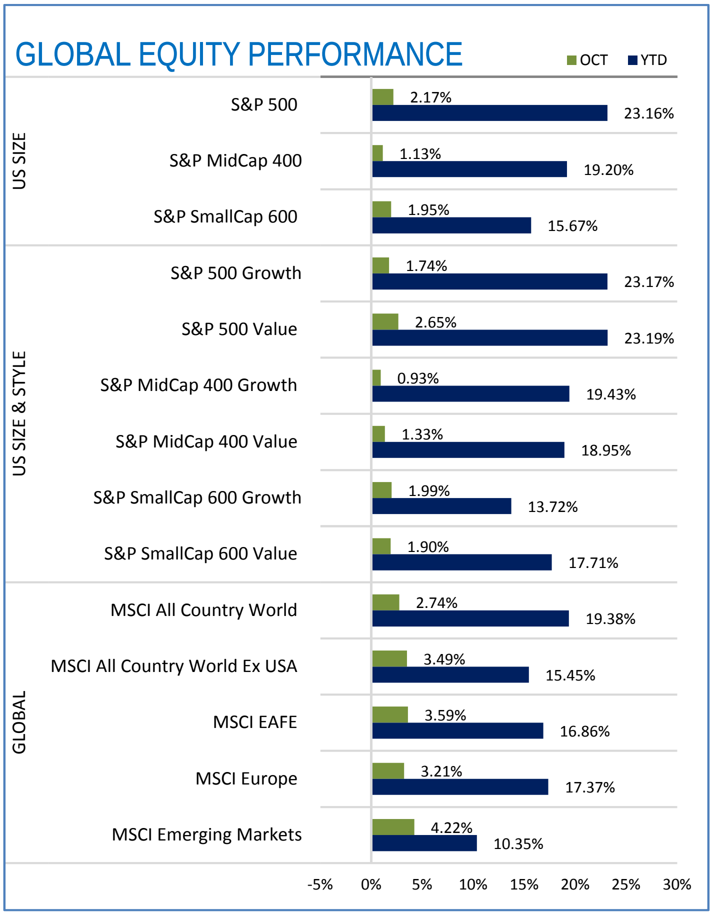
- Turkey's central bank cut its policy rate 2.5% to 14.0%
- Chile cut its policy rate 0.25% to 1.75%
- Indonesia cut its policy rate 0.25% to 5.00%
- Russia lowered its policy rate 0.50% to 6.50%

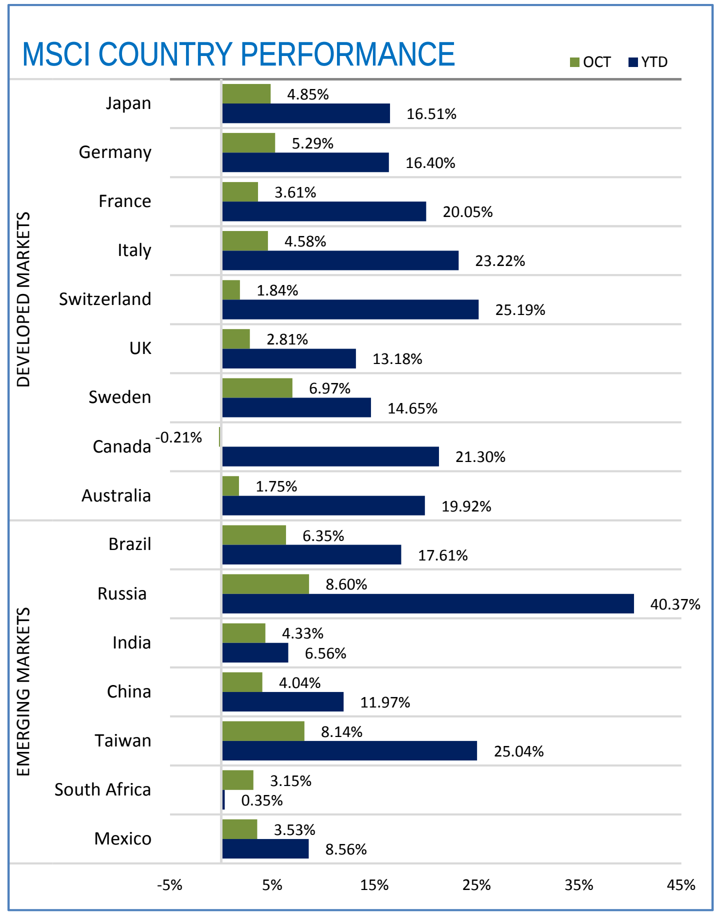
The European Central Bank, Norwegian central bank and Hungary's central bank all held rates steady.

Trade Progress?

Chinese Commerce Ministry officials recently stated that China and the U.S. had agreed to roll back existing tariffs as part of the so-called "phase one" agreement, while China would resume its purchases of U.S. commodities like soybeans, pigs, and natural gas. President Donald Trump and Chinese President Xi Jinping had been scheduled to discuss a deal at the Asia-Pacific Economic Cooperation meeting in Chile, but the summit was canceled because of political unrest in the country.

GLOBAL EQUITIES: Solid Earnings Boost U.S. Equities





Earnings, Interest Rates, and Trade

The U.S. equity market ended October in positive territory, as the S&P 500 gained 2.17% for the month. Equities benefitted from another interest rate reduction by the Federal Reserve, easing trade tensions with China, and better than expected Q3 earnings results.

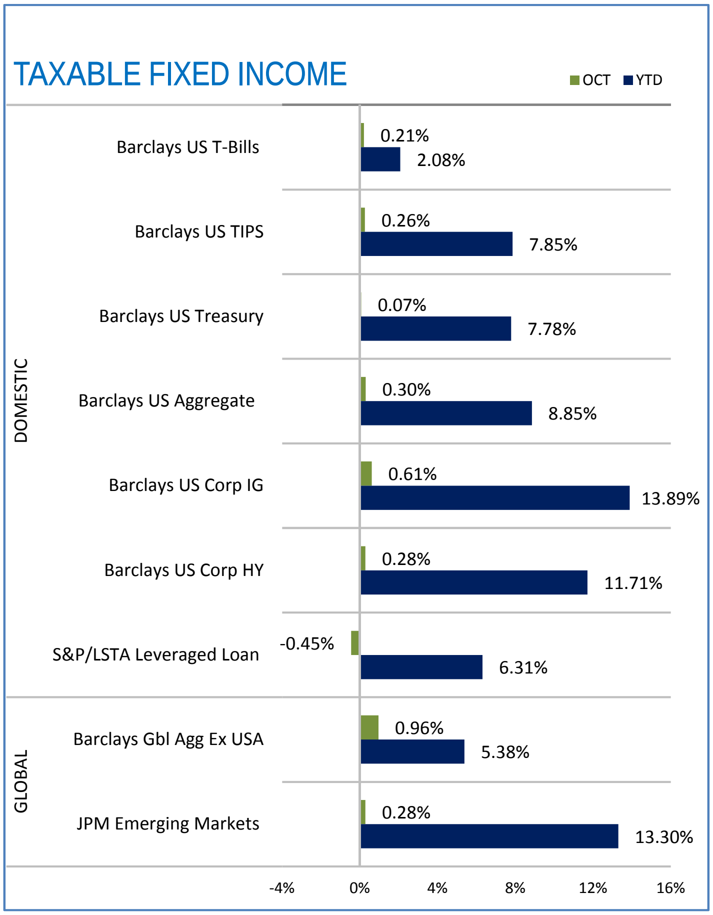
Brexit Extension Boosts Europe

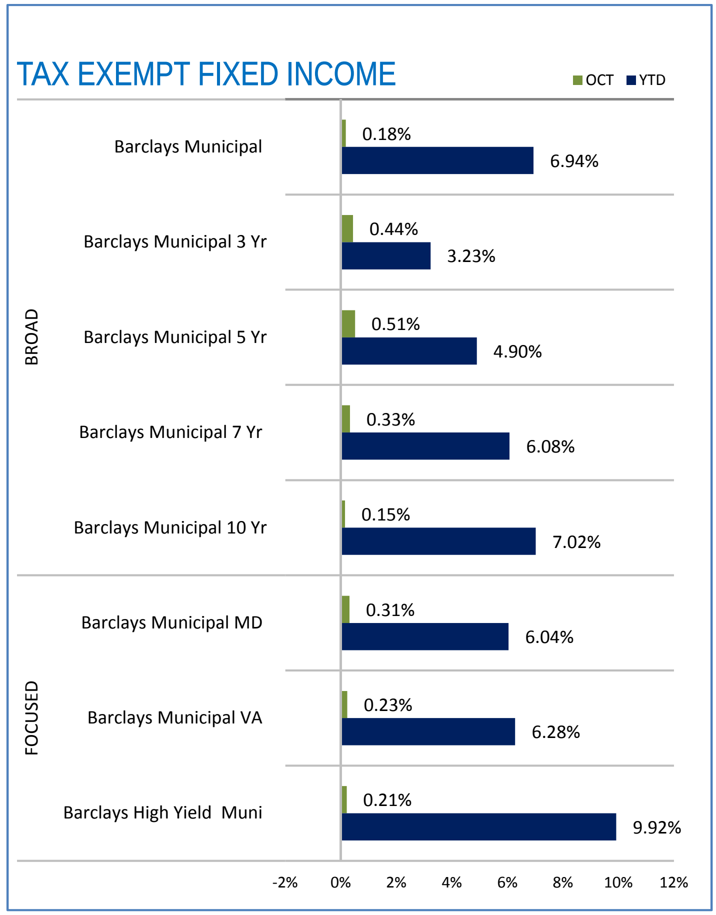
European markets booked strong gains in October with the MSCI Europe Index rising 3.21%. Easing global trade tensions and an extension of the current Brexit negotiations buoyed investor confidence within the region. Ireland, Sweden, Austria, Germany, Portugal and Italy all gained in excess of 4% for the month.

EM Joins Rally

Emerging equity markets joined the global rally in October with all regions posting gains and the MSCI Emerging Market Index gaining 4.22% for the month. Asia led the advance, followed closely by Latin America. In terms of country performance, Hungary (10%), Taiwan (8.14%) and Russia (8.60%) came out on top. However, while most equity markets advanced higher there were some exceptions, most notably Turkey, Chile and Argentina.

FIXED INCOME: Bonds Gain as Fed Again Cuts Rates





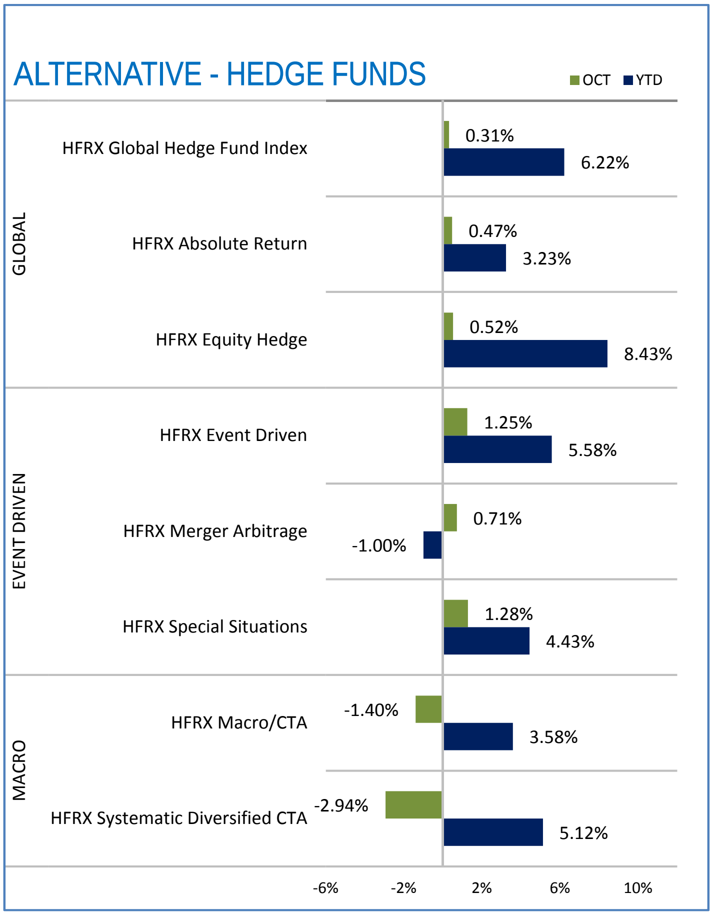
Fed Cuts Rates Again

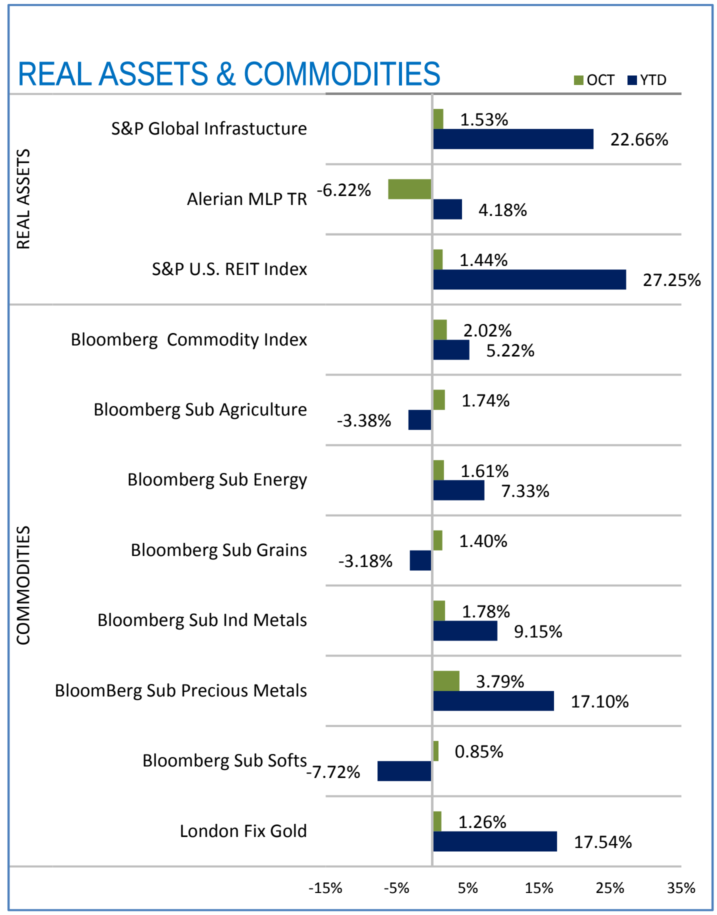
Actions by the Federal Reserve last month led to a steepening of the Treasury curve, unwinding more than four months of inversion between short and intermediate rates. The Fed met market expectations and cut the federal funds target rate 0.25% for the third time in 2019 (to a range of 1.50%- 1.75%) and also announced an expansion of its balance sheet by purchasing $60B of Treasury bills each month through June 2020. With the exception of bank loans, all sectors of the bond market posted gains for the month. The Barclays U.S. Aggregate Bond Index gained 0.30%.

Muni Curve Steepens

Following the lead of the U.S. Treasury curve, the municipal curve also steepened in October as short-term tax-free yields fell more than intermediate and long term rates. The municipal market also benefited from continued inflows into tax-free mutual funds. The streak of consecutive weekly inflows stretched to 42 with YTD total inflows of $74B. The rally in short-term rates led to the outperformance of shorter maturities, while there was little difference across the credit spectrum. The Barclays Municipal Index gained 0.18% in October.

ALTERNATIVES: REITs Push Higher





MACRO STRATEGIES STRUGGLE

Hedge funds posted gains in October with the HFRX Global Hedge Fund Index gaining 0.31%, raising YTD performance of the index to 6.22%. HFRX Event Driven Index posted a gain of 1.25% for October from gains in Special Situations equity strategies and Merger Arbitrage managers. The HFRX Macro/CTA Index posted a decline of 1.40% for October from declines in Systematic trend-following managers which were only partially offset by gains in Global Discretionary strategies.

REITS OUTPERFORMING YTD

REIT returns edged higher again in October and outpaced the broader market on a year-to-date basis, although certain segments of the industry are feeling the impact of slower economic activity. The S&P U.S. REIT Index rose 1.44% in October, while the S&P 500 gained 2.2% during the same period. However, REITs are up 27.25% YTD, while the S&P 500 has risen 23.2% over the same period. Storage and hotel REITs were two sectors that underperformed in October.