

## KEY TAKEAWAYS

- U.S. stock markets staged quite a post-election rally in November, with the S&P 500 hitting record highs before ending the month with a solid gain of 3.7%. Small caps did even better in anticipation of favorable policy developments, with the Russell 2000 jumping a whopping 11.2%, its best month in five years. Overseas markets did not fare nearly as well, with returns for U.S. investors severely hampered by the surging dollar.
- On the surface, the domestic stock market's favorable response to the election outcome was perhaps unexpected to some. After all, markets tend to dislike uncertainty as well as surprises. Dig a little deeper, however, and the pieces of the puzzle start to fall into place. The prospect of infrastructure spending, tax cuts, and reduced regulation could all be conducive to jump-starting growth.
- What looks good for stocks is not so appealing for bonds, which suffered a sharp rise in yields after the election. The idea of ramped up inflation and big deficits are not what bond investors like to hear.
- The Federal Reserve is widely expected to raise rates at its upcoming mid-December meeting. And while it is true that the Fed is in tightening mode and inflation expectations are increasing, monetary policy remains extremely accommodative with the path of normalization anticipated to be gentle. Markets anticipate only one or two additional 25 basis point hikes in 2017, leaving rates well-below long-term targets. Other central banks are on a divergent path (still easing), which may lead to further U.S. dollar strength as we head into 2017.

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## INDEX PERFORMANCE (as of 11/30/16)

Equity	November	Year-to-Date	One-Year
U.S. Large Cap	3.7%	9.8%	8.1%
U.S. Small Cap	11.2%	18.0%	12.1%
Developed Non-U.S.	-2.0%	-1.9%	-3.2%
Emerging Market	-4.6%	11.3%	8.9%
Real Assets			
Real Estate	-2.8%	2.5%	3.7%
Commodities	1.3%	9.8%	6.4%
Natural Resource Equities	7.8%	29.9%	15.8%
Fixed Income			
<u>Core Plus</u>			
U.S. High Yield Debt	-0.5%	15.0%	12.1%
Emerging Market Debt	-7.0%	7.9%	5.5%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	-2.4%	2.5%	2.2%
U.S. Treasuries	-2.7%	1.1%	1.0%
U.S. Municipal Bonds	-2.7%	-0.8%	-0.5%
Month-End Values/Yields	Current	Prior Month	One-Year Ago
CBOE Volatility Index	13.3	17.1	16.1
10-Year Treasury Yield	2.4%	1.8%	2.2%

Sources: Bloomberg, Morningstar

You cannot invest directly in an index; therefore, performance returns do not reflect any management fees. Returns of the indices include the reinvestment of all dividends and income, as reported by the commercial databases involved.

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