



November 2014: Market Review

Global equity markets were mixed in November, as countries around the world struggled with how to stimulate economic growth. U.S. markets, despite facing the end of the Federal Reserve's bond-buying stimulus, performed well in November. The Dow Jones Industrial Average rose 2.86% for the month, lifting its year-to-date return to 9.92%. The S&P 500 Index added 2.69% in November and has returned 13.98% so far in 2014. Both indexes hit all-time closing highs toward the end of the month.

In U.S. economic news, the second estimate of third quarter 2014 real gross domestic product showed annualized growth of 3.9%, making the second and third quarters the best six-month period of U.S. growth since 2003. While Black Friday shopping numbers were down slightly for brick-and-mortar stores, online sales were up and retailers are expecting the strongest holiday season in three years. Consumer spending drives more than two-thirds of economic growth. The most recent S&P/Case-Shiller Home Price Index report showed that on a month-over-month basis, home prices dipped 0.1% in September, while on a year-over-year basis, prices were 4.8% higher than last September, marking nine straight months of deceleration in price increases. Among commodities, barrels of WTI crude oil ended the month at \$66, down from \$81 in October and \$105 in June, while gold closed at \$1175 per troy ounce, up from \$1171 the previous month. Oil is down to its lowest price since 2010, and OPEC has announced it will not cut production to stem the decline in prices.

Growth-style equities outperformed value-style equities across all capitalizations in November. Among large cap stocks, the Russell 1000 Growth Index gained 3.17% during the month, moving its year-to-date return to 14.24%, while the Russell 1000 Value Index was up 2.05%, leaving it with a year-to-date return of 12.76%. In small cap stocks, the Russell 2000 Growth Index added 0.65% and is up 2.56% for the year, while the Russell 2000 Value Index fell (0.46%), leaving the index with a return of 1.45% so far in 2014. The Russell Midcap Index closed the month with a gain of 2.56% and has added 12.98% year-to-date.

International equity markets were mixed in November even as new measures to spur growth were announced in Europe and China. The European Commission unveiled a much-criticized \$392 billion investment plan aimed at boosting demand and growth in the region. The MSCI EAFE Index ended November up 1.36%, but has lost (1.49%) year-to-date. The MSCI Europe Index rose 2.66% during the month, but is down (1.96%) year-to-date. The MSCI Pacific Index dropped (1.17%), leaving the index with a return of (0.89%) in 2014. The People's Bank of China cut interest rates unexpectedly during the month, driving China's equity markets higher. However, the MSCI Emerging Markets Index lost (1.06%). The index is up 2.54% year-to-date.

Among fixed income investments, the yield on the 10-Year Treasury closed the month at 2.17%, down from 2.34% one month ago. The Barclays U.S. Aggregate Bond Index added 0.70% in November and has gained 5.86% for the year. The Barclays U.S. Treasury Index was up 0.81% during the month, leaving it with a year-to-date return of 4.91%. The Barclays Treasury 20+ Year Index gained 2.95% and has risen 23.53% so far in 2014. The Barclays Corporate High Yield Index closed November down (0.73%), but has added 3.96% year-to-date.

After the end of unprecedented stimulus by the U.S. Federal Reserve, U.S. equity markets and economic growth are positive. However, this is not the case in many countries, and the effectiveness of international stimulus programs on global markets will not be known for some time.