Global equities sold off hard for most of the month but reversed at month’s end as the U.S. Fed projected a shallower tightening cycle. EM stocks outperformed DM, oil corrected sharply, and yields declined. A temporary trade detente between the U.S. and China for the time being limits escalation of tariffs. However, worries of peak earnings growth and weakening global economic momentum remain a headwind to further improvement in sentiment.

Global growth remains positive but is softening and to various degrees across countries. Inflation is on a gradual uptrend and the risk of a spike higher remains limited. While global policy continues to tighten, the Fed signaled rates are closer to neutral than previously stated.

Global equities gained in November, as two major macro headwinds improved in favor of markets (Fed Chair Powell’s dovish statements and markets discounting a temporary trade ceasefire between the U.S. and China during the G-20 meeting). Core global sovereign bond yields edged lower and credit spreads widened sharply, led by U.S. HY. The USD’s strong upward momentum paused in November, helping several emerging markets currencies partially recover losses incurred earlier in the year. Commodities were down, led by oil’s sharp fall on higher supply concerns.

Market Roundup
Capital market performance across asset classes.

Sector Performance
U.S. small and large cap sector returns.

Factor Performance
MSCI U.S. and EAFE factor returns.
GROWTH
Global growth remains positive but is softening and to various degrees across countries. U.S. growth, at a lower level, continues to lead as other countries have slowed to a greater extent, particularly Eurozone.

INFLATION
Inflation, both in advanced and emerging economies, is on an uptrend. However, we believe the risk of a dramatic increase, thus forcing policy to tighten more aggressively, is muted due to stable inflation expectations, slowing global growth, and falling oil.

CENTRAL BANK POLICY
While global monetary policy will likely continue to shift towards tightening in 2019, market concerns over the pace and number of Fed rate hikes retreated at the end of month.
Global growth remains positive but is softening and to various degrees across countries. U.S. growth, at a lower level, continues to lead as other countries have slowed to a greater extent, particularly Eurozone.

• According to the OECD, the Global Economy Is “Losing Steam.” Growth is expected to fall from 3.7% this year to 3.5% in 2019 and 2020. Global trade growth has also continued to slow in 2018.

• U.S. Remains the Strongest Economy But Pockets of Weakness Surfacing. Consumer and small business confidence retreated slightly but remain historically elevated despite higher market volatility. Interest rate sensitive sectors such as housing and autos continue to weaken. The ISM manufacturing PMI improved to 59.3 and has treaded within a historically elevated range for most of 2018. Overall, we expect growth to slow modestly in 2019 but will likely continue to outperform the rest of world.

• Eurozone’s Soft Patch Showing No Signs of Reversing. The manufacturing PMI fell to the lowest in over two years and has dropped sharply throughout 2018. Economic confidence fell for the eleventh month in a row to the lowest since mid-2017. Germany’s q/q growth contracted by -0.2% in Q3 for the first decline since Q1 2015. Italy also fell (-0.1%) for the first time since the end of 2014. The market’s expectations for 2019 growth have fallen to 1.6% from 2.0% in June, and 2018’s growth is forecasted to reach 1.9%.

• U.K. Brexit Uncertainty Weighing Down Growth and Sentiment.

• Japan Struggling. Manufacturing PMI fell to the lowest since August 2017 while GDP growth dipped to 0.3% y/y in Q3, the lowest since Q1 2015.

• China’s policymakers battling a continued slowdown. Manufacturing PMI fell to a 28-month low of 50.0, the level that suggests neither growth nor contraction.

• EM Growth Also Slowing. According to Capital Economics, EM growth eased from 4.7% y/y in Q2 to 4.3% y/y in Q3, the slowest since Q1 2017. Emerging Asia and Europe were the main drivers of the slowdown.

TAKEAWAY:
Consumer confidence has remained resilient and strong while growth expectations among CEOs have somewhat moderated.

TAKEAWAY:
Global economic momentum is weakening headed into 2019.
GLOBAL ECONOMY

Inflation, both in advanced and emerging economies, is on an uptrend. However, we believe the risk of a dramatic increase, thus forcing policy to tighten more aggressively, is muted due to stable inflation expectations, slowing global growth, and falling oil.

• U.S. headline inflation was 2.5% y/y in October, up 0.2% from the prior month but below the six-and-a-half year peak of 2.9% in June. Core inflation dipped lower to its 2018 average of 2.1% y/y. The Fed’s preferred measure of inflation, core PCE, fell to the lowest since February at 1.8% y/y. Wage growth increased to 3.1% y/y, the highest since April 2009, while input prices among producers grew 3.4% y/y. Market inflation expectations (five-year inflation rate five-years from now) dropped to the lowest level of the year during November as oil fell sharply and global growth momentum weakened further, implying limited risk of a sudden sharp uptick.

• Eurozone inflation fell 0.2% to 2.0% y/y in November and has ranged between 2.0%-2.2% since June after previously staying below 2.0% since early 2013. Core inflation dipped 0.1% to 1.0% y/y but ECB president Draghi estimates core prices will gradually rise over the near-term from higher wages and a recovery in producer and import prices. After reaching the highest since 2012 in 2018, headline inflation is expected to fall from 1.8% to 1.7% in 2019.

• U.K. CPI growth held steady at 2.4% y/y where it has fluctuated around since the end of Q1.

• Japan’s inflation, ex-fresh-food, stayed at 1.0% y/y for the third month in a row and remains far from reaching its target.

• China’s inflation stayed at 2.5% y/y after rising each month since May. If the upward move persists, the central bank may have to change policy in an environment of higher prices and slower growth with risks skewed to the downside.

• According to Capital Economics, aggregate EM inflation has increased to its highest in over 18-months. Both headline and core prices have increased suggesting the trend is due to factors beyond just higher food and energy prices.

TAKEAWAY: Falling oil prices along with slowing global growth likely to limit upside potential for already anchored inflation expectations.

TAKEAWAY: EM inflation is on the rise and could lead to tighter monetary policy, another headwind to growth.
GLOBAL ECONOMY

While global monetary policy will likely continue to shift towards tightening in 2019, market concerns over the pace and number of Fed rate hikes retreated at the end of month.

- Fed chair Jerome Powell struck a dovish tone on November 28, stating that the current level of interest rates was “just below” neutral (i.e. the level “neither speeding up nor slowing down growth”). This was in contrast to his comments in early October suggesting rates were “a long way” from neutral, which led to a market sell-off and higher volatility over concerns the Fed would overtighten given the outlook for slower growth. The market has lowered its estimate range for the number of rate hikes in 2019 from two to three to one to two. The Fed’s next meeting is on December 19 where it will provide updated economic and interest rate projections. Currently, the market is placing a 80% probability of a hike in December which is up from 63% one-month ago; the Fed expects one more rate hike in 2018 and three in 2019. Even as Powell shifted his language to more dovish, financial conditions have tightened to the most since January 2017.

- ECB President Draghi stated the ECB still plans to end QE by the end of this year despite data being “somewhat weaker than expected.” Despite a recent moderation in the upwards momentum of inflation, the ECB anticipates “underlying inflation will gradually rise.” He also noted that “wages are rising as labor markets continue to improve and labor supply shortages become increasingly binding in some countries.” The ECB’s next meeting is on December 13.

- BOJ policy is likely to lag other major central banks and remain unchanged over the near-to-medium term, yet officials have increasingly noted they would continue to be mindful of the rising cost of prolonged stimulus.

- We expect the People’s Bank of China to continue its current easing cycle as growth headwinds continue to mount.

**FED INTEREST RATE HIKE PROBABILITIES (%) BY MEETING**

*TAKEAWAY: The market’s estimated likelihood of Fed rate hikes for 2019 has fallen dramatically.*
GLOBAL EQUITIES
Global equities partially recovered October’s losses as two big macro headwinds were resolved favorably; the Fed adopted a dovish stance on its tightening pace and there was a temporary truce in the U.S.-China trade war. Emerging markets rallied supported by attractive valuations, a pause in dollar strengthening, and idiosyncratic troubles of several emerging markets coming out of the headlines.

FIXED INCOME
Core global sovereign bond yields edged lower on average and credit spreads widened sharply across the board, led by U.S. HY.

FOREIGN EXCHANGE
The USD’s strength came to a pause in November, helping emerging markets currencies gain.

COMMODITIES
Commodities were down, led by oil’s sharp plunge on oversupply.
Global equities partially recovered October’s losses as two big macro headwinds were resolved favorably; the Fed adopted a dovish stance on its tightening pace and a temporary truce in the U.S.-China trade war. Emerging markets rallied supported by attractive valuations, a pause in dollar strengthening, and idiosyncratic troubles of several emerging markets coming out of the headlines.

- In November, global equities (+1.3% MTD, -4.3% YTD) gained slightly after October’s worst monthly correction in more than six years. Emerging markets stocks (+4.1% MTD, -14.1% YTD) performed strongly and recovered half of previous month’s losses, outperforming developed markets (+1.0% MTD, -3.0 YTD).
- In the U.S. (large caps +1.8% MTD, small caps +1.4%), stocks managed to finish the month in the green as two macro headwinds were resolved favorably, first with Fed Chair Powell adopting a dovish tone and the market’s anticipation of the U.S.-China trade ceasefire reached on December 1st.
- Within the U.S. sectors, healthcare (+6.8% MTD) and real estate (+5.3%) led in performance while energy (-2.2%) and information technology (-2.1%) lagged the most during the month.
- Europe (-1.1% MTD, -8.1% YTD) suffered on continuation of the bearish sentiment as recent macro data continued to weaken coupled with a rise in political uncertainty emanating from the UK and Italy. UK stock markets (-2.1% MTD, -9.2% YTD) performed poorly as it is widely expected that Theresa May’s Brexit deal will not pass through the parliament, raising the probability of ‘no deal’ and chances of a general election — one which might return Labour as the governing party.
- Emerging markets (+4.1% MTD, -14.1% YTD) rallied in November as concerns over the Fed’s tightening pace eased slightly on Powell’s dovish statements, followed by the USD rally slowdown, attractive valuations after October’s massive sell-off, and expectations of a U.S.-China trade ceasefire.
- U.S. factors all gained during November, led by high dividend yield stocks (+3.9% MTD, +5.5% YTD) followed by min. vol (+3.7% MTD, +8.7% YTD) and value (+2.9% MTD, +1.4% YTD). In developed markets ex-U.S., performance overall was lackluster with min. vol (+1.6% MTD, -2.9% YTD) leading others and momentum (-0.9% MTD, -9.0% YTD) stocks lagging the most.

**S&P 500 AND FINANCIAL CONDITIONS INDEX**

**TAKEAWAY:**

*U.S. stocks lose momentum as financial conditions start to tighten.*

Core global sovereign bond yields edged lower on average and credit spreads widened sharply across the board, led by U.S. HY. The USD’s strength came to a pause in November, helping emerging markets currencies gain. Commodities were down, led by oil’s sharp plunge on oversupply.

**FIXED INCOME**

- Average G-4 10-year government bond yields went down in November (-8 bp MTD; U.S. (-14 bp), Germany (-7 bp), UK (-7 bp), Japan (-4 bp)). The U.S. yield curve steepened following Fed Chair Powell’s remarks, but 2s30s still ended the month 2 bp flatter.
- Credit markets suffered in November as investors got increasingly wary about the Fed’s tightening cycle, oil sell-off, and company-specific issues (GE). U.S. IG (+19 bp MTD, +44 bp YTD) and U.S. HY (+47 bp MTD, +75 bp YTD) corporate bond spreads hit the highest level in two years (though still far off highs reached in early 2016).

**FOREIGN EXCHANGE**

- The USD (+0.1% MTD, +5.6% YTD) barely gained against major crosses during the month, benefiting emerging markets currencies (+1.5% MTD, -4.2% YTD) which were also supported by some signs of stabilization in idiosyncratic troubles of several countries along with a temporary halt in the U.S.-China trade war. Turkish lira (+7.0%), South African rand (+6.6%), and Indonesian rupiah (+6.3%) led in gains while Argentine peso (-4.9%), Brazilian real (-3.7%), and Russian ruble (-1.6%) lagged.

**COMMODITIES**

- Commodities (-0.6% MTD, -4.7% YTD) lost in November, led by oil’s (WTI -22.0% MTD, -15.7% YTD) sharp fall on record U.S. production and surging OPEC+ output. Oil’s plunge was halted during the G-20 meeting on heightened expectations of an OPEC+ production cut in December. Amid the plunge in prices, oil price volatility has surged in November to levels not seen since the market slump of 2014–2016.

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**TAKEAWAY:**

- Fed may pause as the real fed funds rate approaches natural rate.

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**TAKEAWAY:**

- Euro continues to weaken against the USD as the U.S. economy outperforms Europe.
### Global Equities (USD, % chg.)

<table>
<thead>
<tr>
<th>Equity Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI All-Country World</td>
<td>491</td>
<td>1.3%</td>
<td>-4.3%</td>
<td>-2.9%</td>
<td>6.4%</td>
<td>21.6%</td>
</tr>
<tr>
<td>MSCI World – DM</td>
<td>2,041</td>
<td>1.0%</td>
<td>-3.0%</td>
<td>-1.7%</td>
<td>6.4%</td>
<td>20.1%</td>
</tr>
<tr>
<td>MSCI EAFE</td>
<td>1,810</td>
<td>-0.3%</td>
<td>-11.8%</td>
<td>-10.4%</td>
<td>1.3%</td>
<td>21.8%</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>995</td>
<td>4.1%</td>
<td>-14.1%</td>
<td>-11.2%</td>
<td>6.9%</td>
<td>34.3%</td>
</tr>
</tbody>
</table>

### Country Equities (Local, % chg.)

<table>
<thead>
<tr>
<th>Country Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. (S&amp;P 500)</td>
<td>2,760</td>
<td>1.8%</td>
<td>3.2%</td>
<td>4.3%</td>
<td>9.9%</td>
<td>19.4%</td>
</tr>
<tr>
<td>U.S. (NASDAQ)</td>
<td>7,331</td>
<td>0.3%</td>
<td>6.2%</td>
<td>6.6%</td>
<td>12.8%</td>
<td>28.2%</td>
</tr>
<tr>
<td>U.S. (Russell 2000)</td>
<td>1,533</td>
<td>1.4%</td>
<td>-0.1%</td>
<td>-0.7%</td>
<td>8.6%</td>
<td>13.1%</td>
</tr>
<tr>
<td>Japan (NIKKEI 225)</td>
<td>22,351</td>
<td>2.0%</td>
<td>-1.8%</td>
<td>-1.6%</td>
<td>4.2%</td>
<td>19.1%</td>
</tr>
<tr>
<td>EU (STOXX 600)</td>
<td>357</td>
<td>-1.1%</td>
<td>-8.1%</td>
<td>-7.6%</td>
<td>-2.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td>UK (FTSE 100)</td>
<td>6,980</td>
<td>-2.1%</td>
<td>-9.2%</td>
<td>-4.7%</td>
<td>3.2%</td>
<td>7.6%</td>
</tr>
<tr>
<td>France (CAC 40)</td>
<td>5,004</td>
<td>-1.8%</td>
<td>-5.8%</td>
<td>-6.9%</td>
<td>0.3%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Germany (DAX 30)</td>
<td>11,257</td>
<td>-1.7%</td>
<td>-12.9%</td>
<td>-13.8%</td>
<td>-0.4%</td>
<td>12.5%</td>
</tr>
<tr>
<td>China (SHANGHAI A SE)</td>
<td>2,710</td>
<td>-0.6%</td>
<td>-21.8%</td>
<td>-22.0%</td>
<td>-9.1%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

### Fixed Income (USD, % chg.)

<table>
<thead>
<tr>
<th>Bond Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Treasury ex. U.S.</td>
<td>641</td>
<td>0.6%</td>
<td>2.2%</td>
<td>2.2%</td>
<td>3.0%</td>
<td>2.1%</td>
</tr>
<tr>
<td>U.S. Treasury</td>
<td>2,171</td>
<td>0.9%</td>
<td>-1.3%</td>
<td>-1.0%</td>
<td>0.6%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Global IG Corporate</td>
<td>248</td>
<td>-0.2%</td>
<td>-2.1%</td>
<td>-1.5%</td>
<td>2.9%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Global High Yield</td>
<td>460</td>
<td>-0.9%</td>
<td>-1.9%</td>
<td>-1.5%</td>
<td>6.3%</td>
<td>8.4%</td>
</tr>
<tr>
<td>U.S. Leveraged Loans</td>
<td>2,886</td>
<td>-0.9%</td>
<td>3.1%</td>
<td>3.5%</td>
<td>5.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>EM USD Denominated</td>
<td>1,055</td>
<td>-0.2%</td>
<td>-3.8%</td>
<td>-3.4%</td>
<td>4.1%</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

### Commodities (USD, % chg.)

<table>
<thead>
<tr>
<th>Commodity Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bloomberg Commodity Index</td>
<td>172</td>
<td>-0.6%</td>
<td>-4.7%</td>
<td>-1.8%</td>
<td>1.6%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Oil (WTI, USD/Barrel)</td>
<td>50.9</td>
<td>-22.0%</td>
<td>-15.7%</td>
<td>-11.3%</td>
<td>6.9%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Gold (USD/Troy Ounce)</td>
<td>1,220.5</td>
<td>0.2%</td>
<td>-5.9%</td>
<td>-4.8%</td>
<td>5.0%</td>
<td>11.9%</td>
</tr>
</tbody>
</table>

### Spreads (OAS, bp chg.)

<table>
<thead>
<tr>
<th>Spread Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Investment Grade Corporate</td>
<td>137</td>
<td>19</td>
<td>44</td>
<td>40</td>
<td>-18</td>
<td>-30</td>
</tr>
<tr>
<td>U.S. High Yield</td>
<td>418</td>
<td>47</td>
<td>75</td>
<td>74</td>
<td>-184</td>
<td>-66</td>
</tr>
<tr>
<td>EM USD Denominated</td>
<td>324</td>
<td>25</td>
<td>98</td>
<td>89</td>
<td>-57</td>
<td>-75</td>
</tr>
</tbody>
</table>

### Key Rates (bp chg.)

<table>
<thead>
<tr>
<th>Rate Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>3M U.S. Libor</td>
<td>2.74</td>
<td>18</td>
<td>104</td>
<td>125</td>
<td>232</td>
<td>70</td>
</tr>
<tr>
<td>2Y U.S. Treasuries</td>
<td>2.80</td>
<td>-7</td>
<td>91</td>
<td>102</td>
<td>186</td>
<td>69</td>
</tr>
<tr>
<td>10Y U.S. Treasuries</td>
<td>3.01</td>
<td>-14</td>
<td>61</td>
<td>59</td>
<td>80</td>
<td>-5</td>
</tr>
<tr>
<td>10Y German Bund</td>
<td>0.31</td>
<td>-7</td>
<td>-11</td>
<td>-5</td>
<td>-16</td>
<td>22</td>
</tr>
<tr>
<td>10Y UK Gilt</td>
<td>1.36</td>
<td>-7</td>
<td>17</td>
<td>3</td>
<td>-46</td>
<td>-5</td>
</tr>
<tr>
<td>10Y Japanese Bond</td>
<td>0.09</td>
<td>-4</td>
<td>4</td>
<td>5</td>
<td>-22</td>
<td>0</td>
</tr>
<tr>
<td>U.S. 30Y Fixed Rate Mortgage</td>
<td>4.68</td>
<td>-7</td>
<td>83</td>
<td>86</td>
<td>86</td>
<td>-21</td>
</tr>
</tbody>
</table>

### Foreign Exchange (vs. USD, % chg.)

<table>
<thead>
<tr>
<th>Currency Index</th>
<th>Level</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD – Major Dollar Index</td>
<td>97,272</td>
<td>0.1%</td>
<td>5.6%</td>
<td>4.5%</td>
<td>-1.0%</td>
<td>-9.9%</td>
</tr>
<tr>
<td>Euro</td>
<td>1,1317</td>
<td>0.0%</td>
<td>-5.7%</td>
<td>-4.9%</td>
<td>2.3%</td>
<td>14.1%</td>
</tr>
<tr>
<td>British Pound</td>
<td>1,2749</td>
<td>-0.1%</td>
<td>-5.7%</td>
<td>-5.7%</td>
<td>-5.4%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>113,570</td>
<td>-0.6%</td>
<td>-0.8%</td>
<td>-0.9%</td>
<td>2.7%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Data provided for illustrative purposes and are not indicative of the past or future performance of any Dreyfus product.
SECTOR PERFORMANCE

Data as of November 30, 2018 close.

### S&P 500 SECTORS

<table>
<thead>
<tr>
<th>Sector</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2017 Annualized</th>
<th>5Y Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Technology</td>
<td>-2.1%</td>
<td>7.6%</td>
<td>7.5%</td>
<td>17.5%</td>
<td>36.9%</td>
<td>16.2%</td>
</tr>
<tr>
<td>Financials</td>
<td>2.6%</td>
<td>-3.6%</td>
<td>-1.9%</td>
<td>11.3%</td>
<td>20.0%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Health Care</td>
<td>6.8%</td>
<td>14.7%</td>
<td>13.8%</td>
<td>10.0%</td>
<td>20.0%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>2.6%</td>
<td>8.7%</td>
<td>11.2%</td>
<td>9.9%</td>
<td>21.2%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Industrials</td>
<td>3.5%</td>
<td>-4.7%</td>
<td>-3.0%</td>
<td>8.9%</td>
<td>18.5%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>1.7%</td>
<td>-1.9%</td>
<td>0.1%</td>
<td>4.0%</td>
<td>10.5%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Energy</td>
<td>-2.2%</td>
<td>-8.8%</td>
<td>-4.5%</td>
<td>-1.1%</td>
<td>-3.8%</td>
<td>-5.1%</td>
</tr>
<tr>
<td>Utilities</td>
<td>3.1%</td>
<td>5.0%</td>
<td>-1.7%</td>
<td>8.1%</td>
<td>8.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>5.3%</td>
<td>2.5%</td>
<td>1.4%</td>
<td>3.4%</td>
<td>7.2%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Materials</td>
<td>3.8%</td>
<td>-10.0%</td>
<td>-8.4%</td>
<td>6.2%</td>
<td>21.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Communication Services</td>
<td>-0.7%</td>
<td>-9.8%</td>
<td>-4.6%</td>
<td>0.1%</td>
<td>-6.0%</td>
<td>-0.8%</td>
</tr>
</tbody>
</table>

### S&P 500 NOVEMBER SECTOR PERFORMANCE

- Health Care: 6.8%
- Real Estate: 5.3%
- Materials: 3.8%
- Industrials: 3.5%
- Utilities: 3.1%
- Consumer Discretionary: 2.6%
- Financials: 2.6%
- Consumer Staples: 1.7%
- Communication Services: -0.7%
- Information Technology: -2.1%
- Energy: -2.2%

Monthly Return (%)
SECTOR PERFORMANCE

Data as of November 30, 2018 close.

### Russell 2000

#### Russell 2000 Sectors

<table>
<thead>
<tr>
<th>Sector</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2017 Annualized</th>
<th>5Y Annualized</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>2.9%</td>
<td>-1.8%</td>
<td>-4.5%</td>
<td>7.9%</td>
<td>2.9%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Technology</td>
<td>1.8%</td>
<td>7.6%</td>
<td>5.8%</td>
<td>16.0%</td>
<td>17.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Producer Durables</td>
<td>1.7%</td>
<td>-3.4%</td>
<td>-3.2%</td>
<td>10.6%</td>
<td>17.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Consumer Discretionary</td>
<td>1.2%</td>
<td>2.5%</td>
<td>4.2%</td>
<td>8.2%</td>
<td>15.7%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Health Care</td>
<td>1.9%</td>
<td>9.2%</td>
<td>10.1%</td>
<td>13.6%</td>
<td>35.9%</td>
<td>12.3%</td>
</tr>
<tr>
<td>Materials and Processing</td>
<td>1.5%</td>
<td>-16.5%</td>
<td>-16.6%</td>
<td>8.6%</td>
<td>14.7%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.6%</td>
<td>7.3%</td>
<td>1.1%</td>
<td>11.0%</td>
<td>8.4%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Energy</td>
<td>-10.4%</td>
<td>-20.7%</td>
<td>-15.7%</td>
<td>-10.9%</td>
<td>-17.6%</td>
<td>-21.4%</td>
</tr>
<tr>
<td>Consumer Staples</td>
<td>-2.6%</td>
<td>-0.9%</td>
<td>0.7%</td>
<td>3.4%</td>
<td>0.7%</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

#### Russell 2000 November Sector Performance

- **Utilities**: 4.6%
- **Financial Services**: 2.9%
- **Health Care**: 1.9%
- **Technology**: 1.8%
- **Producer Durables**: 1.7%
- **Materials and Processing**: 1.5%
- **Consumer Discretionary**: 1.2%
- **Consumer Staples**: -2.6%
- **Energy**: -12.0%

---

Please see important footnotes for returns and charts on page 22.
## FACTOR PERFORMANCE

Data as of November 30, 2018 close. Net total returns in USD.

### U.S. FACTORS

<table>
<thead>
<tr>
<th>Factor</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI U.S.</td>
<td>1.9%</td>
<td>4.4%</td>
<td>5.5%</td>
<td>11.3%</td>
<td>21.2%</td>
</tr>
<tr>
<td>Value</td>
<td>2.9%</td>
<td>1.4%</td>
<td>2.7%</td>
<td>9.8%</td>
<td>14.4%</td>
</tr>
<tr>
<td>Growth</td>
<td>0.9%</td>
<td>7.1%</td>
<td>8.1%</td>
<td>12.7%</td>
<td>28.3%</td>
</tr>
<tr>
<td>Large Cap</td>
<td>1.8%</td>
<td>5.2%</td>
<td>6.3%</td>
<td>11.7%</td>
<td>21.6%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>1.8%</td>
<td>1.0%</td>
<td>1.4%</td>
<td>10.4%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Min. Vol</td>
<td>3.7%</td>
<td>8.7%</td>
<td>8.8%</td>
<td>12.4%</td>
<td>18.4%</td>
</tr>
<tr>
<td>High Div. Yield</td>
<td>3.9%</td>
<td>5.5%</td>
<td>6.9%</td>
<td>18.4%</td>
<td></td>
</tr>
<tr>
<td>Momentum</td>
<td>1.3%</td>
<td>6.2%</td>
<td>6.3%</td>
<td>15.1%</td>
<td>37.2%</td>
</tr>
<tr>
<td>Quality</td>
<td>1.1%</td>
<td>5.7%</td>
<td>6.8%</td>
<td>12.0%</td>
<td>25.3%</td>
</tr>
</tbody>
</table>

### EAFE FACTORS

<table>
<thead>
<tr>
<th>Factor</th>
<th>MTD</th>
<th>YTD</th>
<th>1Y</th>
<th>3Y Annualized</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>MSCI EAFE</td>
<td>-0.1%</td>
<td>-9.4%</td>
<td>-7.9%</td>
<td>4.1%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Value</td>
<td>-0.6%</td>
<td>-10.4%</td>
<td>-9.0%</td>
<td>3.9%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Growth</td>
<td>0.3%</td>
<td>-8.4%</td>
<td>-6.9%</td>
<td>4.3%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Large Cap</td>
<td>0.1%</td>
<td>-8.8%</td>
<td>-7.4%</td>
<td>4.0%</td>
<td>24.0%</td>
</tr>
<tr>
<td>Small Cap</td>
<td>-0.7%</td>
<td>-12.2%</td>
<td>-9.9%</td>
<td>6.3%</td>
<td>33.0%</td>
</tr>
<tr>
<td>Min. Vol</td>
<td>1.6%</td>
<td>-2.9%</td>
<td>-2.1%</td>
<td>5.5%</td>
<td>21.6%</td>
</tr>
<tr>
<td>High Div. Yield</td>
<td>-0.7%</td>
<td>-8.2%</td>
<td>-7.5%</td>
<td>3.4%</td>
<td>19.9%</td>
</tr>
<tr>
<td>Momentum</td>
<td>-0.9%</td>
<td>-9.0%</td>
<td>-8.3%</td>
<td>3.9%</td>
<td>28.5%</td>
</tr>
<tr>
<td>Quality</td>
<td>0.3%</td>
<td>-7.0%</td>
<td>-5.7%</td>
<td>3.9%</td>
<td>25.6%</td>
</tr>
</tbody>
</table>

### MSCI U.S. NOVEMBER FACTOR PERFORMANCE

![Graph showing MSCI U.S. November Factor Performance]

### MSCI EAFE NOVEMBER FACTOR PERFORMANCE

![Graph showing MSCI EAFE November Factor Performance]
BNY Mellon Global Investment Strategy

Alicia Levine, PhD
Chief Strategist

Lale Akoner
Market Strategist

Bryan Besecker, CFA, CAIA
Market Strategist

Eliana Daitch
Associate Investment Strategist

Eric Hundahl, CFA
Senior Investment Strategist

Melissa Wilson
Investment Strategist

Liz Young, CFA
Senior Investment Strategist

Abbreviations

y/y — year-over-year
m/m — month-over-month
q/q — quarter-over-quarter
MTD — month-to-date
YTD — year-to-date
Fed — Federal Reserve
ECB — European Central Bank
BOJ — Bank of Japan
bp — basis points
EM — emerging markets
DM — developed markets
USD — U.S. dollar
EAFE — Europe, Australasia and Far East
BOE — Bank of England
PBOC — People’s Bank of China
HY — high-yield
G4 — U.S., UK, Germany, Japan

CPI — consumer price index
IG — investment grade
PCE — personal consumption expenditure
QE — quantitative easing
FOMC — Federal Open Market Committee (FOMC)
IIF — Institute of International Finance
GDP — gross domestic product
IMF — International Monetary Fund
EPS — earnings per share
Min. — minimum
Div. — dividend
PMI — purchasing managers index
PCE — personal consumption expenditures
Global equities — MSCI All Country World Index
OECD — Organization for Economic Cooperation and Development
ISM — Institute for Supply Management
TAKEAWAY:
Global economic momentum is weakening headed into 2019.
TAKEAWAY:

Consumer confidence has remained resilient and strong while growth expectations among CEOs have somewhat moderated.
**Appendix**

**GLOBAL ECONOMY ➔ INFLATION**

**U.S. INFLATION EXPECTATIONS AND OIL**

- U.S. Inflation Expectations (% , left axis)
- WTO Oil (U.S. $/barrel, right axis)

**TAKEAWAY:**

Falling oil prices along with slowing global growth likely to limit upside potential for already anchored inflation expectations.
EMERGING MARKET (EM) AGGREGATE INFLATION (% Y/Y)

**TAKEAWAY:**
*EM inflation is on the rise and could lead to tighter monetary policy, another headwind to growth.*
**Appendix**

**GLOBAL ECONOMY > CENTRAL BANK POLICY**

**FED INTEREST RATE HIKE PROBABILITIES BY MEETING**

- December 2018
- March 2019
- June 2019

**TAKEAWAY:**

The **market's estimated likelihood of Fed rate hikes for 2019 has fallen dramatically.**
TAKEAWAY:

U.S. stocks lose momentum as financial conditions start to tighten.
**Appendix**

*FINANCIAL MARKETS > FIXED INCOME | FOREIGN EXCHANGE | COMMODITIES*

**U.S.-EUROPE COMPOSITE PMI VS. EURO SPOT**

- U.S. Composite PMI Minus Europe Composite PMI (left axis)
- EUR Spot (right axis, values in reverse)

**TAKEAWAY:**

*Euro continues to weaken against the USD as the U.S. economy outperforms Europe.*

Please see important footnotes for returns and charts on page 22.
Real Natural Interest Rate ($r^*, \%$) vs. Real Fed Funds Target Rate (FDTR-Core PCE, \%) vs. Difference (Real Fed Funds Rate–$r^*$, \%)

**TAKEAWAY:**
Fed may pause as the real fed funds rate approaches to natural rate.
DEFINITIONS

MSCI All-Country World: The MSCI All-Country World is an index that tracks the performance of both Developed and Emerging Market equities.

MSCI World – DM: The MSCI World Index is an index that tracks the performance of Developed Market equities.

MSCI EAFE: The MSCI EAFE Index is an index that tracks the performance of Developed Market equities across Europe, Australasia and the Far East excluding the U.S. and Canada.

MSCI EM: The MSCI EM index tracks the performance of Emerging Market Equities.

MSCI U.S.: Index is designed to measure the performance of the large and mid cap segments of the U.S. market.

MSCI Momentum: Index is designed to reflect the performance of an equity momentum strategy by emphasizing stocks with high price momentum.

MSCI Growth: Index is designed to reflect the performance of securities exhibiting overall growth characteristics.

MSCI Value: Index is designed to reflect the performance of securities exhibiting overall value style characteristics.

MSCI Small Cap: Index is designed to reflect the performance of the small cap segment of the respective market.

MSCI Quality: Index is designed to reflect the performance of quality growth stocks by identifying stocks with high quality scores based on three fundamental variables: high return on equity, stable y/y earnings growth, and low financial leverage.

MSCI Large Cap: Index is designed to reflect the performance of the large cap segment of the respective market.

MSCI Min. Volatility: Index is designed to reflect the performance of a minimum variance strategy.

MSCI High Dividend Yield: Index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.


U.S. (NASDAQ): The Nasdaq Composite Index is the market capitalization-weighted index of approximately 3,000 common equities listed on the Nasdaq stock exchange.

U.S. (Russell 2000): The Russell 2000 Index is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index.

Japan (Nikkei 225): The Nikkei 225 is an index that tracks the performance of the largest 225 companies traded in the Japanese market.

EU (STOXX 600): The STOXX 600 is an index that represents the performance of 600 large, mid and small capitalization companies across 18 countries in the European Union.

UK (FTSE 100): The FTSE 100 is an index that tracks the performance of the largest 100 companies traded on the London Stock Exchange.

France (CAC 40): The CAC 40 is an index that tracks the performance of the largest 40 companies traded on the Paris Stock Exchange.

Germany (DAX 30): The DAX 30 is an index that tracks the performance of the largest 30 companies traded on the Frankfurt Stock Exchange.

China (SHANGHAI A SE): The SHANGHAI A SE index tracks the performance of the Renminbi denominated equities traded at the Shanghai Stock Exchange.

Global Aggregate: The Bloomberg Barclays Global Aggregate Total Return (USD hedged) Index is a broad-based measure of the global investment-grade fixed income market.


U.S. Treasury: The Barclays Bloomberg U.S. Treasury Index is the U.S. Treasury component of the U.S. Aggregate Index and uses public obligations of the U.S. Treasury with a remaining maturity of one year or more.

U.S. TIPS: The Bloomberg Barclays U.S. Treasury Inflation-Protected Securities Total Return Index tracks the performance of publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity and have $250 million or more of outstanding face value.

Global Investment Grade – Corp.: This Index reflects the corporate component of the Bloomberg Barclays Global Aggregate Index which is designed to provide a broad-based measure of the global investment-grade fixed income markets.

Global High Yield: The Barclays Bloomberg Global High Yield Index is a broad-based measure of the global high yield market.

U.S. Leveraged Loans: The S&P/LSTA Leveraged Loan Total Return Index is designed to measure the performance of the U.S. leveraged loan market.

Hedge Funds: The Hedge Fund Research HFRI/X Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage.

EM USD Denominated: The Bloomberg Barclays EM USD Aggregate Index includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

EM Debt LC: The Bloomberg Barclays EM Local Currency Government Total Return Index measures the general performance of locally issued fixed income securities by Emerging Market governments.

Bloomberg Commodity Index: The Dow Jones UBS Commodity index is designed to provide diversified commodity exposure with weightings based on the commodity’s liquidity and economic significance.

Commodities: The S&P/GSCI Total Return Index is a benchmark used to measure commodity performance over time.

USD: The U.S. Majors Dollar Index tracks the performance of the USD versus a basket of foreign currencies including the euro, Japanese yen, Pound sterling, Canadian dollar, Swedish krona, and Swiss Franc.

Oil (WTI, USD/Barrel): Generic West Texas Intermediate crude oil spot price.

Gold (USD/Troy Ounce): Gold London Bullion Market spot price, quoted in USD per Troy Ounce.

U.S. Investment Grade Corporate: The Barclays Bloomberg U.S. Aggregate – Corporate Index is designed to measure the performance of the investment grade corporate sector in the U.S.

U.S. High Yield: The Bloomberg Barclays U.S. High Yield Index covers the universe of fixed-rate, non-investment grade corporate debt in the U.S.

3M U.S. Libor: Average interest rate at which a selection of banks in London lend to one another in USD with a maturity of 3 months.

2Y U.S. Treasuries: Average yield of a range of Treasury securities all adjusted to the equivalent of a two-year maturity.

10Y U.S. Treasuries: Average yield of a range of Treasury securities all adjusted to the equivalent of a ten-year maturity.

10Y UK Gilt: Average yield of a range of UK government bonds all adjusted to the equivalent of a ten-year maturity.

10Y German Bund: Average yield of a range of German government bonds all adjusted to the equivalent of a ten-year maturity.

10Y Japanese Bond: Average yield of a range of Japanese government bonds all adjusted to the equivalent of a ten-year maturity.

CBOE VIX: Indicator of the implied volatility of S&P 500 index as calculated by the Chicago Board Options Exchange (CBOE).

U.S. 30y Fixed-Rate Mortgage: Bankrate.com 30-year U.S. home mortgage fixed rate national average.
All investments involve risk including loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing. Charts are provided for illustrative purposes only and are not indicative of the past or future performance of any product. An investor cannot invest directly in any index.

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