The price depreciation of risky assets in the financial markets continued through most of November but took a breather late in the month. The rebound in the final week provided for month-end to month-end optics that were otherwise better than what one might expect had they been watching markets transpire day-to-day. Performance across the fixed-income sector was reflective of the recent challenges that extended into November. The list of issues included the sell-off of General Electric stock and bonds, Brexit uncertainty and the devastation and financial uncertainty associated with the California wildfires. The market reaction to these events has been justifiably imposing and leaves investors to consider the anxiety-inducing potential for contagion risk. Money flowed into the safety of Treasuries, mortgages and municipal securities (Munis) and out of corporate bonds and emerging market bonds. As for year-to-date performance, only munis and high-yield corporate bonds are positive at this point, and in both cases, just barely. •All other sectors are negative.

RIA Pro	MTD Total Return	3 Month Total Return	YTD Total Return	12 Month Total Return	Current Yield to Worst
U.S. Aggregate	0.60	-0.84	-1.78	-1.34	3.54
Agg. Treasury	0.89	-0.53	-1.24	-0.96	2.93
Agg. Investment Grade - Corp.	-0.17	-1.98	-3.96	-3.04	4.37
Agg. High Yield - Corp.	-0.86	-1.90	0.10	0.36	7.22
Agg. Securitized (ABS, MBS, CMBS)	0.88	-0.34	-0.76	-0.46	3.64
Agg. Investment Grade - Muni.	1.11	-0.17	0.11	1.13	2.87
Agg. Emerging Markets	-0.16	-0.22	-3.79	-3.40	6.20
Data as of 11/30/2018					

ETFs performed similarly but the Muni bond ETF, unlike the index, is now negative on a year-to-date basis. Somewhat surprisingly and concerning, the emerging market ETF (EMB) is down almost twice the index (-7.24% vs. -3.79%) on a year-to-date basis.

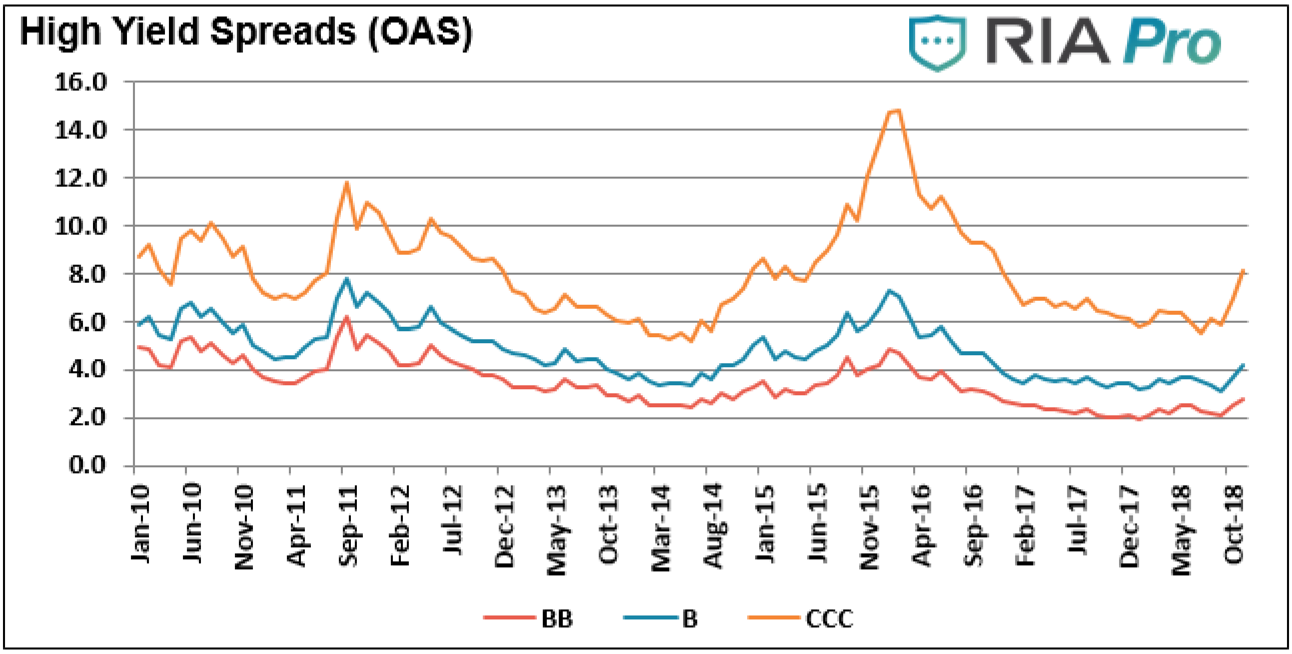
RIA Pro	MTD Total Return	3 Month Total Return	YTD Total Return	12 Month Total Return
AGG (U.S. Aggregate)	0.52	-0.74	-1.85	-1.75
GOVT (Agg. Treasury)	0.89	-0.45	-1.22	-1.22
LQD (Agg. Investment Grade - Corp)	-0.36	-2.54	-5.54	-5.41
HYG (Agg. High Yield - Corp.)	-0.40	-1.86	0.07	0.22
MBB (Agg. Securitized (ABS, MBS, CMBS)	0.93	-0.29	-0.92	-0.83
MUB (Agg. Investment Grade - Muni.)	1.11	-0.14	-0.41	-0.36
EMB (Agg. Emerging Markets)	-0.49	-1.02	-7.24	-7.12
Data as of 11/30/2018				

Corporate credit spreads widened meaningfully in November largely offsetting the decline in Treasury yields. Investors appear to be contemplating an imminent slowdown in corporate earnings growth and the associated rating implications. This will be an important story to follow given the large percentage of companies that are BBB, and near junk status. The decline in crude oil prices, down -33% from the early October high, among other languishing commodities raises further concerns about a broader global growth slowdown.

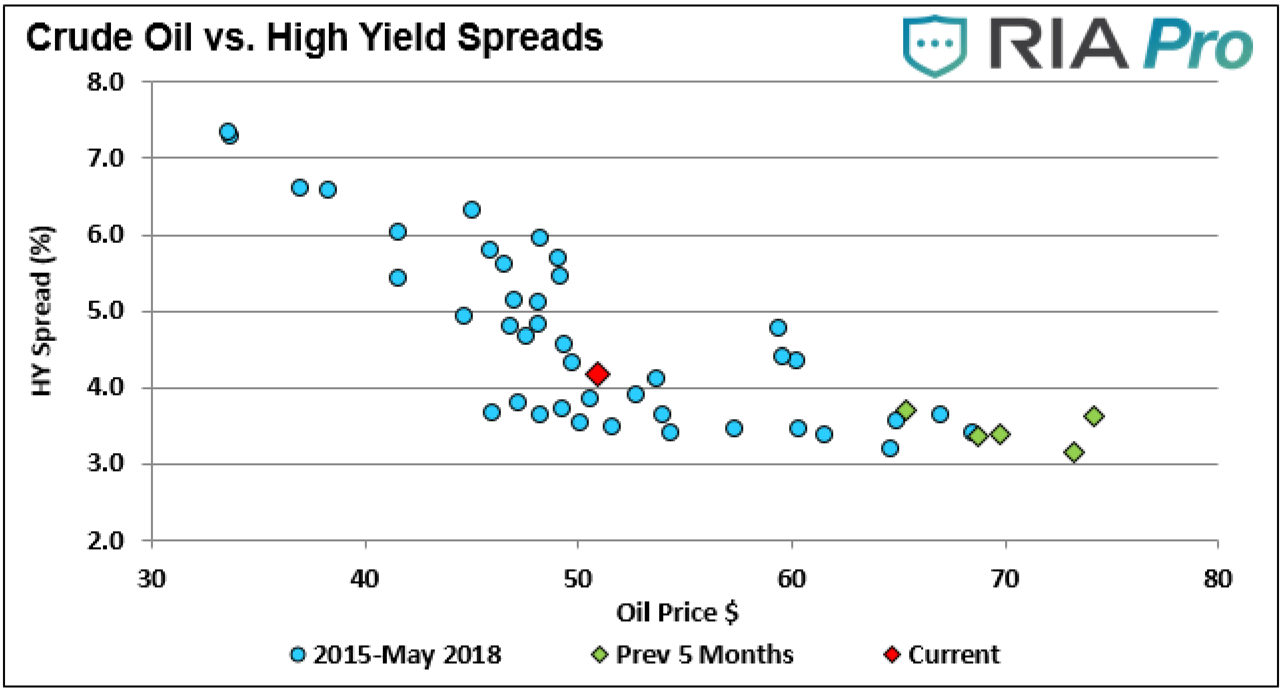
	Spread (OAS)	1 Month Chg.	3 Month Chg.	YTD Chg.	YoY Chg.
U.S. Aggregate	0.50	0.05	0.08	0.14	0.13
Agg. Treasury	n/a	n/a	n/a	n/a	n/a
Agg. Investment Grade - Corp.	1.37	0.20	0.24	0.44	0.40
Agg. High Yield - Corp.	4.18	0.47	0.80	0.75	0.74
Agg. Securitized (ABS, MBS, CMBS)	0.38	0.01	0.06	0.10	0.11
Agg. Investment Grade - Muni.	n/a	n/a	n/a	n/a	n/a
Agg. Emerging Markets	6.20	0.26	0.07	0.99	0.89

Data as of 11/30/2018

Looking in detail at high yield sector spreads, the best junk rating (BB) widened only modestly (+85 bps) off recent tight levels while the worst rating (CCC) widened substantially (+255 bps).



Considering the drop in the price of crude oil in recent months, an evaluation of the relationship between high yield spreads and oil prices is informative and troubling. As shown in the chart below, crude oil prices below $50 over the past four years are associated with significantly wider high yield spreads.



Finally, there has been a lot of recent discussion about various yield curves beginning to invert. In U.S. Treasuries, the 2y-3y part of the curve is now imperceptibly positive (less than 1 basis point), and the 2y-5y curve is slightly negative. Treasury yields and various curves are highlighted below.

RIA Pro	12/31/2017	12/4/2018	Change	Percent
2 Year Treasury Yield	1.883	2.797	0.914	48.52%
3 Year Treasury Yield	1.971	2.805	0.834	42.31%
5 Year Treasury Yield	2.206	2.787	0.581	26.34%
10 Year Treasury Yield	2.405	2.914	0.509	21.16%
2-3 UST Curve	0.088	0.008	-0.080	-90.57%
2-5 UST Curve	0.323	-0.010	-0.333	-103.00%
2-10 UST Curve	0.522	0.117	-0.405	-77.53%
5-10 UST Curve	0.199	0.127	-0.072	-36.18%
Data as of 12/4/2018				

In recent history, an inverted yield curve has implied the eventuality of a recession. Based on the financial media and research from Wall Street, the current yield curve trends are becoming worrisome for investors. While there are good reasons for an economy so dependent on activities associated with borrowing and lending to succumb to an inverted curve, the anxiety being projected is probably more troubling at this stage than the early phase of this event. It is important to watch but should not be a major concern just yet. Given the volatility in stocks and other risky assets in the early days of December, it remains unclear whether investors should count on the traditional healthy seasonal performance to which they have become accustomed. Uncertainties about the economic and geopolitical outlook loom large, urging a cautious approach and defensive posture in the fixed-income sector. Safer sectors, such as Treasuries, MBS and munis might continue to benefit if recent market turmoil continues. *Data source: Barclays*