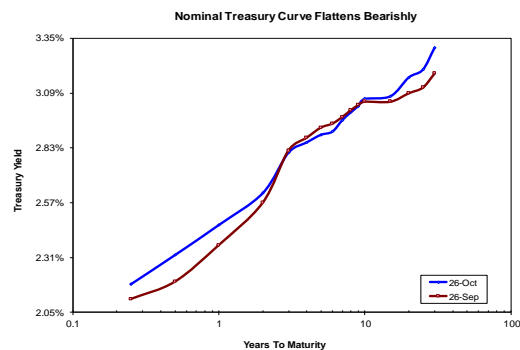


In a bear market, all news is bearish and downturns can become self-fulfilling prophecies. The combination of monetary policy tightening, continued protectionist threats to supply chains and the combination of Brexit and the Italian debt situation make risk-aversion the favored choice right now. This, too, shall pass but until it does, we will see continued selling in risky assets. The causal chain now is:

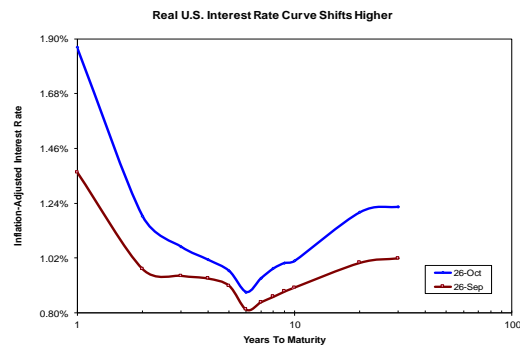
1. The market is pricing in December 2018 and March 2019 rate hikes;
2. Inflationary expectations are retreating as nominal Treasuries rally;
3. The yield curve is entering a steepening trend;
4. Short-term borrowers are accepting rollover risk rather than term-out borrowing in the bond market;
5. Swap spreads remain inverted; and
6. CDS costs are rising.

Key Market Indications

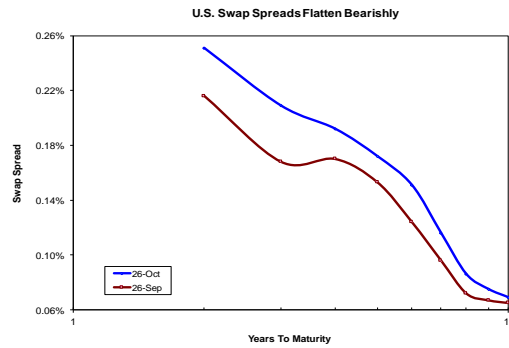
While the Treasury market has received a bit of a haven bid, it has been minor by historic standards as it is clear it is a rally within a bear market. We would need to see a retreat by central banks in their rate-hike campaigns to reverse the primary bear market in bonds.



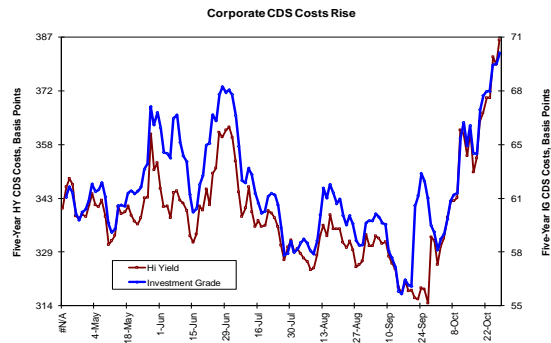
The pseudo-real yield curve shifted higher. The rise at the long yield of this yield curve is sufficient to threaten returns for risky assets. As gold has been trading as a haven asset recently, the rise at the short end of the curve is not a negative for precious metals at present.



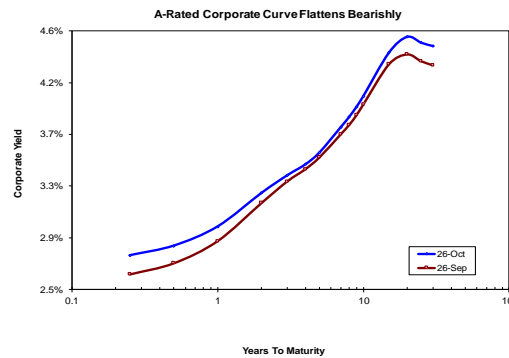
Swap spreads, which rise when floating-rate borrowers want to fix their payments, continue to flatten bearishly. Markets remain more concerned about rising short-term rates than long-term ones.



CDS costs rose along with higher equity volatility. The action of recent weeks does fly in the face of those who long have insisted credit markets lead equity markets. The opposite has been true.



The A-rated corporate yield curve flattened bearishly as short-term corporate rates rose more rapidly than did long-term rates. This remains an asset class with very limited upside and the potential for negative returns if credit spreads expand.



Market Structure

Only Precious Metals are in a structural uptrend within physical commodities. Both the S&P 500 and the EM index moved into consolidative sideways structures. The EAFE remains oversold.

	N-Day Speed	Market Structure	Trend Oscillator	HLC Volatility	Daily Trend Rate Oct. 29 - Nov. 2
BBERG	29	Trending	-0.115	7.8%	-0.20%
BBERG Grain	26	Trending	-0.072	13.0%	-0.12%
BBERG Ind. Metl	29	Trending	-0.104	18.1%	-0.04%
BBERG Pre. Metl	29	Trending	0.185	10.1%	0.27%
BBERG Softs	4	Sideways	-0.019	21.7%	
BBERG Nat. Gas	29	Trending	-0.074	19.3%	-0.57%
BBERG Petroleum	29	Trending	-0.210	19.8%	-0.81%
BBERG Livestock	18	Transitional	0.155	10.2%	
Dollar Index	29	Trending	0.199	5.5%	0.09%
S&P 500 Index	4	Sideways	-0.048	24.5%	
EAFE Index	29	Trending	-0.699	10.4%	-0.48%
EM Index	9	Sideways	-0.188	15.1%	
Ten-year UST (price)	12	Transitional	0.141	4.4%	

Performance Measures

The Energy markets tumbled for a third week on a probably misguided association with a stronger USD and weaker global equities. Economically sensitive Industrial Metals turned lower, too, as did Grains. Precious Metals rose despite a stronger USD and higher implied short-term real rates as gold continues to act as a haven asset.

	Commodity Total Returns			
	Five-Days	One Month	Six Months	One Year
Bloomberg Index	-1.06%	-0.07%	-3.93%	0.76%
Grains Sub-Index	-1.03%	0.96%	-13.68%	-8.39%
Corn	0.25%	3.41%	-12.29%	-6.74%
Soybeans	-1.42%	0.04%	-20.96%	-17.49%
Wheat	-1.80%	-0.56%	-4.43%	1.64%
Energy Sub-Index	-2.39%	-3.39%	6.90%	21.10%
Petroleum Sub-Index	-2.25%	-6.59%	4.40%	28.27%
WTI	-2.26%	-7.02%	3.24%	32.44%
Brent	-1.97%	-5.40%	8.80%	37.99%
ULSD	-0.04%	-1.98%	8.43%	26.40%
Gasoline	-5.15%	-12.77%	-5.94%	5.14%
Natural Gas	-2.77%	6.15%	14.12%	-0.17%
Precious Metals Sub-Index	0.57%	2.73%	-7.85%	-5.82%
Gold	0.62%	3.49%	-6.94%	-3.55%
Silver	0.39%	0.09%	-10.97%	-12.97%
Industrial Metals Sub-Index	-1.24%	-2.26%	-11.04%	-8.78%
Copper	-1.29%	-2.11%	-11.00%	-12.97%
Aluminum	-0.39%	-3.00%	-8.40%	-5.63%
Nickel	-4.41%	-5.46%	-14.38%	2.45%
Zinc	1.01%	2.33%	-11.54%	-12.44%
Softs Sub-Index	-0.65%	19.05%	2.92%	-4.38%
Coffee	-1.96%	16.99%	-5.80%	-13.60%
Sugar	-0.32%	23.78%	10.92%	-12.06%
Cotton	0.83%	3.01%	-4.19%	18.21%
Livestock Sub-Index	4.29%	-0.10%	7.41%	-4.78%
Cattle	1.44%	-0.21%	7.30%	-3.41%
Hogs	12.31%	0.17%	7.68%	-8.45%

The JPY continues to act as a haven currency, and the BRL continues its rally on the prospects of a Bolsonaro victory. The USD gained elsewhere as the Federal Reserve continues to signal its intent to tighten monetary policy.

	Currency Returns			
	Five-Days	One Month	Six Months	One Year
Euro	-0.96%	-2.86%	-5.78%	-2.13%
Chinese yuan	-0.21%	-0.93%	-8.74%	-4.33%
Japanese yen	0.57%	0.73%	-2.33%	1.85%
British pound	-1.90%	-2.57%	-7.84%	-2.53%
Swiss franc	-0.10%	-3.10%	-0.79%	0.05%
Canadian dollar	-0.02%	-0.66%	-1.80%	-1.98%
Australian dollar	-0.41%	-2.31%	-6.14%	-7.44%
Swedish krona	-1.56%	-3.53%	-5.13%	-8.59%
Norwegian krone	-1.59%	-2.89%	-4.29%	-2.17%
New Zealand dollar	-1.40%	-2.42%	-7.93%	-4.94%
Indian rupee	-0.19%	-1.16%	-9.14%	-11.77%
Brazilian real	1.89%	10.74%	-4.58%	-9.47%
Mexican peso	-0.40%	-2.68%	-2.83%	-0.81%
Chilean peso	-1.01%	-3.59%	-12.30%	-7.95%
Colombian peso	-3.19%	-5.70%	-11.41%	-5.20%
Bloomberg-JP Morgan	-0.30%	-1.17%	-6.49%	-3.49%
Asian dollar index (spot)				

Last week's conclusion lower prices failed to attract buyers and invited further downside holds true again. Nothing is consistent with a tradeable bottom yet.

	Equity Total Returns			
	Five-Days	One Month	Six Months	One Year
MSCI World Free	-3.89%	-9.17%	-4.28%	-0.20%
North America	-3.90%	-8.56%	0.08%	5.05%
Latin America	-0.52%	6.08%	-8.70%	-2.94%
Emerging Market Free	-3.27%	-10.04%	-16.29%	-12.83%
EAFE	-3.87%	-9.86%	-11.52%	-7.77%
Pacific	-4.57%	-10.23%	-10.54%	-6.07%
Eurozone	-3.51%	-10.03%	-15.07%	-12.00%

Both CTAs and macro hedge funds once again made modest gains on the week, but continue to fail in their central mission of providing positive diversification for conventional financial assets.

	CTA/Hedge Fund Returns			
	Five-Days	One Month	Six Months	One Year
SocGen CTA	0.24%	-4.04%	-4.21%	-3.86%
SocGen Trend	0.22%	-2.49%	-3.41%	-3.62%
SocGen Short-Term	-0.02%	-0.07%	-0.39%	0.83%
HFR Global Hedge Fund	-0.85%	-3.36%	-3.67%	-3.22%
HFR Macro/CTA	0.45%	-2.15%	-2.24%	-2.45%
HFR Macro:	0.24%	-3.31%	-3.35%	-1.27%
Systematic Diversified CTA				