

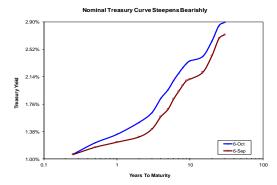
The Macro Environment For Financial Markets

Years of observation have led me to conclude most traders handle losses better than they handle gains. Gains often lead to reckless behavior and trigger inner psychological needs to lose. The economy is no different on a collective basis; good fortune leads to risk-seeking behavior, over-investment in search of yield and the squandering of funds on dubious ventures. The mood at present has swung to one wherein we believe a combination of fiscal stimulus, monetary tightening, a rising dollar and political dysfunction can be ignored. When there is not a cloud in the sky, be careful where you step. The causal chain now is:

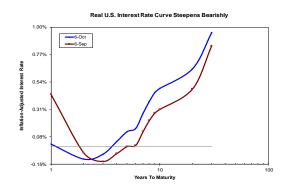
- 1. The market has accepted the likelihood of a December rate hike;
- 2. Inflationary expectations have failed at resistance;
- 3. The secular flattening trend in the U.S. continues;
- 4. Short-term borrowers are close to terming out short-term debt into the bond market;
- 5. Swap spreads are shifting higher; and
- 6. CDS costs have broken resistance.

Key Market Indications

The yield curve began flattening in November 2013, meaning this is close to a four-year trend. Long-term rates have yet to violate their critical support level of 2.40% and TIPS breakevens have yet to test their support level of 1.91%.



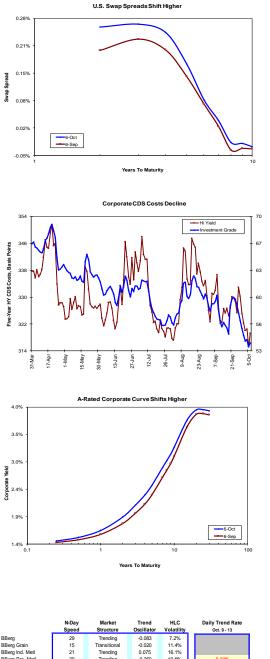
The pseudo-real yield curve steepened bearishly, rising at the long end of the yield curve and declining at one- and two-year maturities. It remains negative for two- and three-year maturities. This curve was common during 2015-2016 period of accelerated global QE. The rise in implied real rates at the long end of the yield curve is insufficient to derail risk-seeking behavior in capital assets.



Swap spreads, which rise when floating-rate borrowers want to fix their payments, rose across the maturity spectrum, with the largest shift at the shortest end of the yield curve. Markets are anticipating a steady climb in short-term rates and are not anticipating a further decline in long-term rates.

CDS costs fell for both the investment-grade and high-yield indices. The combination of correlation trades against equities, no deterioration in the economic data and a confined outlook for the path of short-term rates allowed both indices to break their resistance levels of the past year.

The A-rated corporate yield curve shifted slightly higher over the past month. This remains a bull market with limited upside potential.



Market Structure

Softs, Precious Metals and Natural Gas are in structural downtrends, while Livestock is in a structural uptrend. The EM index and the dollar index moved into structural uptrends, while ten-year UST moved into a bearish consolidation.

BBerg Ind. Metl	21	Trending	0.075	16.1%	
BBerg Pre. Metl	29	Trending	-0.269	10.6%	-0.31%
BBerg Softs	29	Trending	-0.136	15.5%	-0.81%
BBerg Nat. Gas	28	Trending	-0.207	17.4%	-0.03%
BBerg Petroleum	29	Trending	-0.005	18.0%	
BBerg Livestock	27	Trending	0.275	12.6%	0.45%
Dollar Index	28	Trending	0.191	6.7%	0.16%
S&P 500 Index	29	Trending	0.435	4.8%	0.04%
EAFE Index	10	Sideways	0.032	5.4%	
EM Index	29	Trending	0.140	6.0%	0.11%
Ten-year UST (price)	4	Sideways	-0.041	4.0%	

Performance Measures

The entire Energy complex retreated strongly on evidence of supply stability after the hurricanes. Industrial Metals advanced on increased Chinese demand, while Precious Metals continued to retreat on decreased riskaversion. For all of the palavering about a reemergent bull market in physical commodities, the main Bloomberg total return index is down on all timeframes over the past year.

The USD gained against all of the majors save the SEK. Any move toward fiscal stimulus combined with monetary tightening must produce such an outcome unless offset by similar policies elsewhere. This is before we have to account for special situations such as the GBP declining under Brexit difficulties and the Catalan question vexing the EUR.

The EAFE in general and Eurozone markets in particular retreated under renewed political stresses. However, both the EM index and North American markets more than offset this and kept the global bull market in equities intact.

Both CTAs and hedge funds had a strong week, suggesting they adopted the risk-on trades of being long equities, short sovereign bonds and long the USD.

Bloomberg Index 0.61% 0.91% 1.12% 1.25 Grains Sub-Index -0.76% -0.19% 5.45% 6.619 Corn -1.46% -1.81% 9.43% 8.15 Soybeans 0.43% 1.15% 1.44% -2.31 Wheat -1.04% -1.81% 9.43% 8.15 Petrogen Sub-Index -3.54% 0.46% -6.52 Petrogen Sub-Index -3.14% 1.17% 2.56% -3.97 WT1 -4.59% 2.64% -8.02% -10.28 Brent -2.15% 3.64% -1.61% -2.61 ULSD -3.63% -0.13% 4.82% -3.27 Gasoline -2.00% -1.29% -1.54% -0.64 Matural Cas -0.33% -6.01% -1.54% -0.64 Gold -0.75% -5.57% 1.02% -3.26% Precious Metals Sub-Index -0.33% -6.01% -1.54% -0.64 Gold -0.75% -5.57% 1.		Commodity Total Returns				
Grains Sub-Index 0.70% 0.10% 5.45% 6.19 Corm -1.46% -1.81% 9.43% 8.15 Soybeans 0.43% 1.15% 9.43% 8.15 Soybeans 0.43% 1.15% 9.43% 8.15 Wheat -1.04% 1.40% -6.84% -6.52 Energy Sub-Index -3.5% 0.46% -7.06% -10.24 Petrokum Sub-Index -3.14% 1.17% -2.56% -3.97 Brent -2.15% 3.64% -1.61% -0.028 Brent -2.15% 3.64% -1.62% -1.50 Natural Cas -4.77% -3.36% -19.03% -26.68 Gold 0.75% -1.25% -1.50% -2.64% Mustrial Metals Sub-Index 0.38% -6.01% -1.54% -0.01 Silver -2.30% -0.33% 11.05% 29.20 Copper -2.30% -0.33% 11.05% 29.20 Soldts Sub-Index 2.30% <t< th=""><th></th><th>Five-Days</th><th>One Month</th><th>Six Months</th><th>One Year</th></t<>		Five-Days	One Month	Six Months	One Year	
Com -1.46% -1.81% -9.43% -8.15 Soybeans 0.43% 1.15% 1.14% -2.31 Wheat -0.04% 1.10% 1.44% -2.31 Petrojeum Sub-Index -3.54% 0.046% -7.06% -10.54 Petrojeum Sub-Index -3.14% 1.77% -2.56% -3.97 Brent -2.15% 3.64% -1.61% -2.61 ULSD -3.63% 0.34% 4.82% -3.77 Gasoline -2.00% -1.23% -1.61% -2.61 Natural Cas -4.77% -3.36% -1.913% -2.68 Precious Metals Sub-Index 0.38% -6.01% -1.54% 0.09 Silver -2.30% 0.34% 4.15% 2.920 Copper 2.30% 0.34% 1.15% 2.920 Copper 2.33% 0.33% 3.132% 3.74% Aluminum 2.52% 2.29% 8.57% 2.32% Kekel 0.93% -3.47%	Bloomberg Index	-0.61%	-0.91%	-1.74%	-1.25%	
Soybeans Wheat 0.43% -1.04% 1.15% -1.04% 1.84% -6.84% -2.31 -6.54% Parcry Sub-Index -3.04% -0.04% -6.52 Petrolem Sub-Index -3.14% 1.07% -0.054 Petrolem Sub-Index -3.14% 1.77% -2.50% Brent -2.15% 3.64% -1.01% -2.01% Brent -2.15% 3.64% -1.01% -2.01% UISD -3.63% -0.34% 4.82% -1.02% Natural Cas -0.07% -1.29% -1.62% -1.53% Natural Cas -0.03% -6.01% -0.64% -0.64% Gold -0.75% -5.57% 1.02% -0.99% Silver -0.30% -7.28% 8.57% 2.600 Nickel 2.00% -7.28% 8.57% 2.600 Nickel 2.30% -0.34% 3.132% 2.333 Aluminum 2.52% 2.29% 8.57% 2.600 Nickel 2.33% -7.12% 3.56% 3	Grains Sub-Index	-0.76%	-0.19%	-5.45%	-6.19%	
Wheat -1.04% 1.40% -6.54% -6.52 Energy Sub-Index -3.54% 0.46% -7.06% -1.054 Petroleum Sub-Index -3.14% 1.17% -2.56% -3.07 Brent -4.59% 2.64% -8.02% -10.28 Brent -2.15% 3.64% -1.64% -2.02% Brent -2.15% 3.64% -1.61% -2.02% ULSD -3.66% 0.33% 4.82% -3.27 Natural Cas -4.77% -3.36% -1.62% -1.50 Natural Cas -4.77% -3.36% -1.90.3% -26.89 Precious Metals Sub-Index 0.38% -6.51% -1.62% -0.91 Silver 0.37% -5.57% 1.02% -0.91 Silver 2.30% -0.33% 11.05% 29.20% Aluminum 2.53% -0.33% 3.132% 3.32% Zine 2.33% -0.34% -2.128% 3.27% Sidts Sub-Index 0.37%	Com	-1.46%	-1.81%	-9.43%	-8.15%	
Energy Sub-Index -3.5% 0.46% -7.0% -10.54 Petroleum Sub-Index -3.14% 1.77% -2.56% -3.97 WT1 -4.59% 2.64% -8.02% -10.25 Brent -2.15% 3.64% -4.02% -10.25 USD -3.63% 0.04% 4.82% -327 Gasoline -2.00% -1.29% -1.62% -1.53% Natural Cas -4.77% -3.36% -10.35% -2.68% Precious Metals Sub-Index -0.38% -6.01% -1.54% -0.64 Gold -0.75% -5.57% 1.102% 0.99 Silver -0.38% -6.01% -1.54% -0.64 Codp -2.58% -3.03% 1.102% 2.920 Auminum 2.52% 2.23% 8.57% 2.600 Nickel 2.03% 0.34% 1.15% 2.920 Softs Sub-Index 0.37% -3.47% 2.16% 3.27% 2.31% Softs Sub-Index <td< td=""><td>Soybeans</td><td>0.43%</td><td>1.15%</td><td>1.84%</td><td>-2.31%</td></td<>	Soybeans	0.43%	1.15%	1.84%	-2.31%	
Initial <t< td=""><td>Wheat</td><td>-1.04%</td><td>1.40%</td><td>-6.84%</td><td>-6.52%</td></t<>	Wheat	-1.04%	1.40%	-6.84%	-6.52%	
WTI 4.5% 2.64% -8.02% -10.28 Brent -2.15% 3.64% -1.61% -2.61 ULSD -3.65% -0.34% 4.82% 3.27 Casoline -2.00% -1.29% 4.162% -1.52% Natural Cas -0.37% -1.20% -1.62% -1.62% Precioss Metals Sub-Index -0.37% -1.20% -1.62% -2.689 Silver -0.37% -5.57% 1.02% -0.64 Gold -0.75% -5.57% 1.02% -0.91 Silver -0.30% -7.28% 8.29% -4.44 Industrial Metals Sub-Index 2.23% -0.34% 11.15% 2.200% Nickel 2.30% -0.34% 11.55% 2.20% 8.57% 2.609 Nickel 2.30% -0.34% 7.21% 2.35% 2.620 Nickel 2.35% -0.33% 7.21% 2.35% 2.620 Nickel 2.35% 0.33% 7.21% 2.35%	Energy Sub-Index	-3.54%	0.46%	-7.06%	-10.54%	
Brent ULSD Casoline -2.15% -3.63% -3.64% -0.34% -1.61% -1.25% -2.67 -2.00% Natural Cas -4.77% -3.30% -1.903% -2.62% Precious Metals Sub-Index -4.77% -3.30% -1.903% -2.62% Precious Metals Sub-Index -0.03% -5.57% -1.62% -9.91% Industrial Metals Sub-Index -2.30% -0.33% 11.05% 29.20 Copper Alberta -2.33% -0.33% 11.05% 29.20 Nickel -2.33% -2.03% 3.31% 2.52% Nickel -2.33% -2.03% 3.27% 2.20% Nickel -2.33% -2.04% -2.72% 8.57% 2.32% Softs Sub-Index -0.33% -3.47% 2.32% 2.32% 2.32% Softs Sugar -0.03% -3.47% -2.12.1% -2.727 2.35% 3.44 Softs Sub-Index -0.33% -1.21.1% -2.727 2.35% 3.44 Livestock Sub-Index -1.53% -0.42% -1.21.4%	Petroleum Sub-Index	-3.14%	1.77%	-2.56%	-3.97%	
ULSD Gasoline -3.63% -2.00% -0.34% -1.29% 4.82% -1.62% 3.27 -1.62% Natural Cas -4.70% -3.30% -1.62% -1.50% Precious Metals Sub-Index -0.38% -6.01% -1.54% -0.64% Gold -0.75% -5.57% 1.10% 0.91 Silver -0.30% -7.28% -8.25% 2.42% Industrial Metals Sub-Index 2.30% -0.31% 1.115% 2.920 Nickel 2.03% -0.31% 1.12% 2.920 Nickel 2.93% 2.32% 8.57% 2.600 Nickel 2.03% 7.21% 2.056% 8.822 Softs Sub-Index -0.37% -3.43% -2.124% -19.04% Coffee 1.54% -0.43% -2.124% -19.04% -4.96% Softs Sub-Index -154% -0.42% -12.04% -19.04% -4.96% Coffee 1.54% -0.42% -12.04% -19.04% -4.96% Softs Sub-Index -153% -3.43%	WTI	-4.59%	2.64%	-8.02%	-10.28%	
Gasoline Natural Cas -2.00% -4.77% -1.23% -3.36% -1.62% -1.90.3% -2.689 -2.689 Precious Metals Sub-Index 0.30% -3.61% -1.61% 0.64 Gold 0.70% 5.57% 1.02% 0.91 Silver 0.70% 7.72% 8.82% 0.44 Industrial Metals Sub-Index 2.30% 0.33% 11.05% 292 Copper 2.50% 0.34% 11.55% 292 Nickel 2.09% 8.87% 2.600 Nickel 2.43% 7.21% 2.05% 3.822 Softs Sub-Index 0.37% -3.43% -12.04% 19.68 Sugar 0.37% 0.33% -12.04% 19.68 Sugar 0.56% 7.63% -3.43% 3.14 Livestock Sub-Index 1.53% 3.44% 4.43% 25.40%	Brent	-2.15%	3.64%	-1.61%	-2.61%	
Natural Cas 4.77% -3.36% -19.03% -26.89 Precious Metals Sub-Index -0.38% -6.01% -1.54% -0.64 Gold -0.75% -5.57% 1.12% 0.04 Silver 0.70% -7.28% 8.29% 4.94 Industrial Metals Sub-Index 2.30% 0.33% 11.02% 0.23 Kele 2.53% -0.33% 13.02% 37.34 Aluminum 2.52% 2.29% 8.57% 26.00 Nickel 0.93% 8.76% 3.23% 3.822 Softs Sub-Index 0.37% -3.47% -12.81% -27.22 Softs Sub-Index 0.37% -4.21% -12.04% -19.66% Sugar -0.59% -4.37% -3.44% -12.04% -19.66% Sugar 0.59% -7.63% -3.85% -3.14 Livestock Sub-Index 1.53% 3.46% 4.34% 25.40%	ULSD	-3.63%	-0.34%	4.82%	3.27%	
Precious Metals Sub-Index 0.38% -6.01% -1.54% 0.64 Gold -0.75% -5.57% 1.02% 0.91 Silver 0.70% -7.28% -8.29% 4.49 Industrial Metals Sub-Index 2.30% 0.34% 11.15% 2.92% Aduminum 2.52% 2.29% 8.57% 2.60% Nickel 0.93% 4.76% 3.27% 2.31 Zine 0.37% -1.281% -2.722 Softs Sub-Index 0.37% -3.43% -12.04% -19.68 Softs Sub-Index 0.37% -3.43% -2.43% -3.43% Livestock Sub-Index 1.53% 3.46% 4.43% 25.40%	Gasoline	-2.00%	-1.29%	-1.62%	-1.50%	
Gold Silver 0.77 0.70% 1.62% 7.28% 1.02% 8.82% 0.91 0.91 Industrial Metals Sub-Index 2.30% 0.34% 11.55% 2920 Adminum 2.52% 0.34% 11.55% 2920 Nickel 2.09% 0.34% 11.55% 2920 Nickel 0.93% 8.76% 3.27% 2.31% Zanc 0.37% -3.47% -12.81% -27.22 Coffee 1.54% -0.42% -12.04% -19.64% Sugar 0.55% -7.63% -3.85% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40%	Natural Gas	-4.77%	-3.36%	-19.03%	-26.89%	
Silver 0.70% -7.28% -8.29% -4.94 Industrial Metals Sub-Index 2.30% 0.34% 11.55% 29.20 Copper 2.53% 0.33% 11.55% 26.20 Nummum 2.52% 2.29% 8.57% 26.00 Nickel 0.93% 8.47% 2.65% 26.00 Nickel 0.93% 8.47% 2.31% 2.056 38.22 Softs Sub-Index 0.37% -1.21% -27.22 Coffee 1.54% -0.42% -12.04% -19.68 Sugar -0.83% -3.43% -3.04% -4.27 -2.04% -4.27 Coffee 1.54% -0.42% -12.04% -19.68 -3.04% -4.27 Coffee 1.54% -0.43% -3.04% -4.27 -2.04% -4.28 -1.214% -1.284% -1.284% -1.284% -1.284% -3.04% -3.24% -3.04% -3.04% -3.04% -3.04% -3.04% -3.04% -3.04% -3.04% -3.04% <t< td=""><td>Precious Metals Sub-Index</td><td>-0.38%</td><td>-6.01%</td><td>-1.54%</td><td>-0.64%</td></t<>	Precious Metals Sub-Index	-0.38%	-6.01%	-1.54%	-0.64%	
Industrial Metals Sub-Index 2.30% 0.43% 11.55% 29.20 Copper 2.53% -0.33% 13.02% 37.34 Aluminum 2.52% 2.29% 8.57% 26.00 Nickel 0.93% 7.21% 20.56% 38.22 Softs Sub-Index 0.37% -3.47% -12.81% -27.22 Coffee 1.54% -0.42% -12.04% -19.66% Sugar -0.65% 4.30% -3.45% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40%	Gold	-0.75%	-5.57%	1.02%	0.91%	
Copper Aluminum 2.5% 2.5% -0.3% 0.3% 13.0% 13.0% 73.34 73.34 Aluminum 2.5% 2.29% 8.57% 26.00 Nickel 0.93% -7.0% 3.27% 2.31 Zinc 2.43% 7.21% 20.56% 3.822 Softs Sub-Index 0.37% -3.47% -12.81% -27.22 Coffee 1.54% -0.42% -12.04% -19.06 Sugar -0.85% 4.30% -3.85% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40	Silver	0.70%	-7.28%	-8.29%	-4.94%	
Aluminum 2.52% 2.29% 8.57% 2.600 Nickel 0.93% 8.76% 3.27% 2.31 Zinc 2.43% 7.21% 2.05% 8.22 Softs Sub-Index 0.37% -3.47% -1.281% -2.722 Coffee 1.54% -0.42% -1.204% -1.96% Sugar 0.53% -7.63% -3.85% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40%	Industrial Metals Sub-Index	2.30%	0.34%	11.55%	29.20%	
Nickel Zinc 0.93% 2.43% -8.76% 7.21% 3.27% 20.56% 2.31 38.22 Softs Sub-Index 0.37% -3.47% -12.81% -27.22 Coffee Sugar Cotton 1.54% -0.42% -12.81% -9.68% Livestock Sub-Index 1.53% 3.46% 4.43% 25.40%	Copper	2.53%	-0.33%	13.02%	37.34%	
Zine 2.43% 7.21% 20.56% 38.22 Softs Sub-Index 0.37% -3.47% -12.81% -27.22 Coffee 1.54% 0.42% -12.04% -19.66% Sugar 0.95% 4.30% -3.48% -3.44% Livestock Sub-Index 1.53% 3.46% 4.43% 25.40%	Aluminum	2.52%	2.29%	8.57%	26.09%	
Softs Sub-Index 0.37% -3.47% -12.81% -27.22 Coffee 1.54% -0.42% -12.04% -19.68 Sugar -0.83% 4.30% -20.40% -42.78 Cotton 0.59% -7.63% -3.85% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40	Nickel	0.93%	-8.76%	3.27%	2.31%	
Coffee 1.54% -0.42% -12.04% 19.68 Sugar -0.83% 4.30% -20.40% 42.78 Cotton 0.59% -7.63% -3.85% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40	Zinc	2.43%	7.21%	20.56%	38.22%	
Sugar Cotton -0.83% 4.30% -20.40% -42.78 Cotton 0.59% -7.63% -3.38% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40	Softs Sub-Index	0.37%	-3.47%	-12.81%	-27.22%	
Cotton 0.59% -7.63% -3.85% 3.14 Livestock Sub-Index 1.53% 3.46% 4.43% 25.40	Coffee	1.54%	-0.42%	-12.04%	-19.68%	
Livestock Sub-Index 1.53% 3.46% 4.43% 25.40	Sugar	-0.83%	-4.30%	-20.40%	-42.78%	
	Cotton	0.59%	-7.63%	-3.85%	3.14%	
Cattle 1.47% 3.86% 3.45% 22.39	Livestock Sub-Index	1.53%	3.46%	4.43%	25.40%	
	Cattle	1.47%	3.86%	3.45%	22.39%	
Hogs 1.65% 2.81% 5.62% 30.44	Hogs	1.65%	2.81%	5.62%	30.44%	

	Currency Returns					
Five-Days	One Month	Six Months	One Year			
-0.71%	-1.57%	10.20%	5.19%			
-0.94%	-0.84%	3.57%	0.22%			
-0.12%	-3.04%	-1.63%	-7.72%			
-2.48%	0.18%	4.78%	3.57%			
-1.16%	-2.35%	2.58%	0.11%			
-0.45%	-2.42%	7.06%	5.50%			
-0.86%	-2.91%	2.94%	2.40%			
0.36%	-1.70%	11.15%	6.28%			
-0.48%	-2.47%	7.79%	0.70%			
-1.61%	-1.49%	1.76%	-1.00%			
-0.14%	-1.94%	-1.28%	2.03%			
0.22%	-1.75%	-0.38%	2.30%			
-1.49%	-4.01%	1.17%	3.81%			
1.03%	-2.23%	3.80%	5.41%			
-0.07%	-0.91%	-2.85%	-1.21%			
-0.16%	-1.24%	1.77%	0.22%			

MSCI	World Free
North	America
Latin	America
Emerg	ing Market Free
EAFE	-
Pacifi	0
Euroz	one

HFR Macro

Euro Chinese yuan

Japanese yen British pound Swiss franc Canadian dollar

Australian dollar

Indian rupee Brazilian real Mexican peso

Chilean peso Colombian peso Bloomberg-JP Morgan Asian dollar index(spot)

Swedish krona Norwegian krone New Zealand dollar

Five-Days	One Month	Six Months	One Year
0.72%	2.73%	10.59%	20.55%
1.18%	3.51%	9.21%	20.17%
1.30%	0.58%	13.50%	24.16%
2.00%	2.00%	16.58%	23.46%
-0.06%	2.25%	12.84%	20.05%
0.55%	0.97%	9.45%	14.82%
-0.49%	1.60%	17.14%	29.82%

Equity Total Returns

One Yea

-5.459

-7.309

-1.099

		CTA/Hedge Fund Returns			
	Five-Days	One Month	Six Months		
Newedge CTA	1.29%	-2.53%	-3.23%		
Newedge Trend	0.99%	-1.76%	-2.29%		
Newedge Short-Term	0.41%	0.18%	-1.58%		
HFR Global Hedge Fund	0.43%	0.97%	3.23%		
HFR Macro/CTA	0.49%	-0.88%	1.11%		
HFR Macro:	0.59%	-2.15%	-0.13%		
Sytematic Diversified CTA					

Futures trading involves the substantial risk of loss and is not suitable for all investors. Each investor must consider whether this is a suitable investment since you may lose all of or more than your initial investment. Past performance is not indicative of future results.