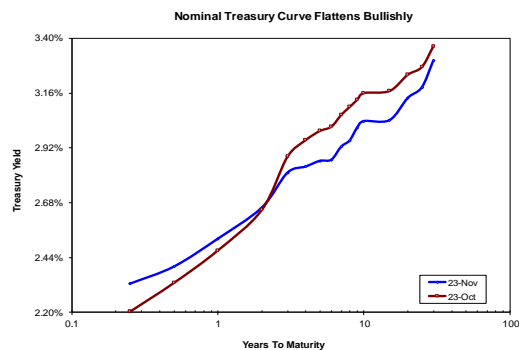


The markets will remain risk-off until a signal of a policy pause is given, and this signal has not been forthcoming. Equity and commodity stresses are spilling over into credit markets, and if those start to fracture, we could be in for a far more serious financial crisis. After all, major sources of trading liquidity were removed after 2008. The causal chain now is:

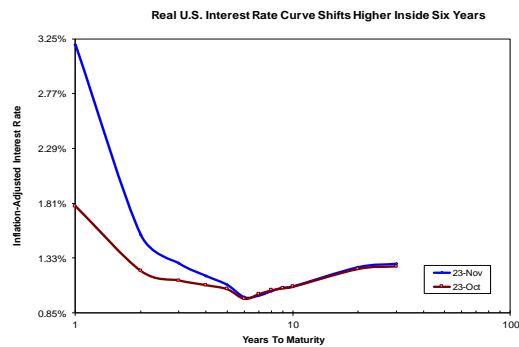
1. The market is pricing in December 2018 and March 2019 rate hikes, but is uncertain after that;
2. Inflationary expectations remain under downward pressure;
3. The yield curve has moved back into a bullish flattening;
4. Short-term borrowers are accepting rollover risk rather than term-out borrowing in the bond market;
5. Swap spreads remain inverted; and
6. CDS costs are rising.

### Key Market Indications

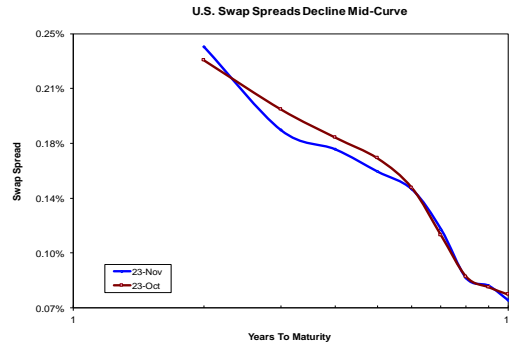
The long end of the UST continued its rally as money has moved out of corporate bonds and equities. Inflation expectations fell and the yield curve has moved back into a bullish flattening. However, this is a derivative rally, no pun intended, likely to disappear if and when risk-seeking behavior returns



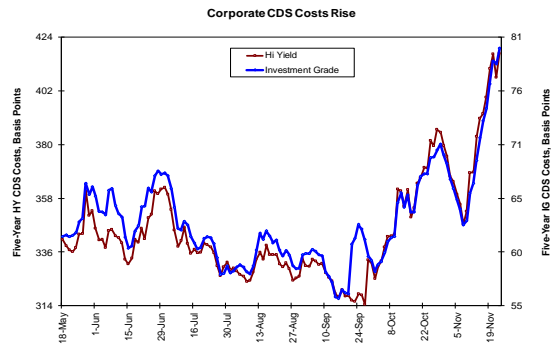
The pseudo-real yield curve continued its shift higher at the short end. The recent rise at the long end of the curve has ended.



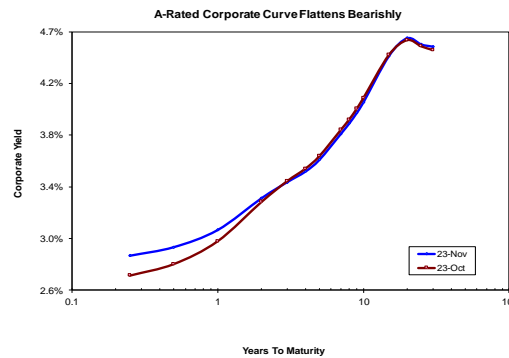
Swap spreads, which rise when floating-rate borrowers want to fix their payments, declined mid-curve as borrowers are willing to remain floating in this time horizon.



To repeat verbatim from last week, CDS costs jumped as concerns about GE in investment-grade and the energy industry in high-yield raised the risk of corporate debt. Fortunately, the general state of debt service capabilities remains quite high and will barring a recession.



The A-rated corporate yield curve rose at the short end of the yield curve as borrowing has shifted from the bond market to bank lending.



### Market Structure

Livestock joined Natural Gas in a structural uptrend, but no other physical market is bullish. Ten-year UST remain in a downtrend. All of the stock indices are in unstable transitional structures.

	N-Day Speed	Market Structure	Trend Oscillator	HLC Volatility	Daily Trend Rate Nov. 26 - 30
BBerg	29	Trending	-0.530	9.5%	-0.20%
BBerg Grain	29	Trending	-0.164	12.3%	-0.10%
BBerg Ind. Metl	9	Sideways	-0.008	15.0%	
BBerg Pre. Metl	28	Trending	-0.037	8.3%	-0.14%
BBerg Softs	19	Transitional	-0.193	19.8%	
BBerg Nat. Gas	24	Trending	0.237	28.1%	0.24%
BBerg Petroleum	29	Trending	-0.800	27.2%	-0.81%
BBerg Livestock	29	Trending	0.172	11.3%	0.55%
Dollar Index	9	Sideways	0.010	6.4%	
S&P 500 Index	16	Transitional	-0.228	15.3%	
EAFE Index	16	Transitional	-0.134	12.0%	
EM Index	17	Transitional	-0.077	13.7%	
Ten-year UST (price)	23	Trending	0.180	4.1%	0.08%

## Performance Measures

The selloff in Petroleum has reached historic proportions, but could be forced lower still. Natural Gas continued its early-winter rise, proving once again these two markets do not operate on burner-tip parity. Economically unimportant Livestock rose, but no other complexes put in significant moves.

	Commodity Total Returns			
	Five-Days	One Month	Six Months	One Year
<b>Bloomberg Index</b>	-1.60%	-3.96%	-9.43%	-4.58%
<b>Grains Sub-Index</b>	-1.62%	-0.83%	-16.64%	-8.17%
Corn	-2.00%	-2.08%	-15.83%	-6.97%
Soybeans	-0.82%	2.90%	-17.64%	-15.75%
Wheat	-1.41%	-1.41%	-13.63%	2.39%
<b>Energy Sub-Index</b>	-4.27%	-7.92%	-4.70%	7.73%
Petroleum Sub-Index	-10.95%	-23.60%	-22.21%	-8.04%
WTI	-11.00%	-25.44%	-23.02%	-9.48%
Brent	-11.63%	-24.06%	-20.81%	-0.95%
ULSD	-9.47%	-18.61%	-15.01%	-1.95%
Gasoline	-10.97%	-24.03%	-30.39%	-24.15%
Natural Gas	7.77%	32.61%	43.38%	40.71%
<b>Precious Metals Sub-Index</b>	0.54%	-1.31%	-8.14%	-8.32%
Gold	0.71%	-0.85%	-6.41%	-5.62%
Silver	-0.08%	-2.93%	-13.95%	-16.81%
<b>Industrial Metals Sub-Index</b>	-0.12%	-2.33%	-14.47%	-12.05%
Copper	0.87%	1.19%	-10.31%	-13.88%
Aluminum	1.13%	-2.66%	-12.97%	-6.41%
Nickel	-3.03%	-8.28%	-26.24%	-9.48%
Zinc	-1.67%	-4.16%	-13.37%	-17.66%
<b>Softs Sub-Index</b>	-1.73%	-8.97%	-9.76%	-16.78%
Coffee	-2.45%	-10.04%	-13.97%	-20.86%
Sugar	-1.37%	-9.73%	-7.57%	-24.90%
Cotton	-1.30%	-3.62%	-12.65%	8.24%
<b>Livestock Sub-Index</b>	3.05%	2.02%	9.11%	-0.78%
Cattle	1.59%	-0.52%	9.04%	-2.41%
Hogs	6.45%	8.14%	10.85%	2.28%

The INR continues to trade as an “anti-petrocurrency.” It joined the have CHF in posting gains against the USD this week, but all other currencies declined as the Federal Reserve continues to signal tightening intentions.

	Currency Returns			
	Five-Days	One Month	Six Months	One Year
Euro	-0.68%	-1.17%	-3.08%	-4.34%
Chinese yuan	-0.15%	-0.15%	-8.06%	-5.25%
Japanese yen	-0.12%	-0.46%	-2.55%	-1.54%
British pound	-0.16%	-1.30%	-3.99%	-3.72%
Swiss franc	0.25%	-0.25%	-0.17%	-1.56%
Canadian dollar	-0.68%	-1.16%	-3.06%	-3.97%
Australian dollar	-1.35%	2.07%	-4.33%	-5.14%
Swedish krona	-0.99%	-0.75%	-3.65%	-8.75%
Norwegian krone	-1.81%	-3.55%	-5.82%	-5.35%
New Zealand dollar	-1.41%	3.51%	-1.97%	-1.60%
Indian rupee	1.82%	4.06%	-3.75%	-8.16%
Brazilian real	-2.32%	-3.48%	-5.20%	-15.82%
Mexican peso	-1.17%	-5.43%	-3.79%	-8.73%
Chilean peso	-0.68%	1.27%	-7.61%	-5.97%
Colombian peso	-1.90%	-3.38%	-10.93%	-7.75%
Bloomberg-JP Morgan Asian dollar index (spot)	-0.18%	0.40%	-5.02%	-4.25%

Sometimes these things are simple: Equities remain in a bearish stance. This will continue for as long as corporate news continues to stream in negatively, the Federal Reserve remains hawkish, crude oil plunges and trade wars continue.

	Equity Total Returns			
	Five-Days	One Month	Six Months	One Year
<b>MSCI World Free</b>	-2.76%	-0.15%	-5.43%	-1.75%
North America	-3.63%	-3.71%	-3.30%	2.50%
Latin America	-4.01%	-4.67%	-4.20%	-6.34%
Emerging Market Free	-1.72%	3.21%	-13.21%	-13.67%
EAFE	-1.08%	1.02%	-9.92%	-8.49%
Pacific	-0.32%	1.91%	-8.98%	-6.73%
Eurozone	-1.88%	0.50%	-12.50%	-12.82%

Macro-oriented hedge funds gained, suggesting they were on the correct side of dollar and bond strength and equity weakness. CTAs lost money once again, with energy-oriented traders leading the way down.

	CTA/Hedge Fund Returns			
	Five-Days	One Month	Six Months	One Year
SocGen CTA	-0.43%	-1.91%	-8.44%	-8.70%
SocGen Trend	-0.38%	-1.08%	-6.06%	-7.29%
SocGen Short-Term	-0.36%	-1.66%	-3.17%	-2.04%
HFR Global Hedge Fund	-0.07%	-1.72%	-5.35%	-4.41%
HFR Macro/CTA	0.75%	-0.62%	-6.20%	-4.53%
HFR Macro:	0.89%	-0.76%	-7.63%	-5.38%
Systematic Diversified CTA				