

MARKET SNAPSHOT

November's US equity market performance picked up where October's left off, once again closing even higher. While the broad market indices all traded higher for the month, underneath the surface we saw what could be the beginning of some changes in leadership. Value outperformed growth and the technology sector did not hold its lead at the head of the pack toward the end of the month. Overseas markets were a bit more mixed, lagging US markets once again.

MARKET VITALS

Our market internal analysis maintains its constructive outlook as it has throughout 2017:

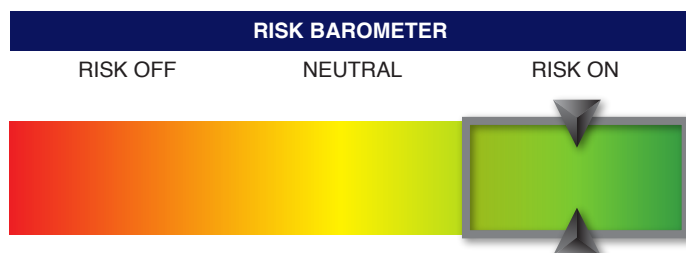
- The percentage of stocks in an uptrend—our most heavily weighted market risk variable—remains in solidly positive territory at 69%, down a touch from the end of October.
- Our entire suite of breadth measures—advance/decline lines, new highs/new lows, up/down volume—are all showing bullish structures. Advance/decline lines continue to make new highs. Historically this has been an indication of further advancement.
- International markets continue to show strong performance for 2017, although individual country performance is becoming increasingly selective in the short term.

US EQUITIES

US equities delivered solid returns for the month as the SPDR S&P 500 ETF (SPY) was up 3.1%, the iShares Russell 2000 ETF (IWM) was up 2.9% and the PowerShares NASDAQ QQQ ETF (QQQ) was up 2.0%. Short-term leadership changes were evident as the technology sector, represented by the Technology Select Sector SPDR Fund (XLK), was the poorest performing sector returning only 1.0%. The top performing sectors were materials, represented by the Materials Select SPDR Fund (XLB) and returning 6.0% and consumer discretionary, represented by the Consumer Discretionary SPDR (XLY) and returning 5.5%.

INTERNATIONAL EQUITIES

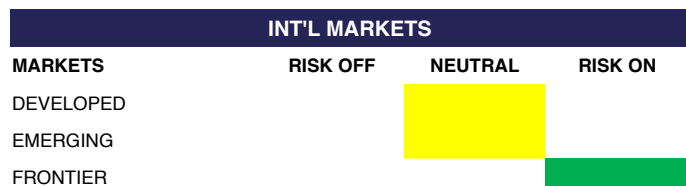
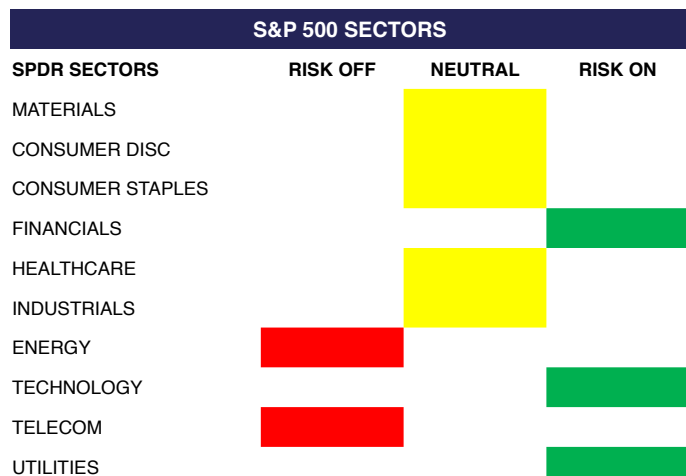
Taking a look overseas, we saw another month of relative underperformance vs. US markets. That said, we also saw the usual wide range of returns across international markets and specific countries. On a broad basis, frontier markets led the way with the iShares Frontier ETF (FM) up 3.4%. Emerging markets lagged once again with the iShares Emerging Markets ETF (EEM) losing 0.4% while developed markets fit into the middle with the iShares Developed Markets ETF (DEV) up 0.7%.



Risk Barometer – An illustrated snapshot of current market conditions, risk levels, based on Niemann's proprietary risk-management analytics.

Risk Off – Elevated risk in the current equity market environment, taking on risk not advisable.

Risk On – Lower risk in the current equity market environment, constructive for taking on more risk advisable.



Past performance does not guarantee future results.

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CONCLUSION

Markets surged higher in November as hopes for tax reform returned with a vengeance and favorable seasonality kicked in. We saw a number of short-term trend reversals as value outpaced both growth and momentum, and on a sector basis, consumer stocks outperformed technology, 2017's leader. While markets remain richly valued and overdue for an uptick in volatility as well as some sort of pullback, nothing in our work shows that a pullback is imminent. In fact, the S&P 500 Index is currently enjoying the longest streak of not experiencing a pullback of at least 3% in its history. We remain in a typically favorable seasonal period for stocks as we near the end of 2017. We will continue to closely monitor the short-term rotations we saw in November to determine if a more long-term change in leadership is beginning. If our proprietary signals indicate, then we will rotate holdings in our portfolios to the new potential intermediate-trend leaders based on what our analytics indicate.

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