GuideStone Capital Management

Monthly Market Perspective

GuideStoneFunds.com

November 30, 2018

Equities

- **U.S. equity markets rallied toward the end of the month to close November in positive territory,** with the S&P 500® Index finishing up 2.04%. The Technology sector, which has driven stock market returns for much of the year, slumped for the third consecutive month. Many of the largest (and most well-known) Technology stocks are now trading in bear market territory.
- While past performance is never a guarantee of future results, it is interesting to note that **the S&P 500® Index has not declined in the year following a midterm election since the late 1940s.** While the Index has historically climbed an average of 15% in the year after a midterm election, our outlook for the next 12 months remains one of caution, as we continue to see clear signs that the nearly decade-long current bull market may be nearing its end.
- **Developed Market equities were slightly negative** in November due to continued challenges in Japan and Italy, as well as ongoing Brexit concerns. **Emerging Market Equities,** conversely, experienced a broad rebound and posted strong returns for the month.
- Financial markets have largely retreated this year in the face of slowing global growth and tightening monetary policy. According to Deutsche Bank, **90% of all asset classes across the globe have posted negative year-to-date total returns through mid-November.** For comparison, only 1% of global asset classes produced negative returns last year in one of the best years for financial markets in recent memory.

Fixed Income

- **U.S. 10-year Treasury yields fell in November** – flattening the yield curve – amid continued equity market volatility and dovish comments from key Fed officials about the Fed Funds rate nearing a neutral level.
- **Both U.S. Investment Grade and High Yield bonds declined during the month** as spreads widened due to concerns about corporate debt levels.

Macroeconomic

- **Job growth was well above expectations in October** as 250k jobs were added, while the unemployment rate remained unchanged at 3.7%. In a positive sign for workers, wage growth finally eclipsed the 3% mark, hitting 3.1% year-over-year growth in October for its best showing since April 2009.
- While October's consumer spending data was the strongest it's been in seven months, **core PCE – the Fed's preferred measure of inflation – posted its weakest reading since February,** ending the month at 1.8% year-over-year, down slightly from September.
- With very low unemployment and strengthening wage data, **the Federal Reserve is widely expected to raise rates in December for the fourth time this year.** Beyond that, things get a bit murky. As the Fed Funds rate approaches the assumed neutral rate, many pundits are calling for a pause in the Fed's rate hike cycle. Fed officials have been non-committal, with chairman Powell indicating recently that there is "no preset policy path" and that policy decisions will be made based on prevailing economic and financial conditions.
- While fears of a trade war with China continue to ebb and flow, **demonstrable progress is being made with several key U.S. allies.** In late November, leaders of the U.S., Mexico and Canada signed the U.S.-Mexico-Canada Agreement, a new trade pact that replaces the 25-year-old North American Free Trade Agreement (NAFTA).

Real Assets

- **WTI crude oil futures entered bear market territory during the month, closing November at approximately $51/bbl** – down over 33% from their early October highs. Concerns about excess global supply – driven by booming U.S. output, increased production from Russia and Saudi Arabia and less-than-expected sanctions on Iran – sent crude oil lower for 12 straight days during the month, its longest losing streak on record.

Equities

	Level	Market Performance (%) 1 Mth	YTD	3 Yr
S&P 500®	2,760	2.04	5.11	12.16
Russell 1000® Value	1,213	2.99	1.48	9.82
Russell 1000® Growth	1,440	1.06	7.75	13.97
Russell 2000®	1,533	1.59	0.98	10.08
DJIA	25,538	2.11	5.59	15.78
MSCI EAFE	5,526	-0.13	-9.39	4.12
MSCI EM	458	4.12	-12.24	9.41

Fixed Income

	Yield	Market Performance (%) 1 Mth	YTD	3 Yr
U.S. Aggregate	3.54	0.60	-1.79	1.33
U.S. IG Corporates	4.37	-0.17	-3.92	2.49
U.S. HY Corporates	7.22	-0.86	0.06	7.09
Global Aggregate	2.19	0.31	-3.16	2.20
U.S. 90-Day Treasury	2.35			
U.S. 2 Yr. Treasury	2.79			
U.S. 10 Yr. Treasury	2.99			

Currencies

	Latest	Exchange Rates 9/30/18	6/30/18	3/31/18
€ (Euro) per $	1.13	1.16	1.17	1.23
£ (Pound) per $	1.27	1.30	1.32	1.40
$ per ¥ (Yen)	113.57	113.70	110.76	106.28

Interesting Facts

- **Smart(phone) shopping** Of the $6.2 billion in Black Friday 2018 online purchases, approximately one-third (over $2 billion) were made using a mobile device.
- **What's in a name?** Many people think "Black Friday" is the term used to describe the day-after-Thanksgiving shopping rush because that is the day when retailers' books typically move from red ink into the black. In actuality, the moniker was first applied in the 1960s by the Philadelphia police department to characterize the throngs of shoppers that would converge that day on the downtown area, causing massive traffic jams, accidents and even some violence.

See next page for important disclosures

Disclosures

Source: Bloomberg, Payden and Rygel

Performance greater than one year is annualized.

This information is prepared by GuideStone Capital Management LLC®, a controlled-affiliate of GuideStone Financial Resources®. This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. The information contained in this presentation is not intended to be used as a general guide to investing or as a source of any specific investment recommendations. This presentation makes no implied or express recommendations concerning the manner in which any client's account should or would be handled, as appropriate investment strategies depend upon the client's investment objectives. This presentation is for general information purposes only. It does not take into account the particular investment objectives, restrictions, tax and financial situation or other needs of any specific client. This information does not represent any GuideStone® product. Special risks are inherent in international investing including those related to currency fluctuations and foreign, political and economic events. The material represented has been obtained from sources we consider reliable, but which we cannot guarantee. It is subject to change without notice and is not intended to influence your investment decisions. This information discusses general market activity, industry or sector trends, or other broad-based economic, market or political conditions and should not be construed as research or investment advice.

Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

All indices are unmanaged and not available for direct investment. Index performance assumes no taxes, transaction costs, fees or expenses. Past performance is no guarantee of future results.

The funds or securities referred to herein are not sponsored, endorsed, or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. The Prospectus contains a more detailed description of the limited relationship MSCI has with GuideStone Funds® and any related funds.

Dow – Dow Jones Industrial Average is a price-weighted average of 30 significant U.S. stocks.

S&P 500® Index is an unmanaged index (with no defined investment objective) of common stocks, includes reinvestment of dividends and is a registered trademark of McGraw-Hill Co., Inc. The S&P 500® Index includes 500 of the largest stocks (in terms of market value) in the United States.

Russell 1000® Growth Index is a large-cap index consisting of those Russell 1000® Index securities with a greater-than-average growth orientation. Companies in this index tend to exhibit higher price-to-book and price-to-earnings ratios, lower dividend yields and higher forecasted growth values than the value universe.

Russell 1000® Value Index is a large-cap index consisting of those Russell 1000® Index securities with a less-than-average growth orientation. Companies in this index tend to exhibit lower price-to-book and price-to-earnings ratios, higher dividend yields and lower forecasted growth values than the growth universe.

Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership.

U.S. Aggregate – Bloomberg Barclays Aggregate Bond Index represents securities that are registered with the Securities and Exchange Commission ("SEC"), taxable and dollar denominated. The index covers the U.S. investment grade fixed-rate bond market, with index components for government and corporate securities, mortgage pass-through securities and asset-backed securities.

U.S. Government – Bloomberg Barclays US Government Index includes U.S. Treasury and U.S. government agency securities with remaining maturities of one year or more.

U.S. IG Corporate – Bloomberg Barclays U.S. Corporate Bond Index (Investment Grade) consists of publicly issued U.S. corporate and specified foreign debentures that are registered with the SEC and meet specific maturity, liquidity and quality requirements.

U.S. High Yield – Bloomberg Barclays U.S. Corporate High Yield 2% Issuer Capped Index is an issuer-constrained version of the Bloomberg Barclays U.S. Corporate High Yield Index that measures the market of U.S. dollar denominated, non-investment grade, fixed-rate, taxable corporate bonds. The index follows the same rules as the uncapped index but limits the exposure of each issuer to 2% of the total market value and redistributes any excess market value index-wide on a pro rata basis.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EM - MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Global Aggregate – Bloomberg Barclays Global Aggregate Bond Index Unhedged is a broad-based measure of the global investment-grade fixed rate debt markets.