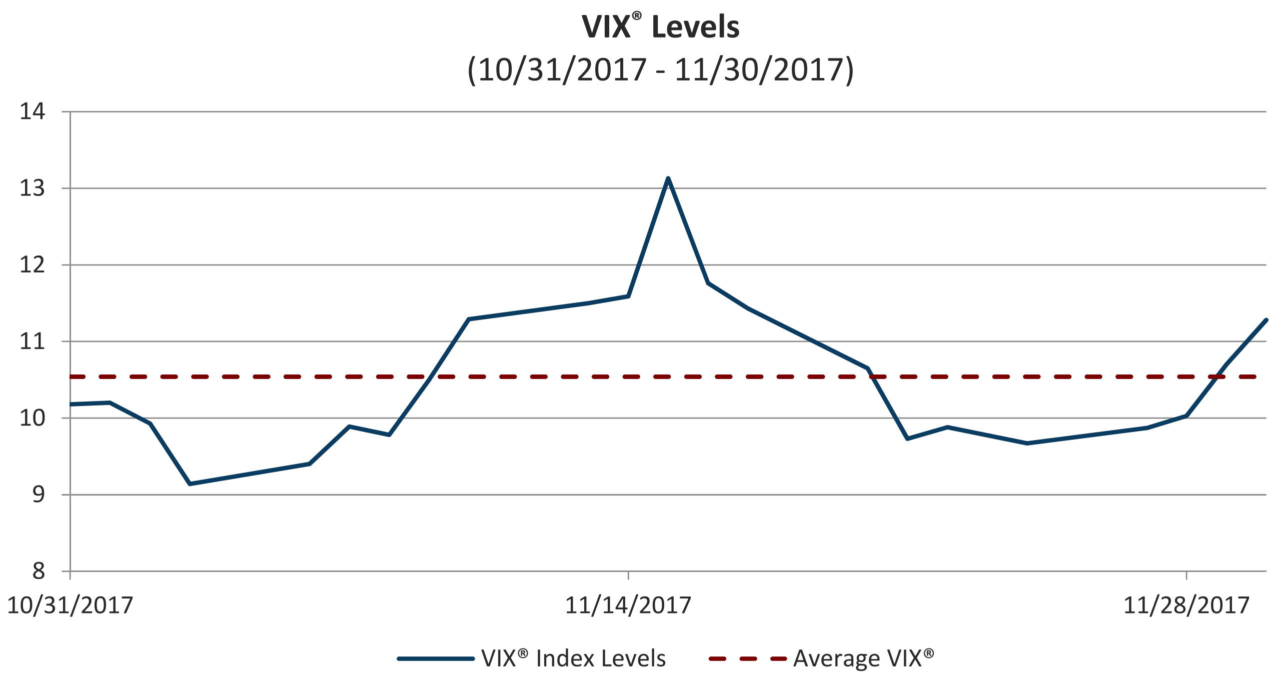
Market Recap

The S&P 500® Index returned 3.07% for November, bringing its year-to-date return to 20.49%. After oscillating sideways over the first half of the month, the equity market's low-volatility advance accelerated over the second half as the outlook for tax cuts improved.

After a modest advance in the first week of November, the equity market pulled back in week two resulting in a month-to-date return of -0.28% for the S&P 500® Index through November 15th. On November 16th, the House of Representatives passed a tax reform package that included steep cuts in corporate tax rates and an increase in the standard deduction for individuals, but also eliminated the tax-deductibility of state and local taxes. From its close on November 15th through month-end, the S&P 500® Index advanced 3.36%.

The market backdrop remained positive in November with data releases suggesting accelerating economic growth and improving employment statistics. The unemployment rate reported in early November came in at 4.1%, a 17-year low. Despite tightening employment conditions, the year-over-year change in the Consumer Price Index was just 1.8%, indicating that inflation remains below the Federal Reserve's 2% target. On November 29th, the first revision of Q3 GDP growth matched consensus expectations of 3.3%. The revision was an upgrade from the 3.0% first estimate. As of November 30th, 497 of S&P 500® Index companies had reported Q3 earnings and over 80% met or exceeded analyst estimates with Q3 operating earnings 2.4% above Q2 2017 results and 17.1% above Q3 2016 results.

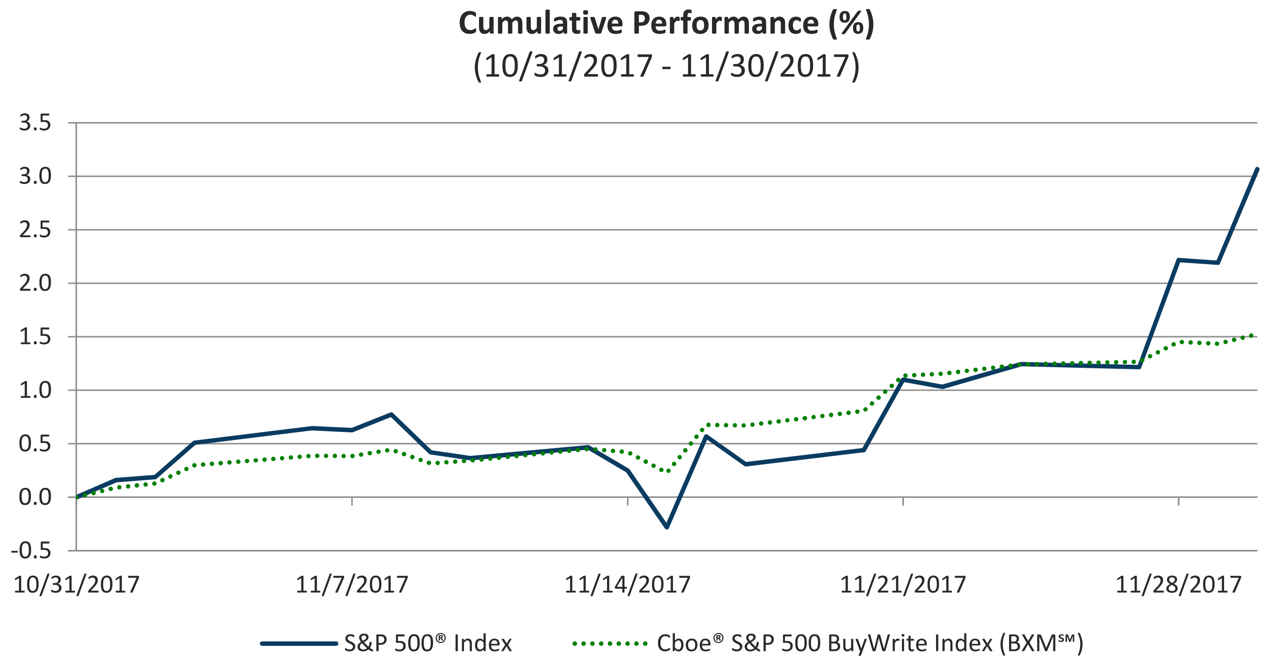
Implied volatility, as measured by the Cboe® Volatility Index® (the VIX®), averaged 10.54 for the month with a peak closing high of 13.13 and a closing low of 9.14. The closing low was the lowest closing value in the history of the measure. The realized volatility of the S&P 500® Index (as measured by the annualized standard deviation of its daily returns) for the month of November was 6.44%, well below the November average for the VIX®.



Datasource: Bloomberg, L.P.

The Cboe® S&P 500 BuyWrite℠ Index (the BXM℠) had a return of 1.53% for November, underperforming the S&P 500® Index by 154 basis points (bps) and bringing its year-to-date return to 12.27%. Though the BXM℠ outperformed the S&P 500® Index over the first half of the month, the BXM's℠ lagging performance for November was primarily due to insufficient call premium to keep pace with the market's advance in the second half of the month. The premium collected in October when the BXM℠ wrote its index call option with November expiration helped it generate at return of 0.67% through November 17th, which was 36 bps ahead of the S&P 500® Index's 0.31% return. On November 17th, the BXM's℠ November index call option expired and it wrote a new index call option with December expiration. The index call option with December expiration the BXM℠ wrote on the 17th had a strike price of 2585 and generated an unearned premium of $19.96, giving the BXM℠ 1.01% of return potential based on the closing value of 2578.85 for the S&P 500® Index on November 17th. As the S&P 500® Index advanced 2.75% from its closing value on the 17th through month-end, the BXM℠ earned a portion of the premium it had collected and generated a return of 0.85%, underperforming the S&P 500® Index by 190 bps.

[1] The CBOE® S&P 500 BuyWrite℠ Index (the BXM℠) is a passive total return index designed to track the performance of a hypothetical buy-write strategy on the S&P 500® Index. The construction methodology of the BXM℠ includes buying an equity portfolio replicating the holdings of the S&P 500® Index and selling a single one-month S&P 500® Index call option with a strike price approximately at-the-money each month on the Friday of the standard index-option expiration cycle and holding that position until the next expiration.



Datasource: Bloomberg, L.P.
Performance data shown represents past performance and is no guarantee of, and not necessarily indicative of, future results.

The Bloomberg Barclays U.S. Aggregate Bond Index returned -0.13% for November, bringing its year-to-date return to 3.07%. The yield on the 10-year U.S. Treasury Note began the month at 2.38%, fell to a November low of 2.31% on November 7th and ended at 2.41%, its high for the month.