



Monthly Market Insights
from Joe Terranova,
Chief Market Strategist

NOVEMBER 2014

With only two months remaining in 2014, investors should be focused on formulating their investment plan for 2015. While doing so, here are 10 indicators and events to pay attention to this month, as they have the potential to impact capital markets in the near term and into 2015.

1

MONDAY, NOVEMBER 3
U.S. ISM
Manufacturing

Last month's 56.6 index reading was down from the previous month's 59.0. Despite the moderation, manufacturing continues to be a strength of the U.S. economy. The readings over the past three months are the strongest since 2011. Concern should only be elevated if this month's reading cools below 55.

2

TUESDAY, NOVEMBER 4
U.S. Midterm
Elections

The current configuration of the U.S. Senate should witness the most dramatic shift after voters take to the polls. Currently, Democrats maintain a 55-45 advantage. Expect the Republicans to take control, and hold at least 51 seats, possibly as many as 53. Republican governors currently outnumber Democrats 29-21, and not much should change there. Finally, the Republicans have a 34-seat advantage in Congress (233-199); expect that majority to swell to at least 240 for the GOP.

3

THURSDAY, NOVEMBER 6
European Central
Bank Meeting

The release of favorable stress test results for European banks in late October gave the ECB the luxury of a delay in making any further asset purchase announcements. Expect the November meeting and President Mario Draghi's press conference to focus on whether the central bank will shift its asset purchases from government bonds to corporate debt at its next meeting in December.

4

FRIDAY, NOVEMBER 7
October U.S. Labor
Report

Last month's nonfarm payroll headline figure was +248,000, private payrolls came in at +236,000, the unemployment rate was 5.9%, and the labor force participation rate was 62.7. Expectations for the October report are for job growth to moderate, and a lower headline number, in the range of +215,000 to +235,000. The estimate for private payrolls is also lower, +210,000 to +230,000.

5

MONDAY, NOVEMBER 10
S&P 500® Buyback
Blackout Period Ends

During the first week of November, 81 S&P 500 Index (SPX) companies report earnings, bringing to 427 the total number of SPX companies reporting to that point. That number sharply declines the week of November 10, when only 14 companies report. SPX companies experienced an ill-timed blackout period starting in early October as they prepared to report Q3 calendar earnings. Now that earnings season is drawing to a close, it may signal the welcome return of corporate activity in the form of share buybacks for some companies.

6	TUESDAY, NOVEMBER 11 THURSDAY, NOVEMBER 27 FRIDAY, NOVEMBER 28 U.S. Market Holidays	Several U.S. market holidays this month create the potential for elevated volatility for equity markets, similar to what occurred in October on Columbus Day when the bond market was closed. The U.S. bond market will be closed for Veterans Day on Tuesday, the 11th, all domestic markets are closed on Thursday, November 27, for Thanksgiving, and they close early on Friday, the 28th.
7	SATURDAY, NOVEMBER 15 G-20 Summit	World leaders travel to Brisbane, Australia for the ninth G-20 summit where President Obama, Russian President Putin, and Chinese President Xi Jinping will tackle a myriad of world issues including Ukraine, Ebola, and ISIL. However, what may be most important at this meeting will be the discussion about the Brisbane Action Plan. Designed to stimulate economic growth, the plan seeks to raise the level of G-20 output by at least 2% above its current modest level in the next five years.
8	WEDNESDAY, NOVEMBER 19 FOMC Minutes Released	The release of the FOMC minutes from the October 29 meeting will set the stage for the final FOMC meeting of 2014 and Chair Yellen's post-meeting press conference on December 17. I do not expect the FOMC to significantly adjust policy, or its statement language, without first "advising" markets through its meeting minutes.
9	THURSDAY, NOVEMBER 27 OPEC Meeting in Vienna	The Organization of the Petroleum Exporting Countries (OPEC) will conduct one of its most important meetings in many years. As U.S. shale production has reached historic highs, OPEC has lost its long-standing ability to take action to defend its pricing power. Rather, OPEC is now focused on defending market share, not price. OPEC member nations can absorb further downside to oil prices in order to defend market share. The Vienna meeting will be critical for determining OPEC's overall relevancy during the coming years.
10	FRIDAY, NOVEMBER 28 Black Friday	If investors listened to recent comments from UPS and FedEx, they might expect the U.S. holiday shopping season to be historic for retailers. However, I caution that the consumer might be the bigger beneficiary, as lower energy costs, retailer discounts, and e-commerce expansion will foster positive momentum for shoppers. Brick and mortar retailers will be challenged this holiday season as more online spending and technology purchases will limit the number of "in store" impulse purchases these retailers typically benefit from.

JOSEPH M. TERRANOVA, *Chief Market Strategist, Virtus Investment Partners*

Joe Terranova is chief market strategist for Virtus Investment Partners, a position he was elevated to in 2009, after having started with the company as chief alternatives strategist. In his current role, Mr. Terranova works with Virtus' regional sales teams and the financial advisors who sell the company's investment products, providing insight into the domestic and global investing landscape and has represented Virtus as a keynote speaker for several financial institutions. He is a member of the Virtus Investment Oversight Committee.

Prior to joining Virtus in 2008, Mr. Terranova spent 18 years at MBF Clearing Corp., rising to the position of director of trading for the company and its subsidiaries. In this capacity, he managed more than 300 traders and support staff for MBF, one of the New York Mercantile Exchange's largest firms. His work was highlighted as the feature story in the June 2004 issue of *Futures* magazine.

Mr. Terranova is perhaps best known for his risk management skills, honed while overseeing MBF's proprietary trading operations during some of the most calamitous times for the U.S. markets, including the first Gulf War, the 1998 Asian Crisis, 9/11, and the collapse of Amaranth Advisors. In 2003, he was one of the first Wall Street professionals to make an early call for higher energy, natural resources, and commodity prices. In June 2008, he cautioned investors to move to the sidelines in commodities and, in March 2009, he encouraged investors to ignore the global "embracement of pessimism" and overweight equities. Before joining MBF, Mr. Terranova held positions at both Swiss Banking Corp. and JP Morgan Securities.

Mr. Terranova has been an ensemble member of the CNBC *Fast Money* franchise since 2008. He also frequently contributes exclusively to CNBC's other business programs. He is the author of *"Buy High, Sell Higher"* (Business Plus, 2012), a book about the "new rules" of investing based on his years as a professional trader.

Mr. Terranova is strongly committed to charitable causes benefiting children. He founded and funds the 501(c) South Nassau Rock organization, which provides specialized athletic experiences for children, and works with Nassau County to sponsor the improvement of baseball and outdoor ice rink facilities. In 2007, he established "Bossy's Bunch," a program that rewards academic excellence among elementary school students, with New York Islanders Hall of Fame hockey player Mike Bossy. In 2013, he expanded his charity work with the Islanders, creating and sponsoring the "Courier of Courage" program, which acknowledges children who have overcome hardships, disabilities, or illness.

Mr. Terranova earned a bachelor's degree in finance from the Peter J. Tobin College of Business at St. John's University in New York.

For more information, visit Virtus.com

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