

UNCERTAINTY SURROUNDING OMICRON AND LINGERING INFLATIONARY WORRIES DRIVE VOLATILITY TO SPIKE AND EQUITY MARKETS TO RETREAT

- It was another very volatile week for Wall Street as the variant Omicron was seemingly on everyone's mind, but there were more worrisome thoughts versus positive ones as all the major U.S. equity markets declined
- The small-cap Russell 2000 took it on the chin for the second week in a row with a decline of 3.9%, followed by the tech-laden NASDAQ's decline of 2.6%
- The larger-cap DJIA and S&P 500 were heading for an equally awful week, but seemed to hit a floor and came to rest down 0.9% and 1.2%, respectively, for the week
- Almost all of the 11 S&P 500 sectors were red this week, with 9 of the 11 declining, led by Communication Services (-2.8%), Consumer Discretionary (-2.4%), and Financials (-2.0%)
- The two lone green sectors were Real Estate (+0.1%) and Utilities (+1.0%)
- While Omicron dominated Wall Street's collective thoughts, so did inflation, especially when Fed Chair Powell told Congress that the word "transitory" should no longer be used when describing inflation
- WTI Crude Oil faced another volatile week, dropping by 2.6% and ending the week just north of \$66/barrel
- Volatility, as measured by the VIX, rose steadily all week, beginning under 25 and rising to end the week just shy of 31

Weekly Market Update – December 3, 2021

	Close	Week	YTD
DJIA	34,580	-0.9%	13.0%
S&P 500	4,538	-1.2%	20.8%
NASDAQ	15,085	-2.6%	17.0%
Russell 2000	2,159	-3.9%	9.3%
MSCI EAFE	2,235	-1.0%	4.5%
Bond Index*	2,359.92	0.87%	-1.34%
10-Year Treasury	1.35%	-0.10%	0.4%

*Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results

Omicron Worries and Lingered Inflation Spook Markets

It was another volatile week for Wall Street, as the VIX – aptly named the Fear Index – trended up all week and ended at a level not seen since late January of this year.

The markets seemed to struggle with figuring out how the Omicron variant would impact markets and economies and at times it seemed as if the number of naysayers equaled the number of those that weren't too worried.

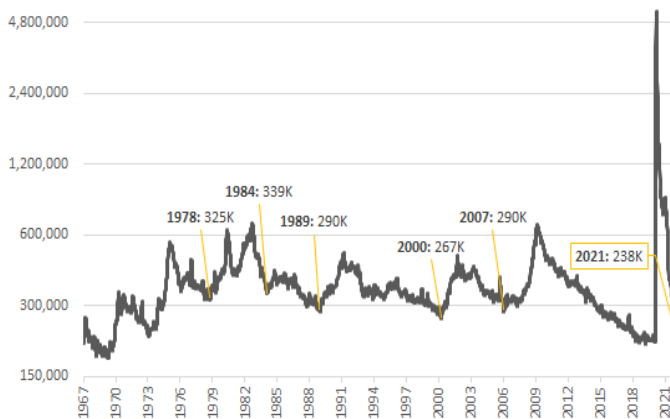
But when Fed Chair Powell suggested that the word “transitory” was no longer appropriate when discussing inflation, it seemed as if the naysayers gained converts quickly. Especially when Powell suggested that the Fed might accelerate the tapering of its bond purchases at a faster rate than previously discussed. Wall Street analysts are interpreting this acknowledgement as a sign that the Fed’s timeline for increasing short-term rates is sooner than previously thought.

On the week, the larger caps outpaced the smaller and mid-cap names and the value names trounced the growth names.

In economic news, it was mixed, as:

- Consumer confidence slipped in November
- Construction spending increased
- Pending home sales increased 7.5% in October from September
- Manufacturers’ goods and services increased
- Jobless claims were up 28,000 to 222,000, far below expectations
- The four-week moving average fell 12,250 to 238,750

Initials jobless claims (4-week average)



Consumer Confidence Slips in November

On the last day of the month, the Conference Board reported that its Consumer Confidence Index decreased in November, after an increase in October. The Index now stands at 109.5 (1985=100), down from 111.6 in October.



Present Situation

“Consumers’ appraisal of current business conditions was less favorable in November.

- 17.0% of consumers said business conditions are “good,” down from 18.3%.
- 29.0% of consumers said business conditions are “bad,” up from 25.7%.

Consumers’ assessment of the labor market was moderately more favorable.

- 58.0% of consumers said jobs are “plentiful,” up from 54.8%.
- Conversely, 11.1% of consumers said jobs are “hard to get,” virtually unchanged from 11.0%.

Expectations Six Months Hence

Consumers’ optimism about the short-term business conditions outlook increased in November.

- 24.1% of consumers expect business conditions will improve, up from 22.7%.
- 20.7% expect business conditions to worsen, down from 21.9%.

Consumers were less optimistic about the short-term labor market outlook.

- 22.1% of consumers expect more jobs to be available in the months ahead, down from 24.4%.
- 18.9% anticipate fewer jobs, up slightly from 18.7%.

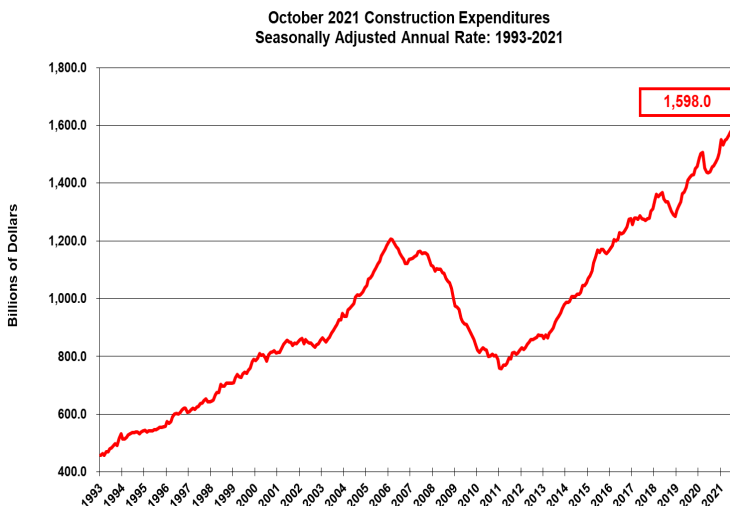
Consumers were less positive about their short-term financial prospects.

- 17.9% of consumers expect their incomes to increase, down from 18.4%.
- 12.0% expect their incomes will decrease, up from 11.2%.”

Construction Spending Inches Up

On December 1st, the U.S. Census Bureau announced the following construction statistics for October 2021:

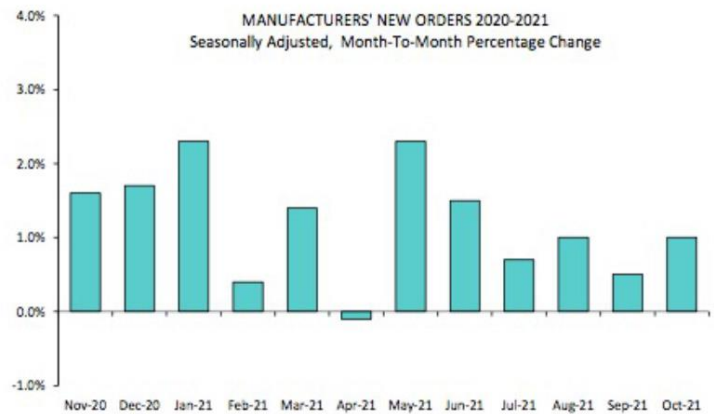
- Construction spending during October 2021 was \$1,598.0 billion, 0.2% above September
- The October figure is 8.6% above October 2020
- During the first ten months of this year, construction spending amounted to \$1,323.1 billion, 7.5% above the same period in 2020.



Manufacturers' Goods Increase

On December 3rd, the U.S. Census Bureau released the October report on manufacturers' shipments, inventories and orders, summarized as follows:

- New orders for manufactured goods in October, up seventeen of the last eighteen months, increased \$5.1 billion or 1.0% billion.
- Shipments, also up seventeen of the last eighteen months, increased \$10.2 billion or 2.0%.
- Unfilled orders, up nine consecutive months, increased \$3.1 billion or 0.3%.
- Inventories, up sixteen of the last seventeen months, increased \$6.4 billion or 0.8%.



Source: U.S. Census Bureau, Manufacturers' Shipments, Inventories, and Orders, December 3, 2021.