

Market Commentary

For the week of December 8th, 2021

The Markets

Returns Through 12/03/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.75	16.86	20.84	16.72	14.35
NASDAQ Composite (PR)	-2.60	17.77	22.67	27.69	24.67
S&P 500 (TR)	-1.17	22.45	25.55	19.70	17.83
Barclays US Agg Bond (TR)	0.63	3.76	5.10	7.38	6.36
MSCI EAFE (TR)	0.19	-3.31	0.91	8.86	10.00

Observations

- U.S. equities moved lower this week as indicated by the S&P 500 which was down -1.17% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased by -3.82% on the week.
- International stocks as measured by the MSCI EAFE were negative on the week, down -0.19%, outperforming domestic stocks.
- Emerging market stocks were positive on the week with the MSCI EM up +0.52%.
- U.S. investment grade bonds were positive last week with the Bloomberg Barclays U.S. Aggregate Bond index up +0.63%.

Data Obtained from Bloomberg as of 12/03/2021



Economic Review

- The ISM Manufacturing Index for the month of November increased from 60.8 to 61.1 which was slightly below the estimate of 61.2.
- The ISM Non-Manufacturing Index increased to 69.1 in November, beating economists' expectations which called for a decline from the prior month to 65.0.
- The change in non-farm payrolls for the month of November came in well below expectations; the actual increase was 210,000 while economists called for an increase of 550,000.

INSIGHT: The manufacturing sector continued to expand in November, with thirteen of eighteen industries reporting growth. What is even more promising is that although these measures are continuing to hit record highs, survey responses continue to highlight the unique circumstances and challenges the current supply chain is causing. This should mean that there will be ample momentum for these indicators to move even higher when supply chain issues reside. On the other hand, the jobs report showed that the U.S. economy added much fewer jobs than economists expected. However, looking under the hood of the report, this may be more of a mixed result than purely negative as the survey of households painted a more optimistic jobs picture, indicating an employment gain of 594,000 for the month. The Labor Force Participation ratio increased to 61.8% which is also the highest number since March of 2020, however the labor force is still trailing February 2020 numbers by about 2.4 million workers.

A Look Forward

- The Job Openings and Labor Turnover Survey (JOLTS) for the month of October will be announced on Wednesday; the expectation is 10.6 million job openings compared to the previous reading of 10.438 million openings.
- The Consumer Price Index (CPI) for the month of November will be released on Friday; the estimate among economists is an increase of 0.7% on a month-over-month basis. The year-over-year estimate is 6.7%.
- The University of Michigan Consumer Sentiment Index for the month of December will be released on Friday; the consensus expectation is for the survey to increase from 67.4 to 68.0.

INSIGHT: Fresh off a disappointing headline jobs number, there is an indication that the sheer number of open jobs continues to point to a potential mismatch in the labor market. In previous surveys, respondents have highlighted a few reasons for the slack in the labor market, however, one that sticks out is the potential for structural unemployment, where unemployment is due to a lack of talent as a result of dynamic changes in certain industries. Next, inflation is once again in the headlines as newly re-nominated Chairman Jerome Powell reversed his initial claim of transitory price increases and now sees inflation having the potential to be "persistently higher for longer." If inflation does continue to run hot, Chairman Powell has left the option open for the Fed to pick up the pace on its tapering timeline.



BY THE NUMBERS

NOT A NORMAL YEAR - Over the last 12 months, i.e., 12/03/20 to last Friday 12/03/21, the S&P 500 has gained +25.6% (total return) and set 71 all-time closing highs. The S&P 500 consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

FED JOBS - With the resignation of Randal Quarles at the end of 2021 and the expiration of Richard Clarida's term on 1/31/22, the Fed's 7-member Board of Governors will have 3 vacancies. President Biden has pledged to "bring new perspectives and new voices" to the Fed board (source: Federal Reserve).

WONDER WHY? - 27.1 million Americans moved in the last year, 8.4% of the US population. That's the lowest percentage of Americans who reported living at a different residence in an annual survey conducted since 1948. 25 years ago (1996), 16.3% of Americans moved in the prior 12 months (source: Census Bureau).

EVERY DAY - An estimated 11,050 Americans will turn 65 years old each day next year (2022), i.e., 1 every 8 seconds. This group represents the 12th year of 19 years of "Baby Boomers" turning age 65. An estimated 11,525 Americans will turn 65 years old each day in the year 2029 (source: Government Accountability Office).

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