

In this week's recap: Market copes with unpleasant news; Powell surprises, Omicron concerns, and a less than stellar jobs report disappoints.

Weekly Economic Update

Presented by Hirling Financial Group, December 6, 2021

THE WEEK ON WALL STREET

Stocks took investors on a wild ride last week as the Omicron variant and Fed comments upended market expectations.

The Dow Jones Industrial Average fell 0.91%, while the Standard & Poor's 500 stumbled 1.22%. The Nasdaq Composite index dropped 2.62% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, lost 0.62%.^{1,2,3}

A TUMULTUOUS WEEK

Stock prices were volatile all week, swinging wildly after staging a modest recovery to begin the week. Omicron fears were not the only issue weighing on investors. Markets were also rattled by Fed Chair Powell's Congressional testimony stating conditions warranted considering an acceleration of its bond purchase taper schedule. Last week's roller-coaster action was epitomized on Wednesday when stocks rallied intraday by 520 points on the Dow Industrials, only to close the session lower by 460 points.⁴

Stocks staged a powerful rebound on Thursday on news that a second Omicron infection exhibited mild symptoms. Also helping the rebound was news that an agreement was reached in the House of Representatives to temporarily fund the government and word from President Biden that an economic lockdown was not in the plan to fight COVID this winter. Emblematic of the volatile week, stocks fell on Friday following a weak jobs report.

POWELL SURPRISES MARKETS

Markets easily digested the Fed's early-November announcement that it would pull the trigger on its bond purchase tapering program, but were caught off-guard by Powell's comments during Congressional testimony last Tuesday. Powell indicated that the Fed would discuss the option of accelerating its tapering plans at its next meeting.⁵

Powell cited the risk of higher inflation and substantial improvement in the labor market as warranting ending bond purchases a few months sooner than planned. Powell sought to move away from describing inflation as transitory, acknowledging that rising energy prices, higher rents, and strong wage gains could keep inflation elevated, though he maintained inflation would decline sometime in 2022.⁵

TIP OF THE WEEK



If you're trying to save money or track your spending, consider using cash. Cash is real. You can see it, and you know when you're out of it. Money becomes more abstract when you use a credit or debit card, leaving you more open to financial choices you may later regret.

THE WEEK AHEAD: KEY ECONOMIC DATA

Wednesday: JOLTS (Job Openings and Labor Turnover Survey).

Thursday: Jobless Claims.

Friday: CPI (Consumer Price Index). Consumer Sentiment..

Source: Econoday, December 3, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Coupa Software (COUP), MongoDB (MDB).

Tuesday: AutoZone, Inc. (AZO).

Wednesday: Gamestop Corp. (GME), UiPath, Inc. (PATH).

Thursday: lululemon athletica, inc. (LULU), Broadcom, Inc. (AVGO), Costco Wholesale Corporation (COST), Chewy (CHWY).

Source: Zacks, December 3, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“Avoid having your ego so close to your position that when your position falls, your ego goes with it.”

COLIN POWELL

Market Index	Close	Week	Y-T-D
DJIA	34,580.08	-0.91%	+12.98%
NASDAQ	15,085.47	-2.62%	+17.05%
MSCI-EAFE	2,242.99	-0.62%	+4.45%
S&P 500	4,538.43	-1.22%	+20.83%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.35%	-0.13%	+0.42%

Sources: The Wall Street Journal, December 3, 2021; Treasury.gov, December 3, 2021

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, November 26, to Friday, December 3, close. Weekly performance for the MSCI-EAFE is measured from Friday, November 26, open to Thursday, December 2, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



You sit down to play chess. Out of the 16 pieces you have at your disposal, how many of them could be used to make your first move?

LAST WEEK'S RIDDLE: What nation has current and former capital cities whose names are anagrams of each other in the English language? (Hint: It is a major player in the global economy.)

ANSWER: Japan (Tokyo and Kyoto).

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, December 3, 2021
2. The Wall Street Journal, December 3, 2021
3. The Wall Street Journal, December 3, 2021
4. The Wall Street Journal, December 1, 2021
5. Reuters.com, November 30, 2021