

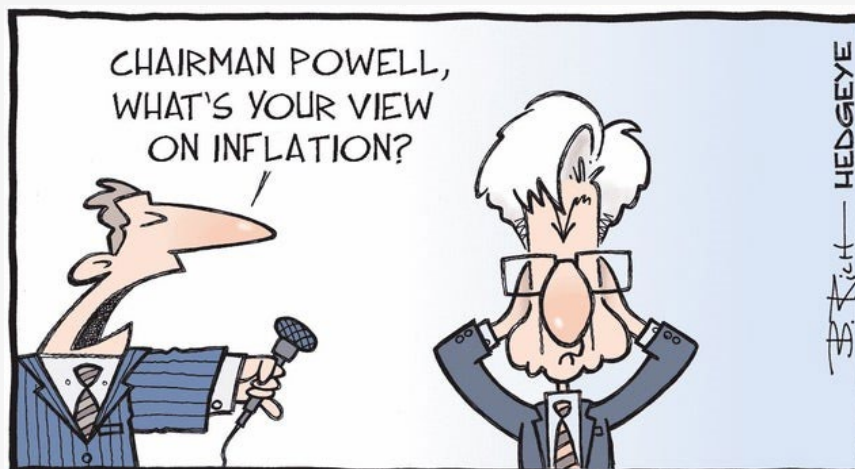
# Week in Review

December 6, 2021

## LAST WEEK IN REVIEW

In a volatile five days of trading last week, the major equity indexes pulled back on news that the Federal Reserve could curtail its monthly asset purchases at a faster rate. Also, fears that the emergence of the omicron strain of the coronavirus could weigh on global economic growth and contribute to supply chain disruptions. Large-capitalization stocks outperformed smaller- and mid-cap benchmarks. Within the S&P 500 Index, the communication services sector gave up the most ground. Utilities were the only sector to post a gain.

Fed Chair Jerome Powell acknowledged in testimony before Congress that inflationary pressures, while still expected to abate over the next year, had become broad enough and remained elevated for long enough that the central bank may consider accelerating the pace at which it tapers its monthly bond purchases. The market appeared to interpret this development as potentially moving forward the timeline for the Fed to begin increasing short-term interest rates. Powell also cited the uptick in the number of COVID-19 cases and the emergence of the omicron variant as possible catalysts for further supply chain disruptions as well as potential headwinds to the economic recovery and the labor market's gradual rebalancing.



## U.S. – MARKETS & ECONOMY

Nonfarm payrolls increased by 210,000 sequentially in November—well below the 546,000 positions added in October and less than half of analysts' consensus estimate. However, the Bureau of Labor Statistics also revised its estimate of the number of jobs created in October to 546,000 from 531,000 and the September increase in nonfarm payrolls to 379,000 from 194,000. The unemployment rate improved by four-tenths of a percentage point relative to October, falling from 4.6% to 4.2%. Average hours worked also ticked up. Albeit disappointing, markets seemed to view the deceleration in job creation as unlikely to shift the Fed's plans regarding its asset purchases and monetary policy.

## U.S. EQUITY MARKET PERFORMANCE

Index	Friday's Close Week Ending 12/03/2021	Weekly (+/-) Point Change 12/03/2021	% Change YTD Week Ending 12/03/2021
DJIA	34,580.08	-319.26	12.98%
S&P 500	4,538.43	-56.19	20.83%
Nasdaq Composite	15,085.47	-406.19	17.05%
S&P MidCap 400	2,702.13	-77.28	17.15%
Russell 2000	2,159.31	-86.63	9.34%

Source: Bloomberg. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results.

## US YIELDS & BONDS

Concerns about the omicron variant and Fed policy likewise moved fixed income markets. The Treasury yield curve flattened over the week, with short-maturity yields rising and long-term rates decreasing. Tax-free municipal bonds generated positive returns through most of the week and performed in line with US Treasuries at the broad sector level.

## US TREASURY MARKETS & WEEKLY YIELD CHANGE

**3 Mth:** 0.00 bps to 0.04%  
**2-yr:** +0.09 bps to 0.59%  
**5-yr:** -0.03 bps to 1.13%  
**10-yr:** -0.13 bps to 1.34%  
**30-yr:** -0.15 bps to 1.67%

SOURCE: FOR THE WEEK ENDING November 26, 2021. Bloomberg. Yields are for illustrative purposes only and do not represent the performance of any specific security. Yield changes are for one week. Past performance cannot guarantee future results

## INTERESTING NEWS OVERSEAS

After a volatile week of trading, shares in Europe posted mixed results, highlighted by concerns about the omicron variant and further evidence of inflationary pressures. The pan-European STOXX Europe 600 Index ended 0.28% lower in local currency terms, while Germany's Xetra DAX Index gave up 0.57%. On the other hand, France's CAC 40 Index rose 0.38%, and Italy's FTSE MIB Index gained 0.33%. The UK's FTSE 100 Index advanced 1.11%.

Core eurozone bond yields fell, as negative headlines concerning the omicron variant outweighed hawkish comments from Federal Reserve officials. As a result, peripheral eurozone bond yields ended the week broadly unchanged. UK gilt yields fell, broadly tracking core markets. Furthermore, Bank of England Monetary Policy Committee member Michael Saunders indicated that he could vote against a rate hike this month given the omicron variant's uncertainties, which also applied downward pressure on yields.

Inflation in the eurozone accelerated to its highest level since the single currency was introduced in 1999. As energy costs surged, consumption prices rose an annualized 4.9% rate in November, up from 4.1% in October. In Germany, annual inflation climbed to 6%—the highest level since 1992. In a television interview, Isabel Schnabel, a senior European Central Bank official, asserted that "November will prove to be the peak" for inflation in the country and that "there is no evidence to suggest that inflation is spiraling out of control."

Eurostat data showed that Euro area retail sales rose 0.2% in October, after dropping 0.4% in September, as consumers spent more on nonfood purchases. Meanwhile, consumer sentiment weakened for a second consecutive month in November, according to a survey by the European Commission. As a result, households are less upbeat about the general economic situation and their intentions to make significant purchases.

Lastly, Chinese stocks recorded a weekly gain despite a resurgence of U.S.-China tensions after Chinese ride-hailing app Didi said it would delist its U.S.-listed shares from the New York Stock Exchange. As a result, the CSI 300 Index rose 0.84%, and the Shanghai Composite Index added 1.2%. News of Didi's delisting came after the US Securities and Exchange Commission said that Chinese companies that list on US stock exchanges must disclose whether they are owned or controlled by a government entity and provide evidence of their auditing inspections.

Yields on China's 10-year government bonds jumped to 2.926% from 2.881% the previous week, tracking the rise in US Treasury yields after Federal Reserve officials signaled that there could be a quicker end to the US central bank's monthly bond purchases. The yuan strengthened to 6.3718 per US dollar from the prior week's 6.3917 per dollar, tracking the stronger midpoint rate set by China's central bank. The People's Bank of China Lastly, Chinese stocks recorded a weekly gain despite a resurgence of U.S.-China tensions after Chinese ride-hailing app Didi said it would delist its U.S.-listed shares from the New York Stock Exchange. As a result, the CSI 300 Index rose 0.84%, and the Shanghai Composite Index added 1.2%. News of Didi's delisting came after the US Securities and Exchange Commission said that Chinese companies that list on US stock exchanges must disclose whether they are owned or controlled by a government entity and provide evidence of their auditing inspections.

## THE WEEK AHEAD

It is a relatively busy week ahead in the US on the economic data front. The latest consumer price report could show the inflation rate jumped to 6.7 percent in November, its highest since June 1982 and well above the Federal Reserve's target of about 2 percent. At the same time, the preliminary estimate of Michigan consumer sentiment for December will likely show a further deterioration in morale to the weakest level since November 2011 amid soaring energy prices and concerns over the spread of the new Omicron coronavirus variant. Other publications to watch for are foreign trade, IBD/TIPP Economic Optimism, JOLTs job openings, the government's monthly budget statement, and the final readings of wholesale inventories and third-quarter labor productivity.

Have a great week.

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