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Market Week: December 6, 2021

The Markets (as of market close December 3, 2021)

Wall Street could not maintain its early momentum, closing the week down. Lower-than-expected employment, new reports of Omicron variant cases, and a hawkish stance from Federal Reserve Chair Jerome Powell led to uncertainty in the market. Each of the benchmark indexes ended the week lower, led by the small caps of the Russell 2000 and the tech-heavy Nasdaq. Treasury yields fell 14 basis points to 1.34%. Crude oil prices continued the longest streak of weekly losses since 2018, falling 2.9%, a skid that has run for six consecutive weeks. The dollar and gold prices changed little. Only utilities and real estate were able to eke out gains among the market sectors.

Stocks rallied last Monday, following the previous week's Omicron-related selloff. President Biden assured Americans the response to the Omicron variant would not involve shutdowns or lockdowns. The Nasdaq (1.9%) and the S&P 500 (1.3%) led the benchmark indexes, followed by the Dow (0.7%) and the Global Dow (0.1%). The Russell 2000 (-0.2%) ended the day in the red. Sector gains were broad-based, with information technology, consumer discretionary, and utilities outperforming. Ten-year Treasury yields and crude oil prices advanced, while the dollar was mixed.

Wall Street ended the day lower last Tuesday. Chair Jerome Powell admitted that recent inflationary pressures are more than just "transitory," the emergence of the Omicron variant could pose downside risks to employment and economic recovery, and that the Fed may accelerate the tapering of asset purchases. That was apparently enough to drive stocks lower, with each of the benchmark indexes falling by more than 1.6%. The Russell 2000 dipped 1.92%, followed by the S&P 500 and the Dow, which lost 1.9%. The Nasdaq fell 1.6%. Bond prices spiked, with the yield on 10-year Treasuries dropping over 10.9% to close at 1.44%. Crude oil prices fell to \$66.80 per barrel, and the dollar declined.

Last Wednesday, stocks suffered their worst back-to-back sessions since October 2020. The first Omicron case was confirmed in California, while new cases were reported in the United Kingdom, Switzerland, and Brazil. A decline in tech shares pulled the Nasdaq down 1.8%. The Dow fell 1.3%. The S&P 500 dipped 1.2%. The Russell 2000 fell the furthest on the day, losing 2.3%. The Global Dow inched up 0.5%. Crude oil prices fell to \$65.35 per barrel. Ten-year Treasury yields declined 62 basis points to 1.43%. The dollar was mixed.

Wall Street rebounded last Thursday, notching its biggest advance since October as dip buyers nabbed some of the hardest-hit shares during the two-day selloff. The Russell 2000 jumped 2.7%. The Dow gained 1.8%. The S&P 500 rose 1.4%. The Nasdaq and the Global Dow climbed 0.8%. Crude oil prices increased to \$66.83 per barrel. Treasury yields and the dollar also advanced. Energy, financials, industrials, and real estate led the market sectors.

Stocks closed out a volatile week in the red last Friday. While equities rallied for most of the day, stocks ultimately closed lower on weaker-than-expected jobs data. Among the benchmark indexes, the Russell 2000 (-2.4%) and the Nasdaq (-1.9%) fell the furthest, followed by the S&P 500 (-0.8%), the Global Dow (-0.3%), and the Dow (-0.2%). Ten-year Treasury prices climbed higher, sending yields lower. Crude oil prices and the dollar declined. Consumer staples, utilities, and health care were the only sectors to close in the black.

The national average retail price for regular gasoline was \$3.380 per gallon on November 29, \$0.015 per gallon less than the prior week's price but \$1.260 higher than a year ago. Gasoline production decreased



Key Dates/Data Releases
12/7: International trade in goods and services
12/8: JOLTS
12/10: Consumer Price Index, Treasury statement

during the week ended November 26, averaging 9.6 million barrels per day. U.S. crude oil refinery inputs averaged 15.6 million barrels per day during the week ended November 26 — 9,000 barrels per day less than the previous week's average. Refineries operated at 88.8% of their operable capacity, up marginally from the prior week's level of 88.6%.

Stock Market Indexes

Market/Index	2020 Close	Prior Week	As of 12/3	Weekly Change	YTD Change
DJIA	30,606.48	34,899.34	34,580.08	-0.91%	12.98%
Nasdaq	12,888.28	15,491.66	15,085.47	-2.62%	17.05%
S&P 500	3,756.07	4,594.62	4,538.43	-1.22%	20.83%
Russell 2000	1,974.86	2,245.94	2,159.31	-3.86%	9.34%
Global Dow	3,487.52	3,962.95	3,944.60	-0.46%	13.11%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	0.91%	1.48%	1.34%	-14 bps	43 bps
US Dollar-DXY	89.84	96.09	96.17	0.08%	7.05%
Crude Oil-CL=F	\$48.52	\$68.15	\$66.16	-2.92%	36.36%
Gold-GC=F	\$1,893.10	\$1,785.50	\$1,783.80	-0.10%	-5.77%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Employment rose by only 210,000 in November, well short of this year's monthly average of 555,000. However, the unemployment rate fell 0.4 percentage point to 4.2%, and the number of unemployed persons dropped by 542,000 to 6.9 million. Both measures are well below their February-April 2020 highs but remain above their pre-pandemic levels (3.5% and 5.7 million, respectively). Employment has increased by 18.5 million since April 2020 but is down by 3.9 million, or 2.6%, from its pre-pandemic level in February 2020. In November, notable job gains occurred in professional and business services, transportation and warehousing, construction, and manufacturing. Employment in retail trade declined over the month. The labor force participation rate edged up to 61.8% in November — 1.5 percentage points lower than in February 2020. The employment-population ratio increased by 0.4 percentage point to 59.2% last month — lower than the February 2020 figure of 61.1%. The number of persons not in the labor force who currently want a job was 5.9 million in November, little changed over the month but up by 849,000 since February 2020. In November, the number of employed persons who teleworked because of the coronavirus pandemic declined by 0.3 percentage point to 11.3%. In November, 3.6 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. In November, average hourly earnings increased by \$0.08 to \$31.03. Over the past 12 months, average hourly earnings have increased by 4.8%. The average work week for all employees increased by 0.1 hour to 34.8 hours in November.
- According to the IHS Markit US Manufacturing Purchasing Managers' Index™, production rose in November, but at the second-slowest rate since September 2020. Survey respondents noted that the lag in production was attributable to supply delays, labor shortages, and a slowdown in new orders. The rate of cost inflation also increased from October. Although manufacturers still tried to pass on greater costs to clients, data indicated some pushback on higher prices from customers.
- The IHS Markit U.S. Services PMI Business Activity Index registered 58.0 in November, down from 58.7 in October. Although the pace of expansion was stronger than the series average of 54.8, it was subdued in comparison to rates seen throughout 2021. November data indicated a strong rise in new business across the service sector, but supply-chain issues and higher selling prices often acted as deterrents to customers placing orders. The rate of cost inflation was the second-sharpest since October 2009, as higher supplier and fuel costs, coupled with rising wages, drove the increase in input prices.
- For the week ended November 27, there were 222,000 new claims for unemployment insurance, an increase of 28,000 from the previous week's level, which was revised down by 5,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended November 20 was 1.4%, a decrease of 0.1 percentage point from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended November 20 was 1,956,000, a decrease of 107,000 from the prior week's level, which was revised up by 14,000. This is the lowest

level for insured unemployment since March 14, 2020, when it was 1,770,000. For comparison, last year at this time there were 719,000 initial claims for unemployment insurance, and the rate for unemployment claims was 3.8%. During the last week of February 2020 (pre-pandemic), there were 219,000 initial claims for unemployment insurance, and the number of those receiving unemployment insurance benefits was 1,724,000. States and territories with the highest insured unemployment rates for the week ended November 13 were Puerto Rico (3.7%), the District of Columbia (3.5%), the Virgin Islands (3.3%), Alaska (2.8%), California (2.7%), New Jersey (2.4%), Hawaii (2.3%), Illinois (2.3%), Nevada (2.0%), and Pennsylvania (2.0%). The largest increases in initial claims for the week ended November 20 were in Virginia (+12,703), New Jersey (+2,061), Michigan (+1,926), Oklahoma (+1,490), and Minnesota (+1,465), while the largest decreases were in California (-7,233), Kentucky (-3,910), the District of Columbia (-1,679), Missouri (-1,519), and Massachusetts (-1,410).

Eye on the Week Ahead

The first report on inflationary trends is available this week with the release of the November Consumer Price Index. Prices rose 0.9% in October and have risen 6.2% over the past 12 months. With the holiday season in full swing, consumer prices are not expected to show any significant slowdown.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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