

Weekly Market Recap

November 22, 2021

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500® Index	4,698	0.3%	25.1%
Dow Jones Industrial Average	35,602	-1.4%	16.3%
NASDAQ	16,057	1.2%	24.6%
Russell 2000® Index	2,343	-2.8%	18.7%
MSCI EAFE Index	2,350	-0.6%	9.4%
10-yr Treasury Yield	1.54%	0.0%	0.6%
Oil WTI (\$/bbl)	\$75.67	-6.3%	56.0%
Bonds*	\$114.45	0.1%	-1.9%

Source: Bloomberg, FactSet

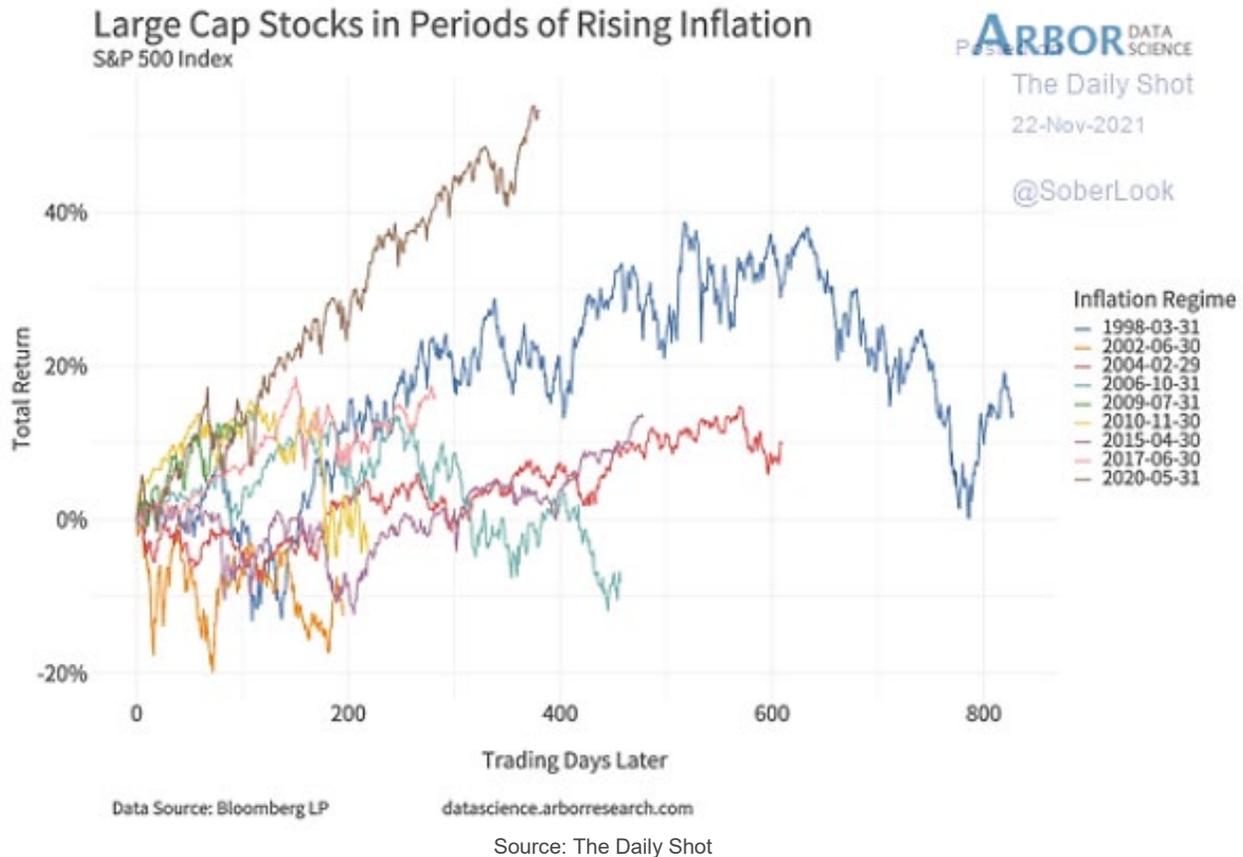
*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

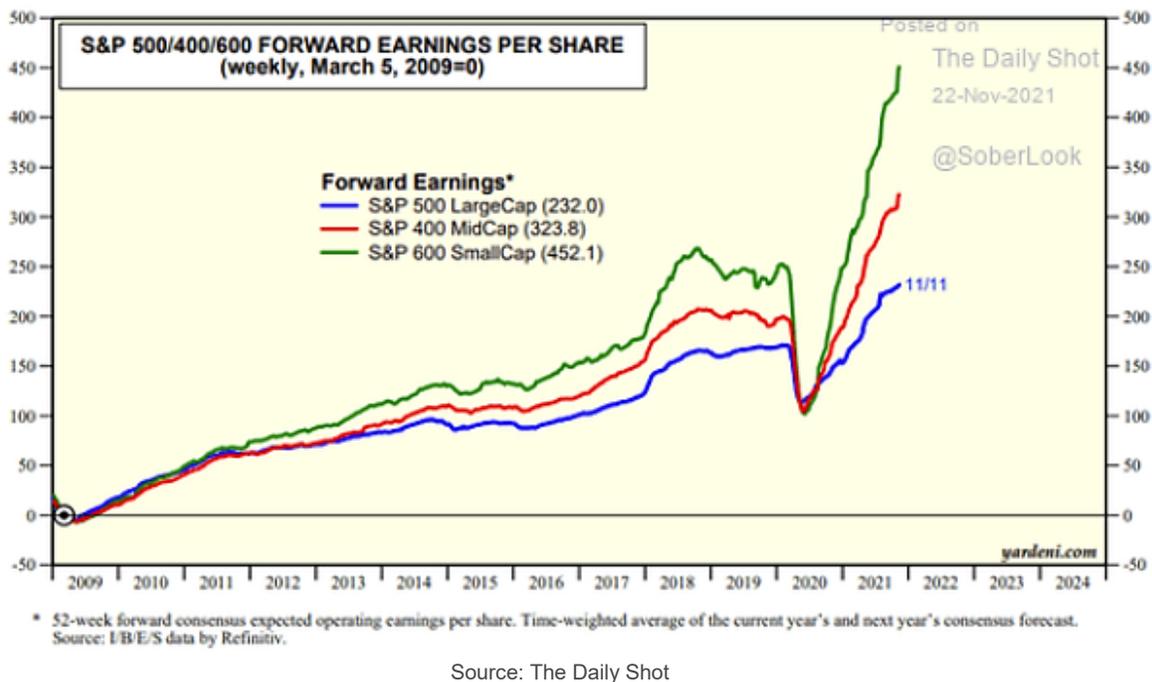
U.S. Equity Market

- U.S. large cap equities (S&P 500 Index) rose 0.3%, as strength in retail earnings highlighted robust consumer demand. Results in the tech sector were generally well reviewed, partially offset by concerns around elevated expectations and supply chain issues. The House passed the \$1.75T Build Back Better social spending package on Friday, but the Senate is not expected to take up the matter until December. Concerns related to potential White House nominees for Federal Reserve Chairperson and renewed COVID-19 fears weighed on markets. Treasuries were mostly stronger, with ten-year yields down 0.04% to 1.54%, the dollar gained nearly +1.0%, West Texas Intermediate (WTI) crude oil fell -5.8%, and gold lost -0.9%.
- Weekly S&P 500 Index Sector Returns:
 - Consumer discretionary (+3.8%) rose, led by Tesla (+10.0%) and **Amazon** (+4.3%), along with **Home Depot** (+9.7%) and Lowe's (+5.6%), amid strength in home improvement.
 - Technology (+2.4%) rose, led by Apple (+7.0%), **Microsoft** (+1.9%), and semiconductors.
 - Utilities (+0.9%) and REITs (+0.1%) rose, as investors favored more defensive sectors.
 - Health care (-0.7%) fell, led lower by select pharma and managed-care stocks.
 - Communication services (-1.0%) fell, with weakness from video game and media stocks.
 - Industrials (-1.2%) fell, led lower by airlines, trucking, building materials, and machinery.
 - Materials (-2.0%) fell, led lower by industrial metals.
 - Consumer staples (-1.4%), led lower by Phillip Morris (-5.2%), Walgreens (-4.6%) and Altria (-4.0%).
 - Financials (-2.8%) fell, led lower by money center banks, investment banks, and trust banks.
 - Energy (-5.2%) underperformed, as the price of WTI oil fell -6.3% and supply concerns diminished.

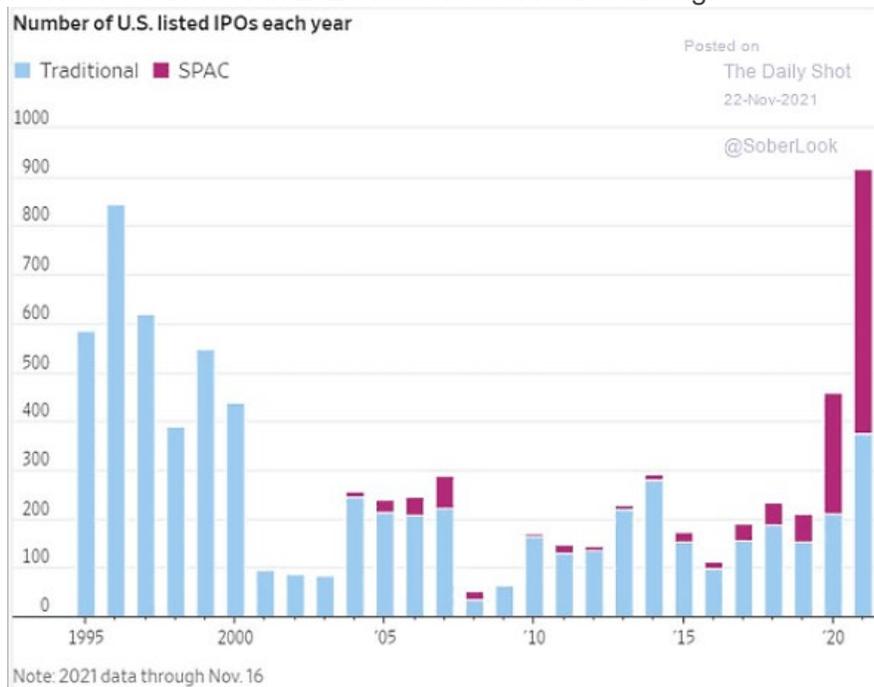
- The chart below shows how the S&P 500 Index performed during periods of rising inflation.



- Earnings expectations for small caps appear to be further elevated relative to large caps.

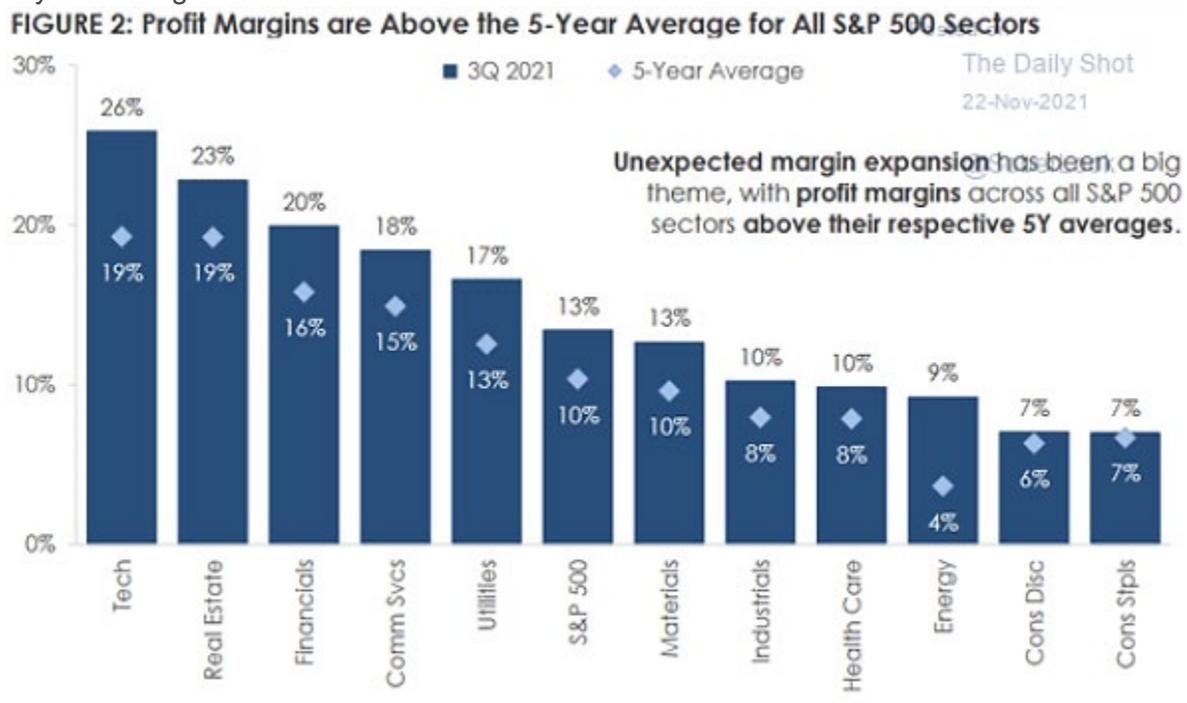


- The amount of U.S. IPOs/SPACs in 2021 thus far is record-breaking.



Source: The Daily Shot

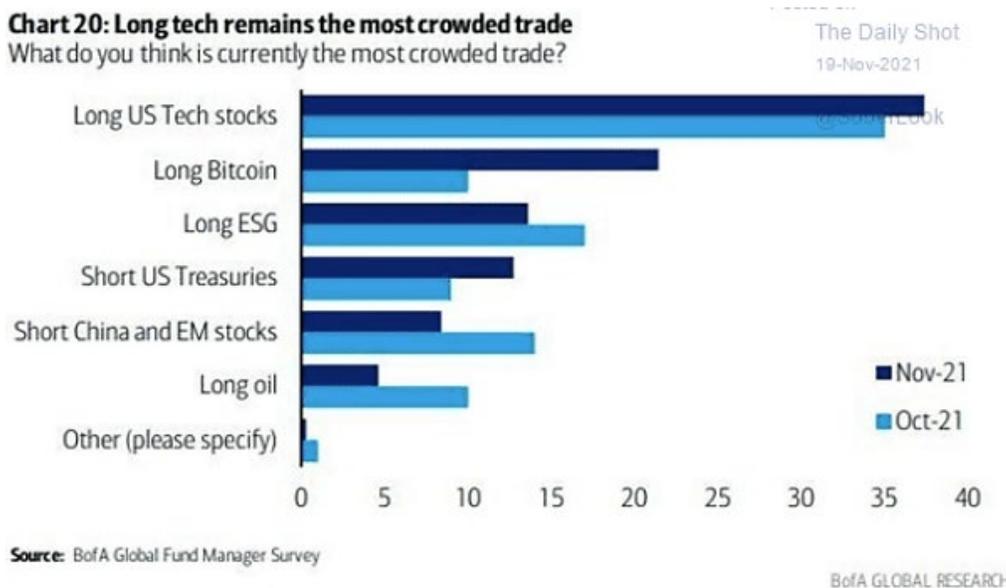
- Most sectors within the S&P 500 Index experienced strong margins in Q3.2021 relative to their historical five-year averages.



Source: MarketDesk. Based on quarterly net profit margins for all S&P 500 sectors.

Source: The Daily Shot

- Fund managers believe tech, Bitcoin, and ESG are the three most crowded trades, according to Bank of America's Global Fund Manager survey.*



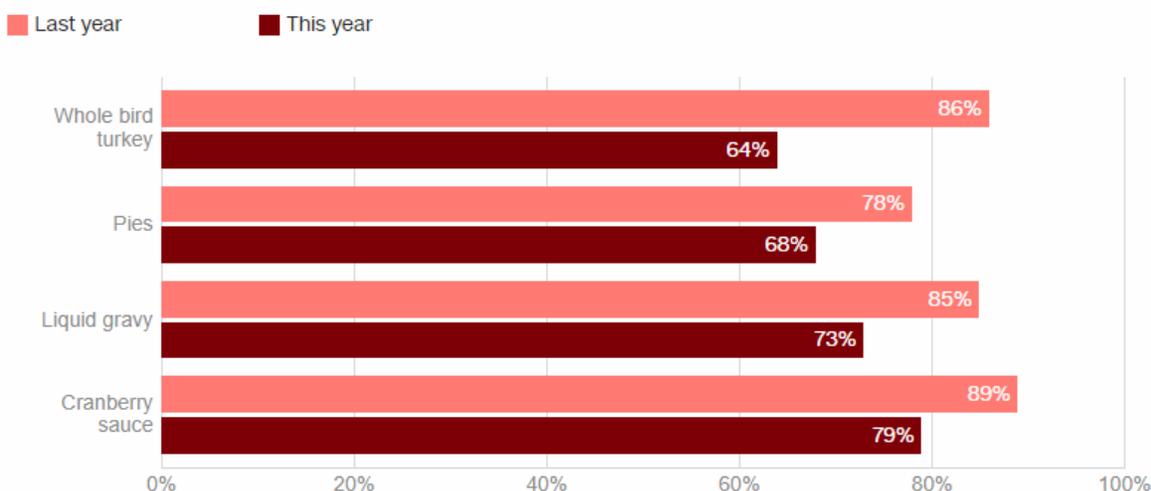
Source: The Daily Shot

- Stores are running low on some key Thanksgiving items, partially due to supply chain issues.

Supply chain stress reaches Thanksgiving table

Stores have been running lower on some Thanksgiving staples this year according to data from retail research firm IRI.

In stock rate for week ending November 7, 2021, compared to same period last year



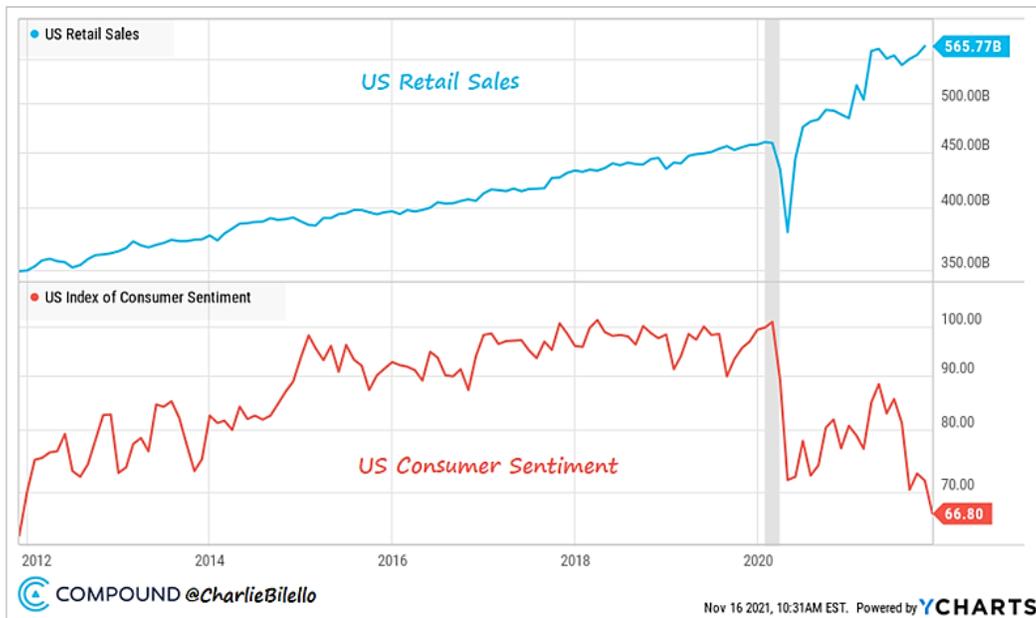
Source: IRI
 Graphic: Curt Merrill, CNN

Source: The Daily Shot

*This material references cryptocurrencies, including bitcoin. Such references are not a recommendation, an offer, nor a solicitation, to buy or sell Bitcoin or other cryptocurrencies.

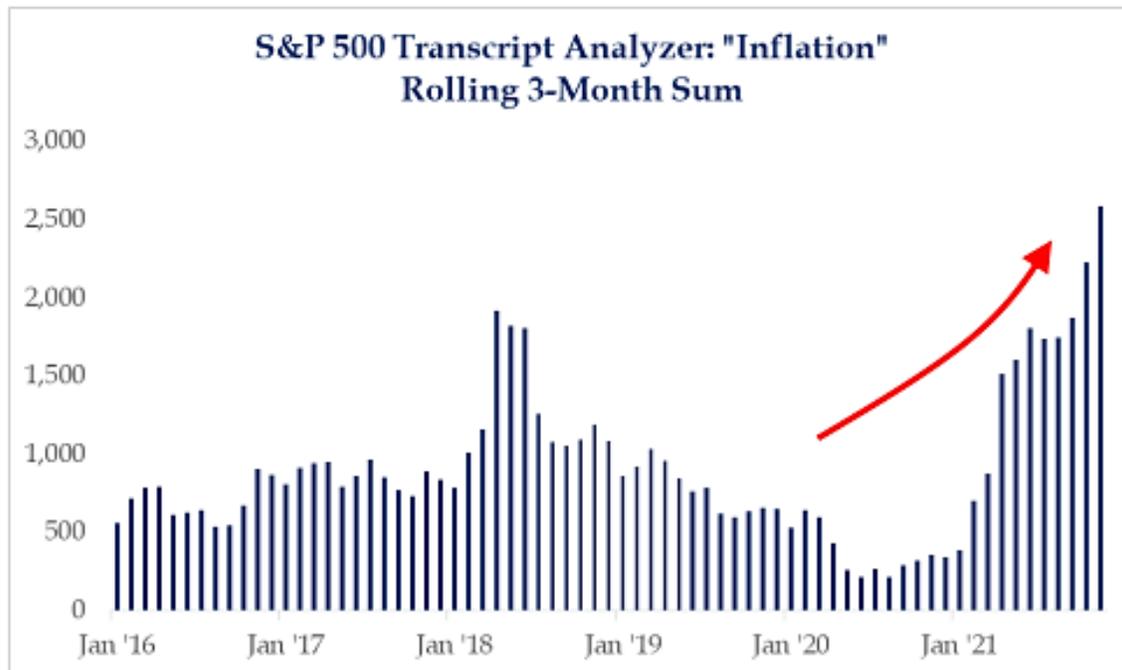
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 9.

- Retail sales reached new all-time highs, well above the long-term trends. At the same time, consumer sentiment reached its lowest point since 2012. Watch what consumers do and not what they say.



Source: Compound Advisors

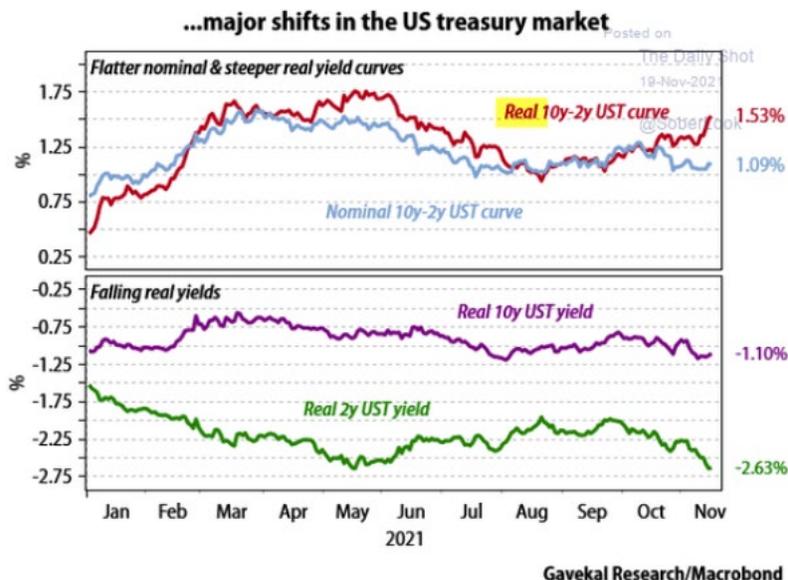
- Inflation continues to be a hot topic for discussion, as it is now a “known known” at this point in the cycle.



Source: Strategas

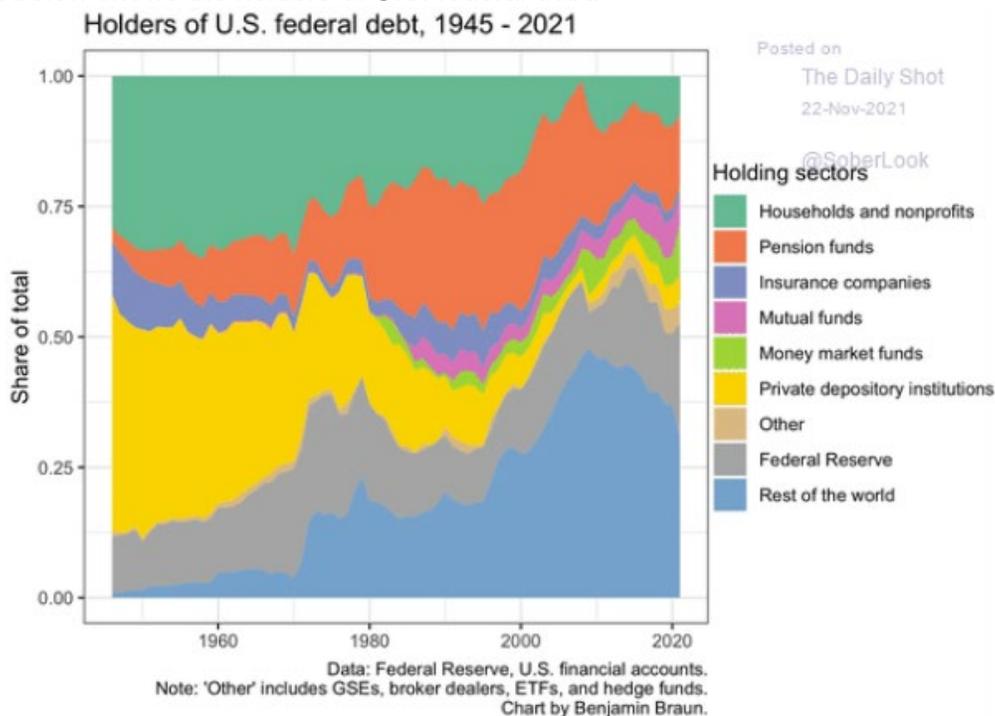
Fixed Income Markets

- The U.S. ten year/two year Treasury real rate curve (factoring in inflation) steepened as the real two-year yield declined faster than the real ten-year yield, while the nominal ten year/two year curve remains relatively flat.



Source: FactSet

- The chart below shows the holders of U.S. federal debt.



U.S. Economic and Political News

- The House passed the \$1.75T Build Back Better social spending package on Friday. However, the Senate is not expected to take up the matter until December and, while it is ultimately expected to pass, the path will remain complicated given the changes favored by centrists like Senator Manchin and Sinema, along with all of the noise surrounding inflation.
 - This week, Treasury Secretary Yellen pushed back the potential default date to December 15, while multiple reports discussed how Schumer and McConnell began talks about the debt ceiling.
 - The Biden-Xi meeting early in the week was a non-event for the market, as trade did not appear to be a high priority. However, there continue to be thoughts that the White House could ultimately dial back tariffs to help with the elevated levels of inflation. J.P. Morgan stated in a research note that a reversal of existing tariffs could represent a direct EPS benefit of \$5 for the S&P 500.
- President Biden said on Tuesday his Federal Reserve chair pick would come in "about four days," though the White House later seemed to suggest a decision would come before Thanksgiving. The news vacuum led to another batch of articles in the press and sell-side commentary highlighting the Powell versus Brainard debate. Despite some pickup in momentum behind a potential Brainard pick, the consensus expectation continued to revolve around Powell maintaining his position as the head of the Fed.

International Markets and News

- The Chinese stock market (Shanghai Composite) rose +0.5%, as the People's Bank of China (PBOC) continued to signal its support for the local economy as it unveiled its most recent target lending program to help the domestic coal sector with RMB 200B in financing.
 - Analysts estimated that the central bank's various programs are slowing, adding up to 1% to 2% of China's GDP, according to T. Rowe Price.
 - Housing sales declined 21.2% in October from September.
 - Fixed asset investments continued to slow, increasing 6.1% in the year's first ten months from the prior year, versus the 7.3% increase from January to September.
- European markets (STOXX 600 Index) fell -0.14%, as fears of further COVID-19 restrictions in Europe after Austria's announcement of a nationwide lockdown added to downward pressure on core yield, partially offset by dovish comments from European Central Bank (ECB) President Lagarde.
 - Germany, which is suffering from a record increase in infections, announced a three-step system of progressively tougher controls depending on hospitalization rates in each region.
- Japanese equities (Nikkei 225 Index) rose +0.5%, as Prime Minister Kishida's government approved a larger-than-expected stimulus package, with record fiscal support of JPY 55.7T.
 - A significant portion of the stimulus package will go toward infection prevention and reinforcing medical systems, including cash handouts of JPY 100,000 (USD 880) to children aged 18 or younger in accordance with an income cap on households, as well as financial aid to struggling families, students, and small businesses.

This Week:

- Corporate earnings reports will decrease this week with notable earnings including, but not limited to: **Medtronic**, Deere & Co., **Analog Devices**, VMare, Zoom Video Communications, Autodesk, Agilent Technologies, Dell Technologies, HP, Compass Group, Dollar Tree, Best Buy, Jacobs Engineering Group, Burlington Stores, Gamestop, J.M. Smucker, Dick's Sporting Goods, Gap, Anaplan, Pure Storage, Nordstrom, and Urban Outfitters.
- U.S. Economic data:
 - Monday: Existing Home Sales;
 - Tuesday: Flash Manufacturing PMI, Flash Services PMI;
 - Wednesday: MBA Mortgage Purchase Applications, Core Durable Orders, Durable Orders ex transport, Durable Orders, GDP Chain Price (first revision), GDP (first revision), Wholesale Inventories, Core PCE, Michigan Consumer Sentiment (Final), Personal Spending, Personal Income, New Home Sales;
 - Thursday: Happy Thanksgiving;
 - Friday: Limited data.

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

The securities described are neither a recommendation nor a solicitation. Security information is being obtained from resources the firm believes to be accurate, but no warrant is made as to the accuracy or completeness of the information.

Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **Earnings Per Share (EPS)**: a key metric used to determine the common shareholder's portion of the company's profit. EPS measures each common share's profit allocation in relation to the company's total profit. (Technical definitions are sourced from Corporate Finance Institute.)

The **Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by the CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful.

The opinions contained in the preceding commentary reflect those of Sterling Capital Management LLC, and not those of Truist Financial Corporation or its executives. The stated opinions are for general information only and are educational in nature. These opinions are not meant to be predictions or an offer of individual or personalized investment advice. They are not intended as an offer or solicitation with respect to the purchase or sale of any security. This information and these opinions are subject to change without notice. All opinions and information herein have been obtained or derived from sources believed to be reliable. Any type of investing involves risk and there are no guarantees. Sterling Capital Management LLC does not assume liability for any loss which may result from the reliance by any person upon such information or opinions.

Investment advisory services are available through Sterling Capital Management LLC, a separate subsidiary of Truist Financial Corporation. Sterling Capital Management LLC manages customized investment portfolios, provides asset allocation analysis and offers other investment-related services to affluent individuals and businesses. Securities and other investments held in investment management or investment advisory accounts at Sterling Capital Management LLC are not deposits or other obligations of Truist Financial Corporation, Truist Bank or any affiliate, are not guaranteed by Truist Bank or any other bank, are not insured by the FDIC or any other federal government agency, and are subject to investment risk, including possible loss of principal invested.

Sterling Capital does not provide tax or legal advice. You should consult with your individual tax or legal professional before taking any action that may have tax or legal implications.