

Weekly Market Recap

November 29, 2021

| Index | Price | Price Returns | |
|------------------------------|----------|---------------|-------|
| | Close | Week | YTD |
| S&P 500® Index | 4,595 | -2.2% | 25.1% |
| Dow Jones Industrial Average | 34,899 | -2.0% | 14.0% |
| NASDAQ | 15,492 | -3.5% | 20.2% |
| Russell 2000® Index | 2,343 | -2.4% | 18.7% |
| MSCI EAFE Index | 2,305 | -3.7% | 6.9% |
| 10-yr Treasury Yield | 1.49% | 0.0% | 0.6% |
| Oil WTI (\$/bbl) | \$71.75 | -5.6% | 47.8% |
| Bonds* | \$114.44 | 0.0% | -2.3% |

Source: Bloomberg, FactSet

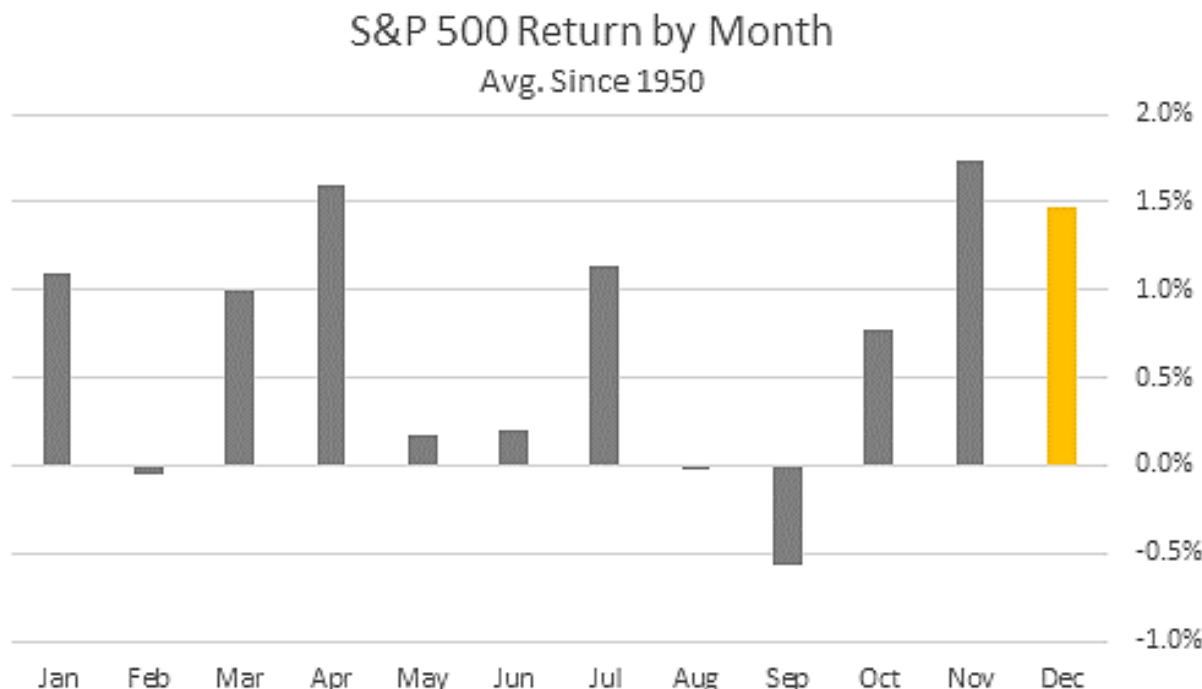
*Bonds represented by the iShares U.S. Aggregate Bond ETF

Last Week:

U.S. Equity Market

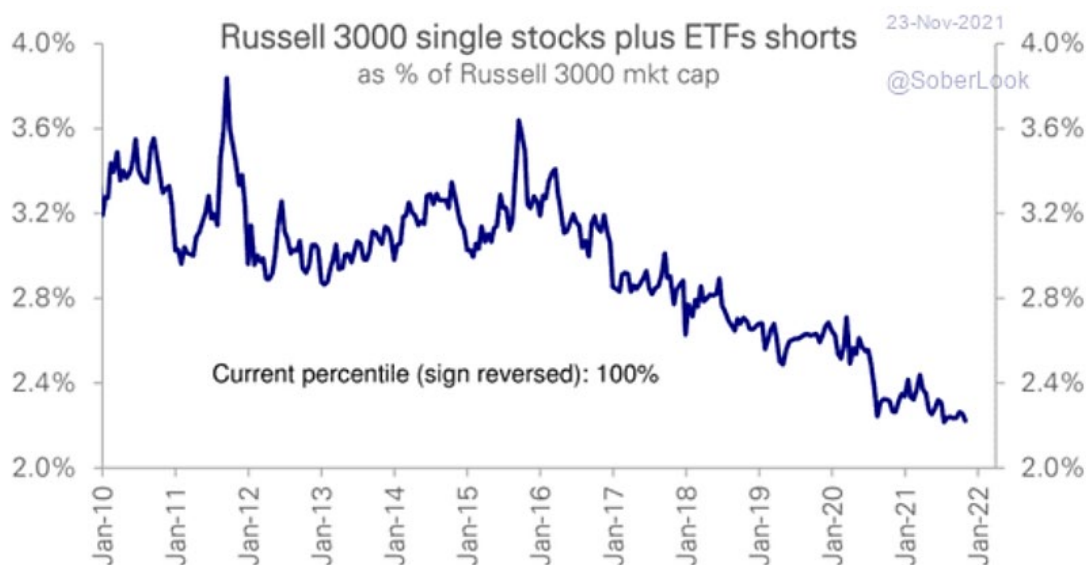
- U.S. large cap equities (S&P 500 Index) fell 2.2% on a shortened holiday week, as hawkish commentary from the Federal Reserve, mixed labor data, U.S./China tensions, and worsening COVID-19 trends weighed on investor sentiment. On Monday morning (11.22.2021), President Joe Biden announced the renomination of Jerome Powell as Federal Reserve Chair. Initial jobless claims fell to 199k, the lowest since 1969, while core personal consumption expenditures (PCE) inflation was largely in-line with expectations. On Friday, stocks fell sharply after scientists in South Africa announced the emergence of a new variant of COVID-19 that appears to spread quicker than the delta variant. Treasuries were mixed with the curve flattening, the dollar gained nearly +0.3%, West Texas Intermediate (WTI) crude oil fell - 5.6%, and gold was little changed.
- Weekly S&P 500 Index Sector Returns:
 - Energy (+1.7%) outperformed, despite the price of WTI oil falling 5.6%.
 - Consumer staples (-0.2%), Utilities (-1.0%), and Real Estate (-0.9%) outperformed, as investors favored more defensive sectors.
 - Financials (-0.6%) fell, led lower by asset managers and banks.
 - Health care (-0.8%) outperformed, led by select pharma and managed-care stocks.
 - Industrials (-2.4) fell, led lower by airlines, and aerospace and defense companies.
 - Materials (-2.2%) fell, led lower by steel, paper, and packaging stocks.
 - Technology (-3.2%) fell, led lower by growth software.
 - Communication services (-3.3%) fell, with broad weakness across the sector.
 - Consumer discretionary (-3.6%) fell, led lower by travel-related stocks.

- Since 1950, the S&P 500 Index increased by an average of 1.5% for the month of December, posting a gain more than 80% of the time.



Source: Edward Jones (Public Site)

- The Russell 3000® Index single stocks and ETFs (short interest) drifted near the lowest levels seen in over a decade.

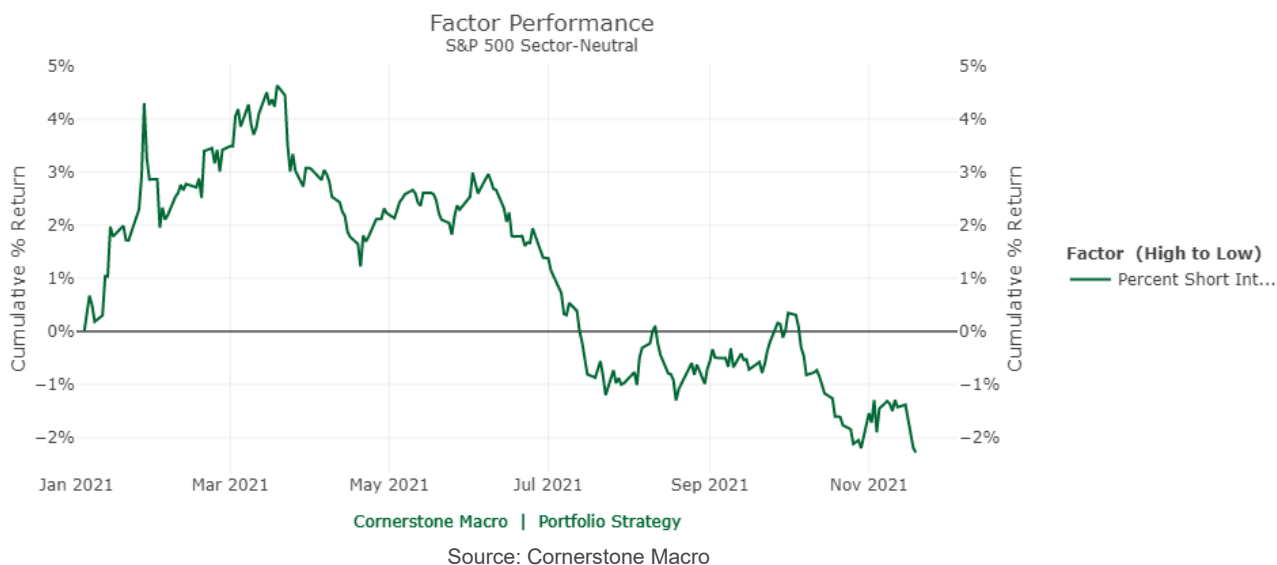


Note: Short interest data as of Oct 29

Source : Bloomberg Finance LP, Compustat, Deutsche Bank Asset Allocation

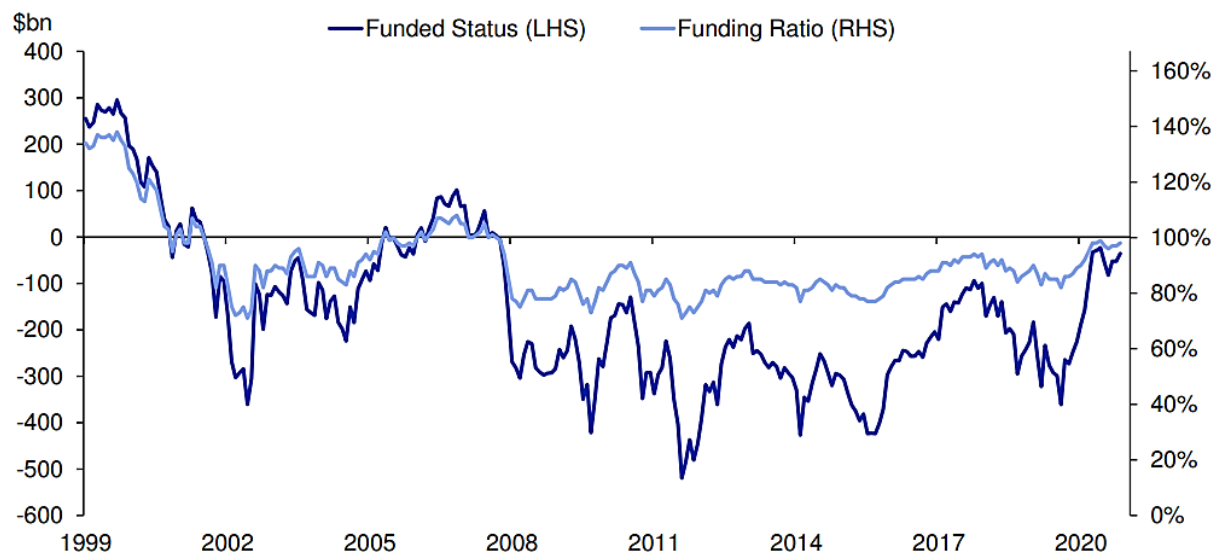
Source: The Daily Shot

- After their normal post-market-collapse recovery rally and short-term retail popularity, highly-shorter stocks have underperformed since March 2021.



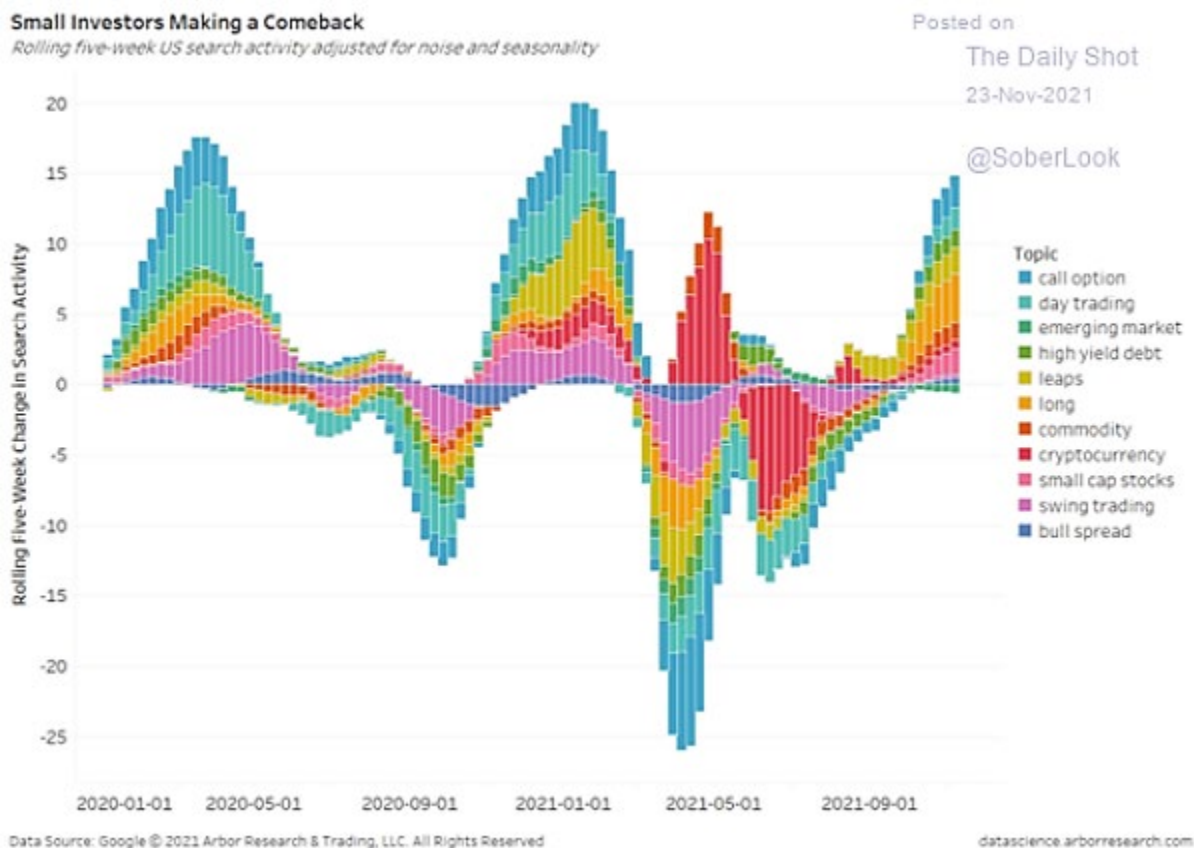
- As equity markets generated robust returns for the last several years, pensions are now nearly fully funded for the first time since 2007.

Figure 1: Milliman 100 Pension Funding Index (PFI) funding status and ratio show that pensions are nearly fully funded for the first time since the GFC



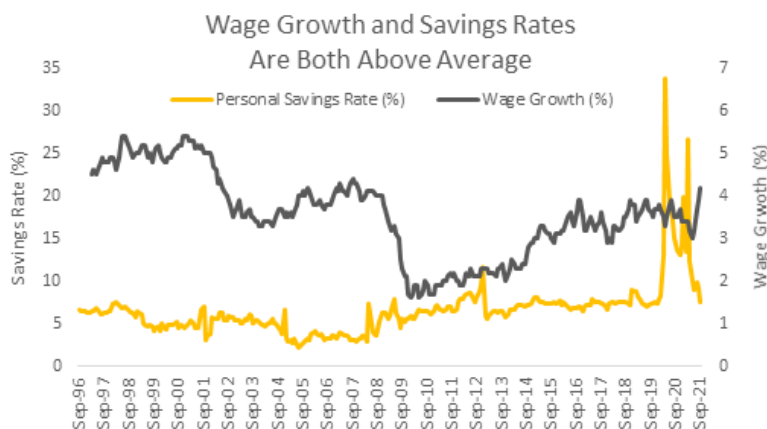
Source: Deutsche Bank

- Google search activity is on the rise among small and retail investors for information on equity call options, day trading, high yield debt, leaps, long equities, commodities, cryptocurrencies and swing trading.



Source: The Daily Shot

- The recent 4.2% wage growth reading is the highest level since 2007, which may provide additional fuel for consumers on top of the robust personal savings rate of 7.5%.



Source: St. Louis Fed, Atlanta Fed Wage Tracker

Source: Edward Jones Public Site

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Fixed Income Markets

- Numera Analytics expects real yields (ten-year Treasury Yield minus inflation) to rise significantly in 2022.

F6: Real interest rates will also increase
Real 10Y Treasury yields (ex-post)

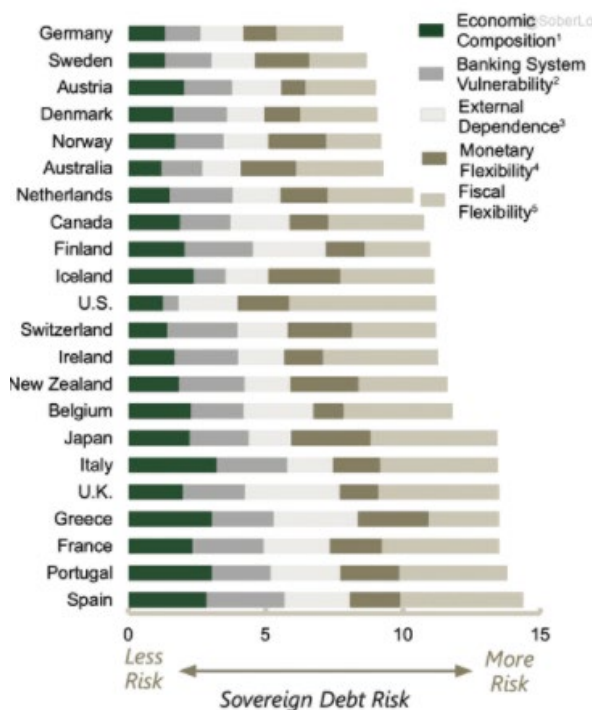


Note: Chart tracks evolution of 10Y US Treasury yields net of US inflation. Source: Department of Treasury, BLS, Numera Analytics.

Source: The Daily Shot

- The chart below shows a breakdown of key factors that make up sovereign debt risk.

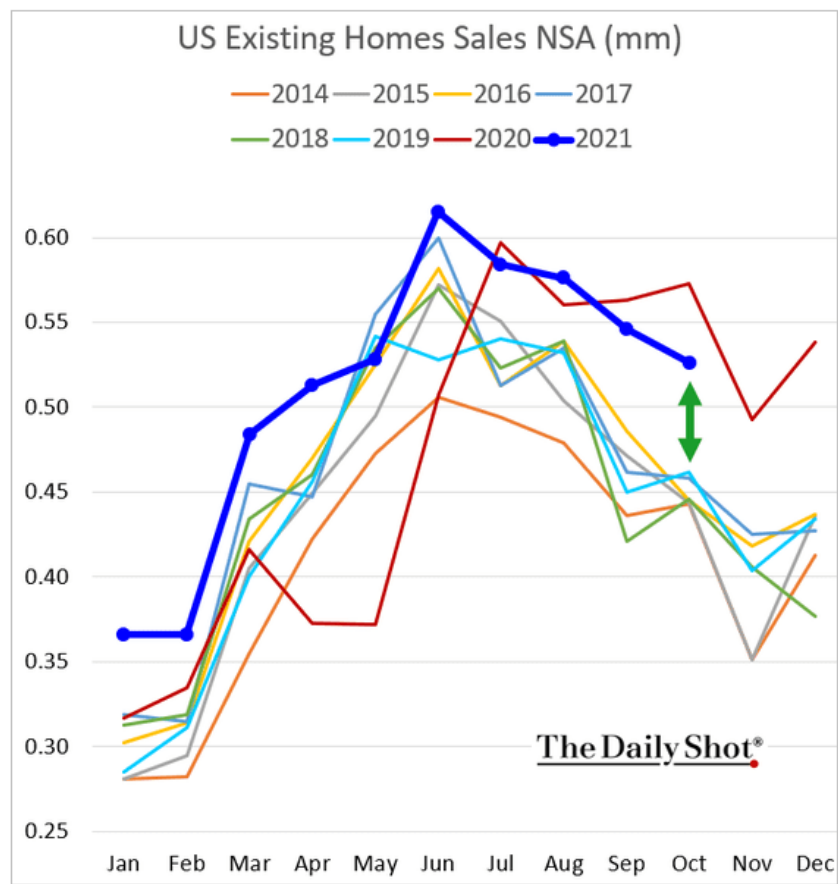
Chart 4 Contribution To Aggregate Sovereign Debt Risk Rankings



Source: The Daily Shot

U.S. Economic and Political News

- Initial jobless claims fell to 199K, the lowest since 1969.
- The (largely in-line) core PCE inflation print was also in focus as the PCE barometer hit a 31-year high.
- Personal spending and income data was stronger.
- Wall Street Journal was the latest to report OPEC+ is considering a pause on its tapering of production cuts, though Reuters cited sources who pushed back.
- The National Retail Federation (NRF) is forecasting an 8.5%-10.5% increase in holiday sales this year versus 2020.
- U.S. existing home sales remain elevated relative to the last seven years.



Source: The Daily Shot

International Markets and News

- The Chinese stock market (Shanghai Composite) was flat amid increasing U.S./China tensions and rising economic pressures that drove expectations for government stimulus.
 - The U.S. Commerce Department issued a trade blacklist of a dozen Chinese companies, citing those companies' support of the military modernization of the People's Liberation Army, prompting one Chinese official to say that the U.S. should not expect China's military to compromise regarding Taiwan.
 - Separately, the U.S. Federal Communications Commission (FCC) asked a federal appeals court to reject China Telecom's bid to continue providing services in the U.S., arguing that China Telecom's ownership allows Beijing to access, and possibly disrupt or misroute, U.S. communications.
 - China kept its loan prime rate unchanged for the 19th-straight month. However, monetary policy easing was implemented through looser mortgage lending, deposit rate reforms, and reductions to domestic banks' reserve required ratio.
- European markets (STOXX 600 Index) fell more than 4% as fears of further COVID-19 restrictions in Europe spiked after the U.K. and European Union planned to ban travel from South Africa and its neighbors to contain the new variant of the virus.
 - Earlier in the week, large-scale protests broke out in the Netherlands, Belgium, Austria, and Italy, after they imposed tighter controls aimed at containing the spike in infections.
 - Social Democrat leader Olaf Scholz will succeed Angela Merkel as chancellor of Germany after closing a deal with the Greens and the Liberal Free Democrats (FDP) to form a coalition government.
- Japanese equities (Nikkei 225 Index) fell 3.3%, as renewed COVID-19 concerns in Europe, the U.S., and new COVID-19 variant in South Africa weighed on equity markets.
 - The Japan Composite PMI rose to 52.5 in November – a 37-month high – from 50.7 in October, buoyed by loosening COVID-19 restrictions and soaring vaccination rates.

This Week:

- Corporate earnings reports will decrease this week with notable earnings including, but not limited to: Salesforce, Royal Bank of Canada, Snowflake, Marvell Technology, Synopsys, CrowdStrike, Dollar General, Zscaler, DocuSign, Veeva Systems, **Okta**, Splunk, NetApp, Asana, and Five Below.
- U.S. Economic data:
 - Monday: Current Account, Pending Home Sales;
 - Tuesday: GDP Chain Price, GDP, GDP m/m, FHFA House Price Index, Case-Shiller Home Price Index, Chicago PMI, Consumer Confidence;
 - Wednesday: MBA Mortgage Purchase Applications, ADP Employment Report, Building Permits, Manufacturing PMI, Construction Spending, ISM Manufacturing Index;
 - Thursday: Challenger Job Cuts;
 - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Employment, Services PMI, Factory Orders, ISM Non-Manufacturing Index.

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

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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.

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