

Beacon Weekly Investment Insights

Black Friday looked more like Black Monday for the stock market, with the Dow tumbling more than 900 points, its largest drop for the calendar year. In percentage terms, the Dow and S&P 500 fell 2.5% and 2.2%, respectively. Investors are concerned about the COVID-19 variant, Omicron, which the World Health Organization (WHO) labeled as possibly having a high transmission and reinfection risk. In other words, the WHO believes that it may result in more breakthrough COVID-19 cases, regardless of immunization status or past infection history. Along with the prospect of additional lockdowns and travel restrictions, investors are worried about a slowdown in economic activity. Accordingly, oil prices also had their worst day in 2021 on Friday, plunging 13%. For now, it seems, the traditional Santa Claus rally will have to wait.

As equities plunged on Friday, traditional safe haven investments showed their mettle, with U.S. Treasuries and gold rising. We continue to characterize Bitcoin as part of the “risk on” crowd, since it fell nearly 5% on Friday and is down roughly 20% in the past few weeks alone. With many Wall Street professionals off last Friday due to the extended Thanksgiving Day holiday, further downside may be possible this week as traders assess the damage and potential impact of COVID-19 Omicron. To quote the baseball sage, Yogi Berra, regarding the fallout from the Omicron variant, “It’s déjà vu all over again.”

As always, we recommend a diversified portfolio to navigate the inevitable market volatility, while keeping a fixed eye on long-term goals. Although the impact from the latest surge in COVID-19 has yet to be fully revealed, we believe we are in much better position than when the virus first burst into the public eye in early 2000. Since that time, we have developed several somewhat effective vaccines and pharmaceutical products to fight COVID. Furthermore, we have gained important knowledge concerning how the virus is transmitted as well as best practices for social distancing. Masks, and other personal protection equipment, are no longer in widespread shortage. Zoom, Teledoc, plus related work and school processes are also now mainstream. Hence, we think the current downdraft is more likely a pullback or correction after an abnormally benign year for stock market volatility, rather than the beginning of a new bear market. It also helps to be mindful of the strong performance year to date, and over the past few years for most equity indexes, when evaluating short-term losses.

While the financial markets were plunging, consumers were spending in full force. Black Friday revenue was up an impressive 30% year over year according to Mastercard, with apparel and department stores leading the surge. Of course, Cyber Monday will occur today, which in recent years has surpassed Black Friday total sales. The nascent holiday season hasn’t been a boon to all retailers. To wit, Nordstrom tumbled 29% on Wednesday and drifted lower on Friday, after an earnings miss that it blamed largely on continuing supply chain woes.

Last week began with news welcomed by market participants concerning leadership positions at the Federal Reserve Bank. President Biden has nominated Jay Powell for a second term as Fed Chair and put forth Lael Brainard as his nomination for Vice Chair. Both nominees are expected to receive Congressional approval and investors appear to like the sense of continuity with the current accommodative monetary policy stance.

The economic calendar has several significant reports this week as the calendar turns from November to December. The S&P CoreLogic Case-Shiller National Home Price Index will be released on Tuesday, providing a key reading on the real estate market. The Institute for Supply Chain Management (ISM) will release their forward-looking Manufacturing and Non-Manufacturing (Services) Indexes on Wednesday and Friday, respectively. Also on Friday, all eyes will be on the Unemployment Report. Unemployment is part of the Fed’s dual mandate, along with modest inflation, so the Friday report may also portend future Fed policy actions. All of us at Beacon, hope you had a nice Thanksgiving weekend and wish you a happy and healthy remainder of the holiday season as we look towards 2022.

Market Scorecard:	11/26/2021	YTD Price Change
Dow Jones Industrial Average	34,899.34	14.03%
S&P 500 Index	4,594.62	22.33%
NASDAQ Composite	15,491.66	20.20%
Russell 1000 Growth Index	3,005.88	23.81%
Russell 1000 Value Index	1,592.19	17.97%
Russell 2000 Small Cap Index	2,245.94	13.73%
MSCI EAFE Index	2,256.95	5.09%
US 10 Year Treasury Yield	1.482%	54 basis points
WTI Crude Oil	\$68.15	40.79%
Gold \$/Oz.	\$1,785.50	(5.68%)

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