Market in Review

Equity Markets:
The holiday-shortened week did not lack volatility. On Friday, the story line focused on the new COVID-19 variant, now named Omicron. Early reports suggest this could be more contagious due to mutations. The market reacted quickly with the VIX (a common read on investors risk appetite) spiking over 50% on Friday and all major indices down 2+%. It is easy to forget how common volatility is and what constitutes a major drawdown. Last March the market saw single-day drawdowns of ~7%,10% and 12%. The volatility experienced on Friday was nowhere near those numbers. We see days like Friday as great opportunities to rebalance our portfolios and purchase securities at a discount. This has more to do with market noise rather than fundamentals.

Earnings have continued their blowout quarter. With 95% of companies reported, 82% beat earnings expectations and 75% beat revenue expectations, according to FactSet.

Fixed Income Markets:
The fixed income market experienced volatility as well this week. After reaching a high of 1.65% on Wednesday, the 10-yr treasury yield tumbled and ended Friday at 1.48%. With the renomination of Fed Chairman, Jerome Powell. The fixed income markets see Powell as being less dovish when compared to Lael Brainard. This was the lead cause behind the interest spike before Friday. Friday was a reminder why we still believe treasuries have a place in most investors' portfolios. Few are pleased with return that they are receiving from bonds in today's environment, but when unforeseen market volatility comes, treasuries have time and again been the negative correlated asset class that helps hold up portfolios during those times.

Economic:
Economic news was the highlight of the week. After seeing mixed data for weeks, weekly jobless claims posted the lowest reading since 1969. November's Manufacturing and services PMI readings showed continued strength. Inflation is still the hot topic we're watching. The consumer appears to be less affected than the headline CPI readings may suggest. October's numbers for personal income and spending were stronger than expected.

Looking Ahead

Equity Markets:
All eyes will be on any Omicron updates. Europe is at the center of this pandemic. Policies implemented across the pond could impact investor sentiment this week. We expect volatility as more information is released. Every market needs a catalyst for a correction. Omicron could be that catalyst. The market is overdue for a short-term pullback. These pullbacks are opportunities for valuations to reset and for capital allocations to work themselves out. These pullbacks are healthy during bull markets.

Fixed Income Markets:
After a week where we saw some relief in the bond market, most are expecting an upward trend in yields. This trend follows our rate forecast we established late last year. We see rates staying in a tight range below 1.5-2% in the short run that have a slight uptrend. Days like Friday can be seen as creating new lows as yields fight upwards to the 2% mark.

Economic:
The big report everyone is waiting for will be released on Friday, November's non-farm payroll report. This can be an opportunity to reinforce the positive jobless claims from last week. If we see continued strength from the payroll report, it could lead to a strong finish to the end of the year for the markets. Also being released next week are the consumer confidence report and the Fed's Beige Book. The Beige Book gives the Fed an idea of how business activity is going through all of the districts to assist in policy making.