Market in Review

Equity Markets:
The S&P 500 ended the shortened trading week up 2.3%. The highlight of the week was the strength in the NASDAQ; which outperformed the other major indices. Investors rotated back into the growth stocks after weeks of lagging.

Volatility is still heightened as the world watches the Omicron variant's impact, if any, on the world economy. According to FactSet, the S&P 500 has had a daily move up or down by 0.5% or more since December 13th. Omicron has spread rapidly across the US, but the severity of illness is still believed to be less than previous variants of COVID-19. Last week also saw the FDA authorization of pills from Merck and Pfizer to help combat serious illness from COVID-19.

It appears that the science has started to catch-up with the pandemic. As we move into hopeful latter innings of the pandemic, the new FDA authorizations are a welcomed sight for investors. The world is more prepared than in 2020. New variants, outbreaks or other surprises can be dealt with in a more efficient manner and the stock market has supported that thought.

Fixed Income Markets:
The fixed income markets remained choppy as they are processing the Fed policy announcements and Omicron uncertainty. The 10-yr treasury ended the week at ~1.49%

Economic:
GDP growth for Q3 was revised upward to 2.3% year over year for the final reading on Wednesday. This is a welcome sight, but pales in comparison to the 6.4% and 6.7% growth from the first and second quarters, respectively. A hot topic for the week was President Biden's Build Back Better proposal. Democratic leaders hoped for approval by year end, but a divided Senate has likely pushed that back to a January vote. Within the proposal are many key infrastructure spending plans and an expanded child tax credit extension. Both of these are thought to be benefits for the economy and markets going forward.

Weekly initial jobless claims, came in at 205,000, which supports the continued strength of the labor market. This news is also positive because it appears that Omicron has not had a major impact on the current labor market.

Looking Ahead

Equity Markets:
As we head into the final trading week of the year, the S&P 500 is up just over 25% in 2021. We will be watching if the rotation back into growth stocks stays in favor. With earnings announcements essentially all wrapped up, the major driver for the markets this week will revolve around investor sentiment; which is most likely to be influenced by any Omicron news.

Fixed Income Markets:
With no new announcements by the Fed, the fixed income markets will continue to work out inflation expectations and the expected effectiveness of the Fed's recent policy shift.

Economic:
The final week of the year will be light on economic numbers. On Tuesday a report on home prices will be released, followed by pending home sales on Wednesday. Regional manufacturing readings are set for next week as well. Regional numbers have been important throughout the pandemic because the spread of the virus has not been consistent across the country.