MONTHLY MARKET UPDATE

November 2021

OPAL WEALTH ADVISORS

November delivered a 'no thanks' Thanksgiving where stock markets were on track for another 2% monthly gain until we saw a surge in volatility Wednesday before Thanksgiving and through the remainder of the month. Nearly all major assets experienced losses for the month as inflation seemingly replaced Covid as the primary market concern. Not to be outdone, the newest Covid variant (Omicron) also sent markets limping toward month end but a renewed sense of the price stability objective for the Fed was likely a bigger driver of month end market sentiment.

Ultimately, the S&P 500 finished down only 0.69% but small caps (-4.2%) and non-U.S. markets (-4.5%) fared notably worse. In fact, non-U.S. markets experienced their worst month since March 2020. Hurting international assets was a strong bid in the U.S. dollar which benefited from expectations of an earlier lift off date for the Fed. The yield curve flattened notably in November with 10yr and 30yr bond yields both falling while 2yr yield surged higher.

Key drivers of the market right now include corporate earnings, continuing recovery of global economic activity, China's struggling economy, and the delicate balance between inflation pressures and central bank (Fed) policies. Overall, we feel the economy remains on a clear recovery path out of the Covid induced recession with more to come as the world slowly migrates back closer toward more 'pre-pandemic' economic behaviors.

Market Anecdotes

- Third quarter earnings season wrapped up in November and FactSet offered some summary points including a 39% earnings growth rate, an 82% beat rate, a record high 342 mentions of 'supply chain', 290 mentions of inflation, and the largest (90%) coming from the materials sector.
- As the month came to a close it was worth noting that with a top-heavy S&P 500 priced at 21.5x forward P/E multiple, declining breadth, and a monetary policy inflection point, the proper view seems to be balancing short term vulnerability with longer term fundamental strength.
- The labor market will be a focal point of investors and policy makers for the foreseeable. Wage growth, labor market participation, and labor supply's relationship to inflation is a key factor looking into 2022 as pandemic unemployment assistance fades away.
- A longer-term perspective on bond market total returns shows how 2021 is shaping up to be among the worst over the past 45 years.
- Chairman Powell, renominated in November, made comments toward month end which signaled a shift in Fed's view and approach toward containing inflation, leaving markets with an expectation of a faster taper and shorter horizon for the Fed to consider hiking interest rates.
- The yield curve's interpretation of emboldened monetary policy is that the Fed may be flirting with a 'too much too fast' policy error by flattening in a very rapid fashion reflective of both slower long-term growth and higher short term yields to combat inflation.
- Excellent performance of the existing vaccines, new therapies, and drug company ability to design and distribute new vaccines together serve to mitigate longer term market risks of severe global health conditions and death tolls, even in a worst case scenario for the Omicron variant.
- Pfizer's data estimates its Covid-19 vaccination reduced the risk of hospitalization and death by 89% in high-risk patients but the number of people who have died from Covid-19 is likely to be close to 17 million regardless.
- Commodity markets fell sharply in November, ending a year long bull market which produced 63% gains. Oil was the biggest casualty (-21%) with growth concerns the primary driver given the new Fed narrative and Omicron uncertainty.
- A compromise deal averted a government shutdown in late November followed by a short-

term patch of the debt ceiling, eliminating two 'self inflicted' market risks as we approach year end.

- A dose of good news on the inflation battlefront is that last week a judge struck down tariffs on imported solar panels, something the Biden administration argued against.
- Pensions & Investments estimated BlackRock, Inc AUM as of September 30th at $9.46 trillion, a number larger than the GDP of all but two countries in the world, the U.S. and China.

Economic Release Highlights

- The November jobs report registered 210,000, well short of consensus calls of 545,000 and below October's 546,000. The unemployment rate, however, fell from 4.6% to 4.2%.
- The JOLT Survey revealed job openings of 11.033mm, notably higher than consensus expectations of 10.4mm and a record high difference between openings and hires. On a positive note, the quits declined from September's record 3% level to 2.8%.
- Headline and core PCE Inflation of 0.6% and 0.4% (MoM) both matched consensus estimates. YoY readings of 5.0% and 4.1% met expectations as well.
- November YoY headline and core CPI registered 6.8% and 4.9% respectively with MoM readings of 0.8% and 0.5%, all generally in line with consensus expectations.
- Personal Income 0.5% (-0.5%-0.6%) and Personal Consumption 1.3% (0.5%-1.4%) both registered at the high end of their respective consensus ranges.
- Retail Sales for headline (1.7% v 1.0%), ex-vehicles (1.7% v 0.9%), and ex-vehicles & gas (1.4% v 0.8%) beat consensus forecasts across the board.
- November's ISM Manufacturing (61.1 v 61.1) and Services (69.1 v 65.0) both remained very healthy and deep in expansionary territory. The Services PMI marked a new all-time record high.
- November's flash PMI Index (C,M,S) of 56.5, 59.1, 57.0 showed softer services but stronger manufacturing than forecasted. All readings remained firmly in at robust expansion levels.
- Global PMIs (C, M, S) registered 54.8, 54.2, 55.6 in November while China came in at 51.2, 49.9, 52.1, the Eurozone at 55.4, 58.4, 55.9, and Japan at 53.3, 54.5, 53.0.
- Existing Home Sales of 6.340mm came in higher than consensus forecast of 6.200mm, representing MoM growth of 0.8% and a YoY decline of 5.8%. New Home Sales of 745k came in just short of consensus of 790k.
- November UofM Consumer Sentiment of 67.4 represented a marginal improvement over the mid-month decade low reading of 66.8.

Positioning

November ushered in an inflection point in monetary policy with expectations for a gradual increase in the pace of unwinding monetary accommodation—this lays the foundation for more turbulence across capital markets looking forward but we do not expect a significant impact on the robust global economic recovery. Additionally, renewed COVID-19 headwinds should act to prolong the economic cycle but are unlikely to derail the recovery (based on what we know today). We expect a continuation of the cyclical advance in inflation, driven by both supply and demand side distortions, to persist, eventually receding but stabilizing at an elevated level relative to the prior cycle - more of a two steps up, one step down higher highs higher lows trajectory. This will force central banks to turn progressively less accommodative.

Historically, risk markets perform well in this stage of recovery with non-U.S., value oriented, and small/mid caps establishing leadership. This, combined with robust corporate earnings support maintaining a constructive view of risk assets despite the fact that rising bond yields and real interest rates pose risks to overall valuations.

Accordingly, we are maintaining an overweight to global equities and underweight fixed income. Within equity markets, we are favoring developed international equity markets, particularly Europe, relative to the U.S., over a 12-18 month horizon and feel fixed income investors should maintain a modestly short duration and remain neutral on credit sectors.

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr
Dow Jones	34484	(3.50)	(2.12)	14.61	18.52	12.95
NASDAQ	15538	0.33	1.94	21.28	28.20	29.60
S&P 500	4567	(0.69)	1.20	23.18	27.92	20.38
Russell 1000 Growth		0.61	2.91	24.95	30.70	29.21
Russell 1000 Value		(3.52)	(2.20)	17.73	22.25	11.45
Russell 2000		(4.17)	(2.69)	12.31	22.03	14.22
Russell 3000		(1.52)	0.28	20.90	26.34	20.20
MSCI EAFE		(4.64)	(5.11)	6.32	11.28	10.35
MSCI Emg Mkts		(4.07)	(5.23)	(4.07)	3.03	9.66

Fixed Income	Δ Yield	1 Mo	3 Mo	YTD	1 Yr	3 Yr
US Aggregate	1.81	(0.01)	(0.03)	(0.34)	(0.42)	(0.77)
High Yield	4.43	0.01	(0.04)	(0.69)	(0.85)	(1.26)
Municipal	1.76	(0.03)	(0.05)	(0.15)	(0.19)	(0.49)

Commodities	11/30/21	9/30/21	6/30/21	3/31/21
Oil (WTI)	71.19	75.22	73.52	59.19
Gold	1804.40	1742.80	1763.20	1691.10

Currencies	11/30/21	9/30/21	6/30/21	3/31/21
USD/Euro ($/€)	1.14	1.16	1.19	1.17
USD/GBP ($/£)	1.33	1.35	1.38	1.38
Yen/USD (¥/$)	113.22	111.50	111.05	110.61

Treasury Rates	11/30/21	9/30/21	6/30/21	3/31/21
3 Month	0.05	0.04	0.05	0.03
2 Year	0.52	0.28	0.25	0.16
5 Year	1.14	0.98	0.87	0.92
10 Year	1.43	1.52	1.45	1.74
30 Year	1.78	2.08	2.06	2.41

Style Returns

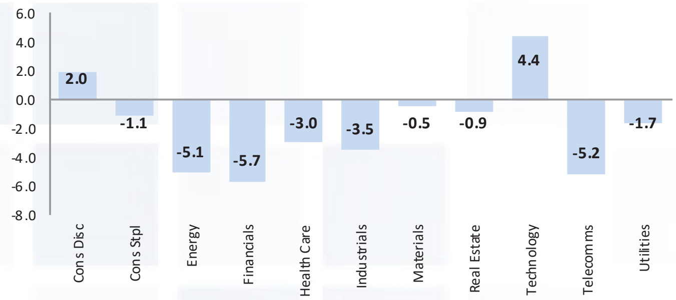
MTD

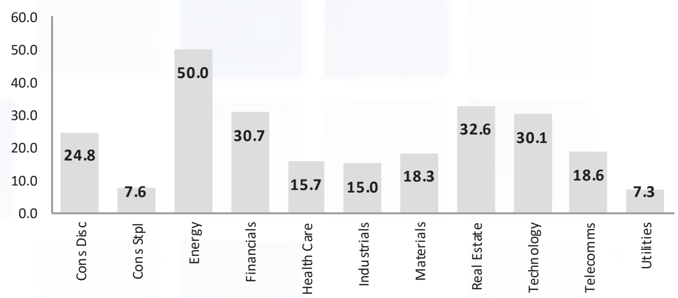
	V	B	G
L	-3.52	-1.34	0.61
M	-3.04	-3.48	-4.23
S	-3.42	-4.17	-4.88

YTD

	V	B	G
L	17.73	21.53	24.95
M	20.76	17.77	12.33
S	23.24	12.31	2.38

S&P 500 Sector Returns





OPAL WEALTH ADVISORS

Opal Wealth Advisors / 2 Jericho Plaza / Suite 208 / Jericho, NY 11753 / t. 516.388.7980 / f. 516.388.7968 / **opalwealthadvisors.com**