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Stocks reversed course late in November on news of the new Omicron Variant, to finish lower for the month. Large cap stocks in the S&P 500 index were down -0.7% for the month, bringing their year-to-date gains to 23.2%. Small cap stocks in the Russell 2000 were also down -4.2% for the month reducing their year-to-date gains to 12.3%. International stocks in the MSCI EAFE index also were lower with a -4.7% decrease for the month and is now up just 5.8% year-to-date. Emerging Markets stocks were down similarly at -4.1% for the month and are now down -4.3% year-to-date. Yields declined slightly during the month; the Barclays US Aggregate Bond Index earned 0.3% for the month leaving its year-to-date return at -1.3%.

The COVID numbers have been improving over the past couple of months, but a new variant called "Omicron" has raised fresh concerns because an unusually high number of mutations have the potential to make the virus more transmissible and may be less susceptible to current vaccines and antibodies. So far, people infected with the Omicron variant have presented with relatively mild symptoms and a low need for hospitalization. Experts feel they need to observe these patients for at least two more weeks to determine how their health may be affected by the infection. Cases have been identified in a number of countries so far including the United States. Each of the cases identified in the United States so far have been in people who were vaccinated.

US GDP growth in the 3rd Quarter slowed to a disappointing rate of just 2.1%, only slightly better than the initial estimate. We do expect that number to rebound sharply in the 4th quarter, which is likely to show the strongest quarterly growth rate for the year. GDP growth for the full year is now expected around 5.5%. If that plays out it would be the best growth rate since 1984. After very strong earnings growth throughout 2021, that trend continues so far in the fourth quarter. Forecasters are now anticipating earnings growth for 2022 to come in around 8.0% which is a little slower than the long-term trend as it appears some of 2022's earnings growth is being realized in 2021.

The employment picture continues to show gradual improvement. We are still short of the number of workers needed to fill all the open positions as many who have left the workforce are reluctant to reenter it for a variety of reasons, not the least of which is it seems they have enough money on hand to put off returning to work. The latest report of U.S. initial jobless claims shows a low number of 222,000 and the 4-week average is declining. The payroll report showed that employers added just 210,000 jobs in November, much lower than anticipated and less than half the number added in October. The work from home trend has increased job stability as many workers who are unable to come into the office can work from home rather than be laid off. That is obviously not true for everyone and is especially apparent in the travel and hospitality industry.

Fed Chair Jerome Powell was renominated for another term as Fed Chairman and is expected to be confirmed by the Senate. After his nomination was announced he announced his intention to add more focus to "protecting our economy from global warming" and income equity. He also indicated that using the term "transitory" to describe inflation is no longer accurate. His comments caused concern in the markets, and we immediately saw stocks move lower. The Fed has a dual mandate of full employment and price stability so its hard to see how these additional areas of focus fit with their mandate.

Congress continues to negotiate the passage of the Build Back Better plan as well as an increase in the debt limit. The debt limit will certainly be increased but will likely require some drama which might keep markets on edge until that is done. The Build Back Better bill has been met with considerable opposition and the final outcome is less certain.

As always, we are available to discuss any questions or concerns you may have. Please do not hesitate to contact us.

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