

November 2021

# DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 11/30/2021

## Global Overview

Although a fair amount of positive economic news was reported during November, the global equity markets tumbled after the emergence of the Omicron COVID-19 variant being first identified in South Africa, and then quickly detected in over 23 other countries. In addition, continued supply chain and global inflation concerns weighed on most equity markets, and major global indexes fell with the S&P 500 declining -0.7%, MSCI EAFE Index declining -4.7% and the MSCI Emerging Market index declining -4.1% in November. The U.S. economy produced the strongest improvement especially in the labor market with a decline in unemployment and an increase in wages. While lagging the U.S., the non-U.S. developed and emerging markets started to see signs of improvement in both their PMI manufacturing and service sectors.

## U.S. Markets & Economy

Amid a sea of negative global equity returns, the Russell 1000 Growth Index eked out a positive 0.6% return in November as large technology and consumer discretionary companies outperformed in the wake of positive economic news and rising inflation. Among the positive news, U.S. unemployment declined to 4.2% from 4.6% the previous month, average hourly earnings increased by 4.8% year-over-year, and the labor participation rate increased to 61.8% from 61.6% in October. This data was somewhat tempered by the disappointing 210,000 increase in U.S. non-farm payrolls versus an expected increase of 550,000 and reported CPI reaching 6.8% year-over-year. The S&P 500 reported a -0.7% return during the month, but returned a positive 27.9% for the last 12 months. Growth continued its ascent over value as the Russell 1000 Growth Index returned 0.6% in November vs. the -3.5% return for the Russell 1000 Value Index. The performance of the top ten holdings in the Russell 1000 Index intensified, reaching a new peak of 27.1% of the index versus 24.3% in October and its previous peak of 23.8% in 2000.

The fixed income markets experienced increased volatility in mid-November due to the combination of positive economic news that was intensified by the increasing concern about inflation. After the Fed announced they would consider accelerating their taper program, giving them the option to increase rates sooner in 2022, combined with their discussion of inflation no longer being transitory, the yield curve flattened with the 5-30 year yield spread reaching a low of 62 bps as compared to a 75 bps spread in October. The shift in inflation and the flattening of the long end of the yield curve caused credit indices to decline and longer dated securities to increase. As a result, the Bloomberg U.S. Aggregate Index returned 0.3% during the month, which contrasts with the robust performance of the Bloomberg Long Govt/Credit Index return of 1.3% for the month.

## International Markets & Economy

International markets also experienced declines in November as the MSCI EAFE Index fell 4.7% in the month. Markets fell across Europe as the ECB stated that inflation would “probably slow the pace of the recovery in the near term.” Fears of the COVID-19 Omicron variant gripped Europe with many countries closing their borders to travelers from Southern African countries where the strain was first discovered. Japan, which so far has been insulated from Omicron fears, was the best relative performer in the index with a -2.5% return. Economic data released during the month was positive with the IHS Markit Composite PMI measures for the manufacturing and service sectors, rose to 55.4.

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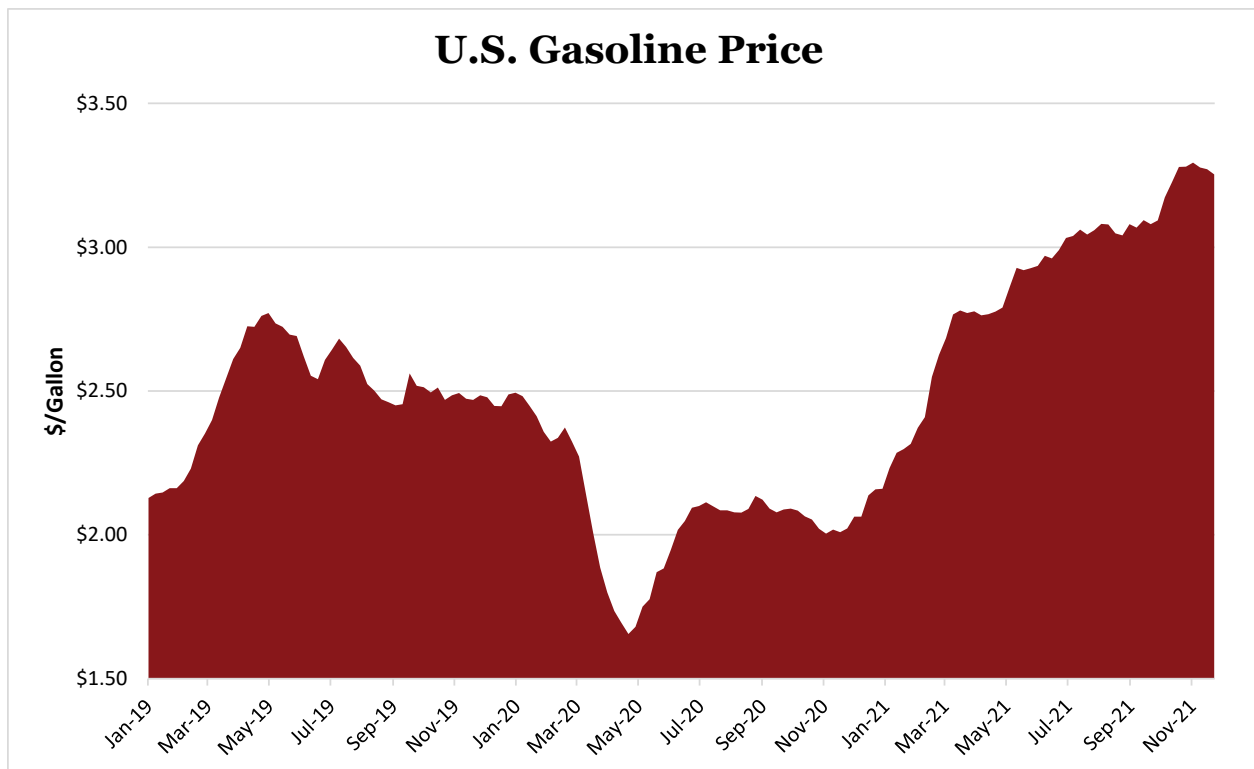
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The MSCI EM Index declined 4.1% during the month as fears of growth slowing combined with inflation impacted the emerging markets. Returns in China were negative for the month as officials reported a 13.5% increase in the producer price index, one of the key measures of input prices for the manufacturing sector. Markets in China pulled back after an Alibaba earnings call where the CEO stated that an increase in competition and slowing consumption within China weighed on their growth prospects. Several EM countries have been aggressively raising rates as inflation rises, but for some it hasn't been enough. Brazil, Mexico, Peru, Poland and South Africa all raised interest rates in November with inflation being the key factor cited by the various central banks.

## In the News

During the month of November, President Biden announced that he would nominate Fed Chairman Jerome Powell for a second term. Following the announcement, Mr. Powell met with Congress for a set of hearings in which he answered questions on the economy on topics such as unemployment, inflation, and Fed policy. Mr. Powell's comments suggested that the central bank may hike rates sooner than anticipated by the markets, which caused an equity selloff. On inflation, Mr. Powell changed his tone and commented, "We tend to use [transitory] to mean that it won't leave a permanent mark in the form of higher inflation." Fed Chairman Jerome Powell said during the congressional hearing, "I think it's probably a good time to retire that word and try to explain more clearly what we mean." This is a marked change from his past comments describing rising inflation as transitory and not a long-term concern. One example of how inflation is already hitting the wallets of U.S. consumers is the price of gallon of gasoline, as seen in our Chart of the Month below.

## Chart of the Month



Source: EIA

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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	(2.19)	(0.94)	16.82	21.78	16.89	14.61	12.22
	Bloomberg US Agg Bond TR USD	0.30	(0.60)	(1.29)	(1.15)	5.52	3.65	3.04
	Russell 3000 TR USD	(1.52)	0.42	20.90	26.34	20.20	17.51	15.95
	DJ Industrial Average TR USD	(3.50)	(2.08)	14.61	18.52	12.95	15.05	13.78
	NASDAQ Composite PR USD	0.25	1.82	20.56	27.37	28.45	23.89	19.48
	MSCI EAFE NR USD	(4.65)	(5.14)	5.84	10.77	9.83	9.19	7.39
	FTSE Treasury Bill 3 Mon USD	0.00	0.01	0.04	0.05	1.02	1.12	0.60
	Bloomberg Commodity TR USD	(7.31)	(0.18)	22.78	28.89	6.05	3.31	(3.56)
Domestic Equities	S&P 500 TR USD	(0.69)	1.32	23.18	27.92	20.38	17.90	16.16
	S&P MidCap 400 TR	(2.94)	(1.30)	18.73	26.47	14.73	12.46	13.60
	S&P SmallCap 600 TR USD	(2.29)	(1.40)	21.33	31.42	13.38	12.17	14.14
	Russell 1000 TR USD	(1.34)	0.66	21.53	26.67	20.65	17.93	16.18
	Russell 1000 Growth TR USD	0.61	3.20	24.95	30.70	29.21	25.10	19.50
	Russell 1000 Value TR USD	(3.52)	(2.15)	17.73	22.25	11.45	10.36	12.50
	Russell Mid Cap TR USD	(3.48)	(1.95)	17.77	23.29	17.49	14.44	14.43
	Russell Mid Cap Growth TR USD	(4.23)	(2.47)	12.33	17.72	23.33	19.83	16.41
	Russell Mid Cap Value TR USD	(3.04)	(1.64)	20.76	26.34	12.96	10.26	12.89
	Russell 2000 TR USD	(4.17)	(3.04)	12.31	22.03	14.22	12.14	13.06
	Russell 2000 Growth TR USD	(4.88)	(4.25)	2.38	11.95	16.08	14.74	14.06
	Russell 2000 Value TR USD	(3.42)	(1.74)	23.24	33.01	11.54	9.08	11.76
International Equities	MSCI ACWI Ex USA NR USD	(4.50)	(5.35)	3.54	9.14	9.95	9.28	6.73
	MSCI EAFE NR USD	(4.65)	(5.14)	5.84	10.77	9.83	9.19	7.39
	MSCI EAFE Growth NR USD	(3.39)	(4.11)	6.64	11.84	15.37	13.12	9.47
	MSCI EAFE Value NR USD	(6.02)	(6.27)	4.66	9.29	4.01	5.07	5.14
	MSCI Japan NR USD	(2.47)	(3.15)	(0.18)	3.94	8.45	8.31	8.23
	MSCI AC Asia Ex Japan NR USD	(3.87)	(6.63)	(6.00)	0.39	10.55	10.54	7.93
	MSCI Europe NR USD	(5.16)	(5.62)	9.09	14.23	10.72	9.86	7.32
	MSCI United Kingdom NR USD	(5.36)	(3.56)	10.43	16.47	4.82	5.53	4.33
	MSCI EAFE Small Cap NR USD	(5.59)	(7.53)	5.50	12.70	11.48	10.72	10.11
	MSCI EM NR USD	(4.08)	(6.98)	(4.34)	2.70	9.27	9.52	5.16
	MSCI China NR USD	(3.68)	(5.43)	(3.29)	2.32	9.76	9.43	7.82
Fixed Income	Bloomberg US Govt/Credit TR USD	0.46	(0.56)	(1.43)	(1.34)	6.26	4.10	3.30
	Bloomberg US Govt/Credit Long TR USD	1.34	0.59	(1.71)	(1.91)	12.28	7.73	6.16
	Bloomberg US Govt/Credit Interm TR USD	0.12	(1.02)	(1.31)	(1.11)	4.37	2.95	2.47
	ICE BofA US High Yield TR USD	(1.02)	(1.17)	3.42	5.39	7.10	6.12	6.79
	Credit Suisse HY USD	(0.99)	(1.12)	3.50	5.49	6.74	5.82	6.53
	S&P/LSTA Leveraged Loan TR	(0.16)	0.75	4.53	5.94	4.51	4.38	4.68
	FTSE WGBI NonUS USD	(3.68)	(5.43)	(3.29)	2.32	9.76	9.43	7.82
	Bloomberg Gbl Agg Ex USD TR USD	(0.72)	(3.53)	(6.98)	(4.96)	3.23	2.88	0.86
REITs	FTSE Nareit All REITs TR	(1.28)	(0.49)	28.11	31.65	12.54	11.02	11.55
	Wilshire US REIT TR USD	1.91	10.39	31.51	40.58	11.30	7.63	10.58

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

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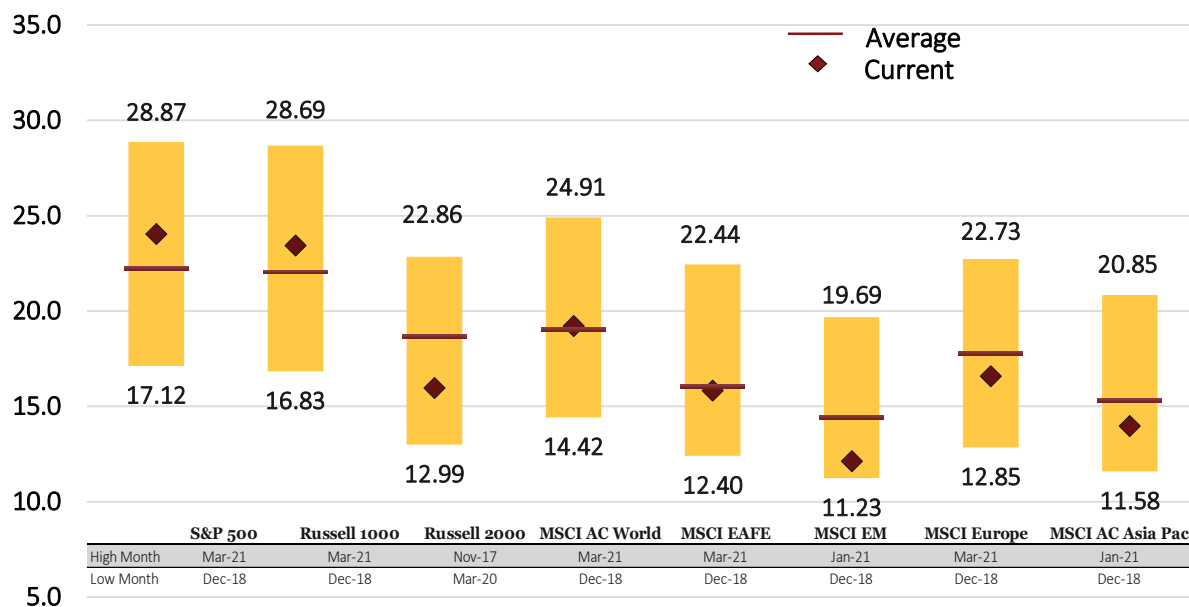
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## Current Trailing P/E vs. Trailing 5-Year High, Low, Average



Source: Morningstar

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates <sup>3</sup> per US \$		Inflation <sup>2</sup>
	Latest <sup>1</sup>	2021 <sup>1</sup>	2022 <sup>1</sup>	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
<b>United States</b>	2.10	5.60	3.70	4.20	1.46	-	-	4.90
<b>China</b>	0.20	8.10	5.10	4.90	2.88	6.39	6.59	1.20
<b>Japan</b>	-0.80	1.80	3.40	2.70	0.06	115.34	104.61	0.10
<b>United Kingdom</b>	1.30	6.90	4.70	4.30	0.81	1.33	1.34	3.40
<b>Euro Area</b>	2.20	5.20	4.30	7.30	0.35	1.12	1.19	2.60
<b>Germany</b>	1.70	2.90	4.10	5.30	-0.34	1.12	1.19	2.90
<b>France</b>	3.00	6.80	4.20	8.10	0.01	1.12	1.19	1.30
<b>Italy</b>	2.60	6.30	4.60	9.40	0.98	1.12	1.19	1.40
<b>Canada</b>	1.30	4.80	3.90	6.00	1.57	1.27	1.30	3.80
<b>India</b>	-10.20	9.40	8.10	6.90	6.33	74.92	73.56	4.50
<b>Mexico</b>	-0.40	5.90	3.30	3.90	7.48	21.40	20.01	5.70
<b>Brazil</b>	-0.10	5.00	1.40	12.60	11.41	5.59	5.39	7.40

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2021 & 2022 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

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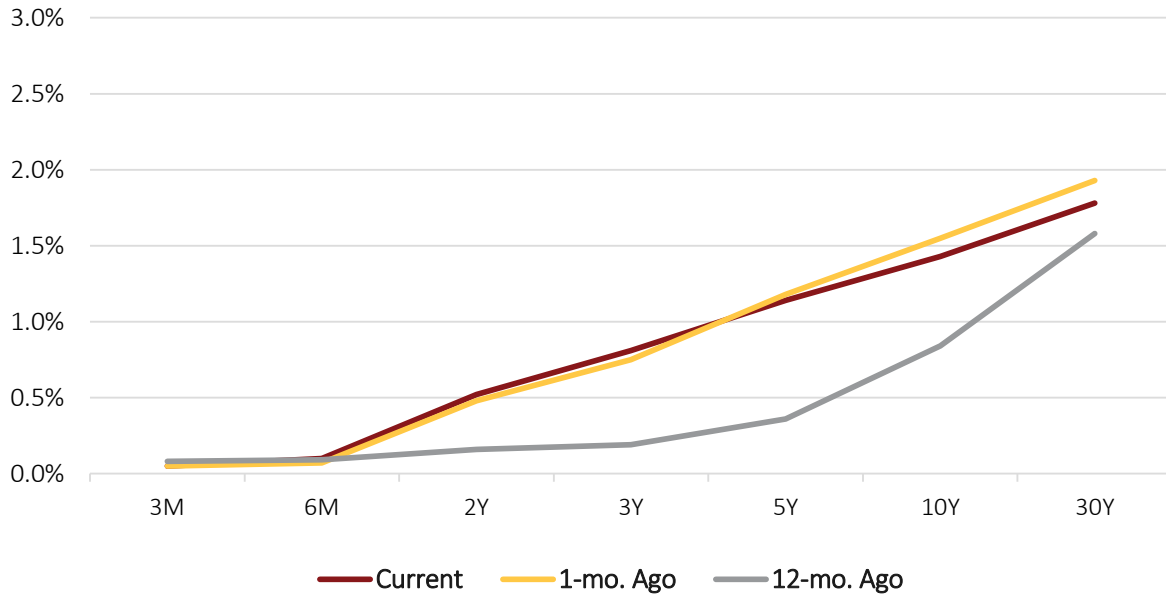
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## U.S. Treasury Yield Curves

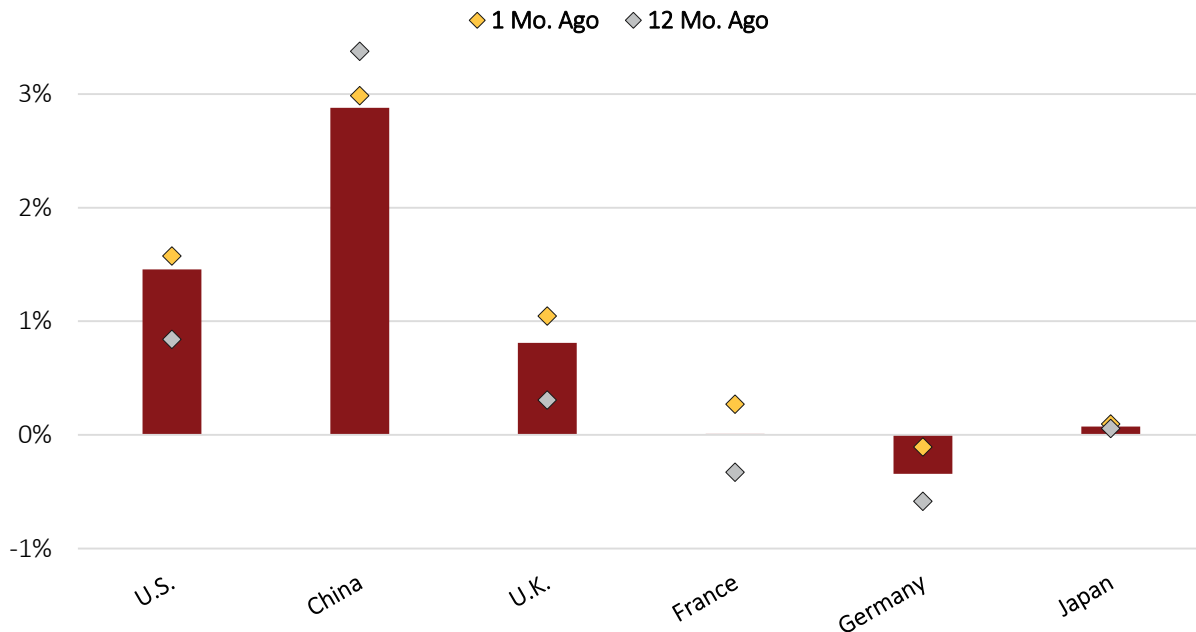
as of 11/30/2021



Source: Federal Reserve Bank

## 10-Year Sovereign Yields

as of 11/30/2021 (most recently available)



Source: Trading Economics

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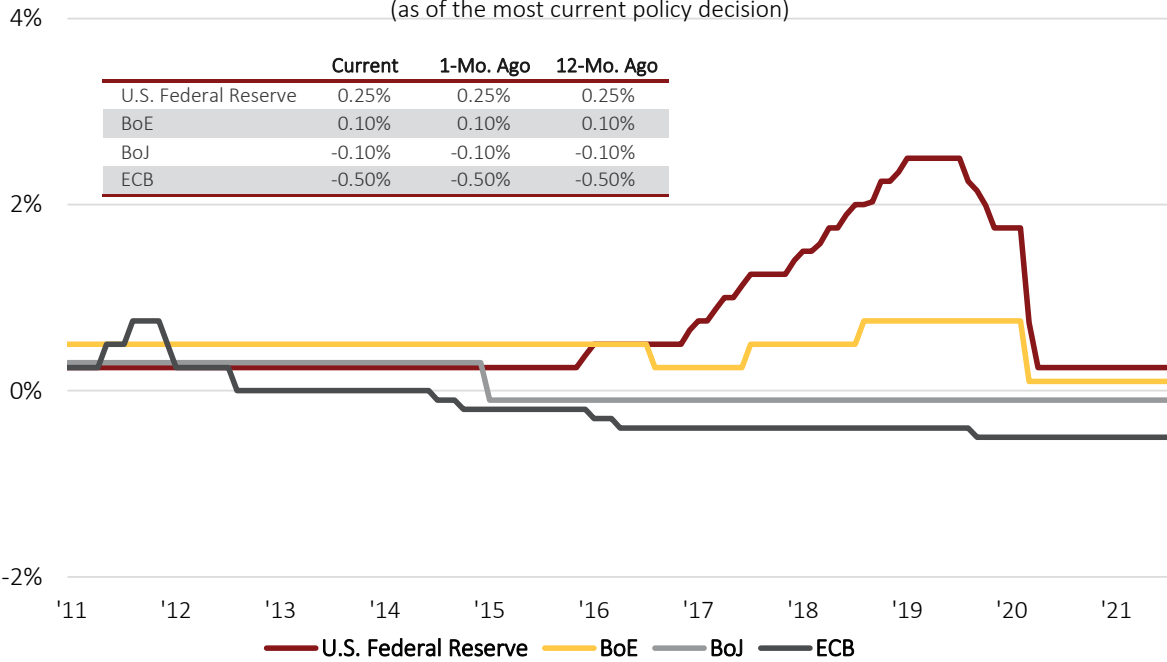
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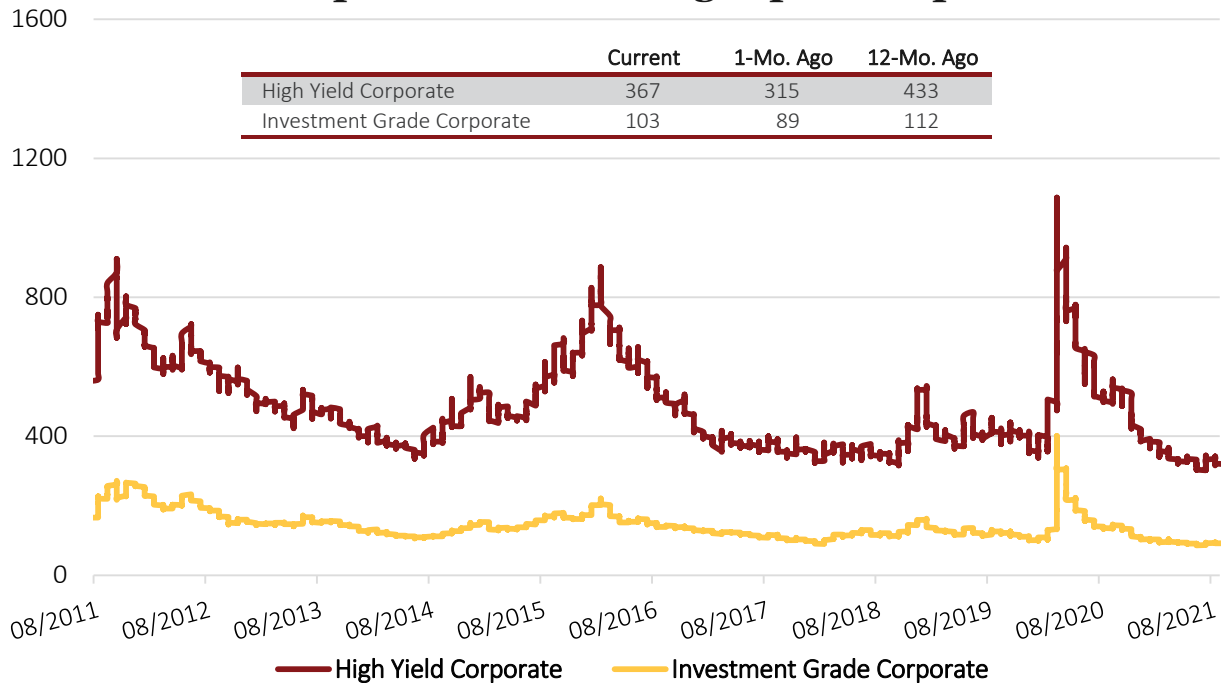
## Central Bank Policy Rates

(as of the most current policy decision)



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics

## Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank