Fourth Street Performance Partners
Independent Investment Consultants

November 2021: Market Review

Global equities experienced positive momentum for most of the month, but all gains were offset in the last week of November when investors sold risk assets after news of the omicron covid-19 variant. The World Health Organization reported their findings of a new covid variant, omicron, that spreads more rapidly than other covid strains. Several countries have already restricted travel from nations where omicron has been identified while countries that have this variant present have imposed movement restrictions or lockdown measures to curb the spread of the virus. In addition to omicron, comments from Fed chairman Powell about accelerating the tapering schedule added to market losses in the final week. In Europe, inflation rose to a record high of 4.9% as energy prices skyrocketed last month while inflation in the United States climbed to a 30-year high of 6.2% amid supply chain constraints and strong consumer demand. The S&P 500 Index declined -0.7% in November but has gained +23.2% this year. The Dow Jones Industrial Average was down -3.5% during the month though the index remains in positive territory year-to-date (+14.6%). The NASDAQ Composite had the strongest return this month, appreciating +0.3% during the month and +21.3% so far in 2021.

Within domestic equities, growth stocks outperformed value stocks in large cap issues, but value outpaced growth in mid- and small-capitalization sizes. The Russell 1000 Value Index fell -3.5% while the Russell 1000 Growth Index gained +0.6%. The Russell Midcap Value Index declined -3.0% while the Russell Midcap Growth Index depreciated -4.2%. The Russell 2000 Value Index was down -3.4% versus a loss of -4.9% from the Russell 2000 Growth Index. Year-to-date value stocks have sizable leads over growth stocks in mid- and small-cap issues while growth stocks have outperformed value in large cap. Within commodities, WTI crude oil stumbled, falling to $66 per barrel versus $84 at the beginning of the month. Meanwhile, gold closed the month at $1,774 per ounce, a modest decline of -0.5% from the previous month.

In a similar fashion, major international equity indices declined in November as travel restrictions and heightened inflation figures caused concern. The MSCI ACWI ex-U.S. Index fell -4.5% while the MSCI EAFE Index dropped -4.7%. The MSCI Emerging Markets Index (-4.1%) outperformed developed markets this month as Taiwan (+2.2%) and Brazil (-1.8%) were relative contributors to performance. China (-6.0%) had another down month as their “covid 0” policy has investors concerned that further lockdowns could hinder economic output.

U.S. fixed income markets posted modest gains during the month as investors sought safety and stability amid covid variant concerns. At the end of November, the Federal Reserve announced that their timeline for tapering bond purchases could potentially be accelerated in order to curb inflation. Additionally, the Fed admitted that they no longer believe inflation is transitory and plan to shift their focus on bringing price levels down as long as job growth continues to progress towards their goal of maximum employment. The yield on the 10-year Treasury ended the month at 1.43%, lower than its October close of 1.55%. The Bloomberg U.S. Aggregate Bond Index added +0.3% while the Bloomberg Treasury 20+ Year Index rose +2.9% over the month. Alternatively, the Bloomberg Corporate High Yield Bond Index (-1.0%) was the only fixed income sector in negative territory for the month.

Equity market indices slipped during the last few days of November as the emergence of the omicron covid variant caused apprehension in the markets. Additionally, record inflation readings across the world have drawn attention from investors and the Federal Reserve as they recently announced they could potentially accelerate the end of bond purchases if inflation readings remain high and job growth remains strong. In Washington, the U.S. federal government remains at risk of shutting down in early December as no progress was made on raising the debt ceiling. With all of these risks in mind, investors may experience heightened volatility in the coming months.

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