

# Market Pulse

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## In focus

Markets, policymakers, and central bankers are all focused on emerging data around the new Omicron COVID-19 strain. Though global markets tumbled between 2%-3% on Friday, the MSCI ACWI remains just 3% below recent all-time highs, supported by strong earnings trends and surging Q4 U.S. growth. At this juncture, there is scant data to adequately classify Omicron as either a severe risk or a false alarm. The three primary lenses under which all market participants and policymakers will evaluate Omicron in the coming days/weeks are its transmissibility, severity, and vaccine responsiveness.

- The U.S. equity market reacted emotionally on Friday, which is unsurprising given its 9% rally since early October. In the near term, we expect the selloff to be contained with the S&P 500 finding initial support at the 4500-4550 levels. However, if the Omicron variant proves more virulent or widespread than currently anticipated, Friday offered a preview of how markets could respond to disappointing news.
- Countries are enacting various forms of travel restrictions from South Africa out of an abundance of caution, where Omicron appears to have originated. If evidence dictates broader shutdowns, then previous expectations for a rebound in Q4 GDP could be delayed into Q1 2022.
- The next Fed meeting in mid-December will integrate new virus data into discussions around their pace of tapering, despite recent inflation data and last week's minutes.

For now, the weight of the evidence in our work continues to favor equities over bonds and U.S. over international markets.

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## A look back

- Global equities fell -2.8% for the week, led lower by international markets. News of the Omicron variant caused volatility to see the biggest 1-day jump since January.
- 10-year U.S. Treasury yields fell 15 basis points on Friday. Market participants fled to safety during Friday's volatile session as high yield spreads widened 30 basis points.
- Emerging news of the Omicron variant offered more questions than answers as world leaders continue to grapple with an appropriate response.

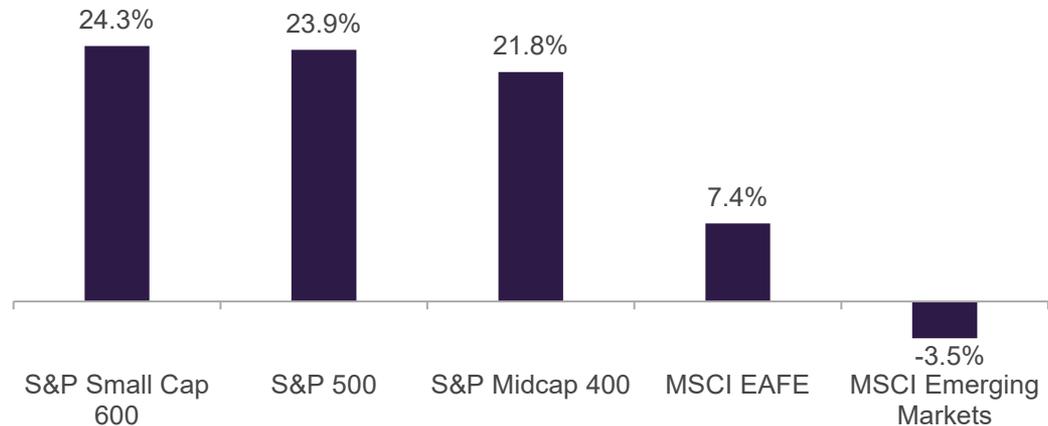
## A look ahead

- The Omicron variant will command elevated attention as details emerge regarding its transmissibility, vaccine response, and severity versus previous COVID-19 strains.
- Federal Reserve (Fed) officials hit the speaking circuit this week, highlighted by Chair Powell and Treasury Secretary Yellen addressing policymakers.
- Economic releases: Markit & ISM Manufacturing and Services, Fed Beige Book, Durable Goods Orders, Conference Board Consumer Confidence, and Nonfarm Payrolls.

## Chart of the week – U.S. markets leading the globe in 2021

In 2021, U.S. markets continue to lead the way across the capitalization spectrum as well as across the globe. U.S. outperformance relative to its international peers has been driven by strong earnings, which were both stronger before the decline and recovered quicker than in other international markets.

### Market returns year to date



Data Source: Truist IAG, FactSet

**Wealth**

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As of November 26, 2021

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-2.82	-1.48	3.55	15.06	19.74
S&P 500	-2.18	-0.11	6.89	23.91	28.30
MSCI EAFE (net)	-3.72	-3.24	-0.86	7.41	11.67
MSCI Emerging Markets (net)	-3.62	-3.23	-2.28	-3.50	1.53
Dow Jones Industrials	-1.95	-2.39	3.40	15.93	18.93
NASDAQ Composite	-3.52	-0.04	7.22	20.20	27.97
S&P U.S. REIT	-1.62	0.35	8.09	31.91	33.21
Bloomberg Commodity Index	-2.16	-3.15	-0.64	28.30	33.73
Bloomberg Aggregate	0.13	0.10	0.08	-1.48	-1.07
ICE BofA US High Yield	-1.22	-1.25	-1.43	3.18	5.27
Bloomberg Municipal Bond Blend 1-15 Year	0.04	0.38	0.09	0.57	1.13
ICE BofA Global Government xUS (USD Unhedged)	0.07	-0.21	-0.92	-8.74	-6.69
ICE BofA Global Government xUS (USD Hedged)	0.03	1.05	0.90	-1.11	-0.88
JP Morgan EMBI Global Diversified	-1.71	-1.93	-1.91	-3.24	-1.42

Rates (%)	11/26/21	9/30/21	6/30/21	3/31/21	12/31/20
Fed Funds Target	0.25	0.25	0.25	0.25	0.25
Libor, 3-Month	0.17	0.13	0.14	0.19	0.23
T-Bill, 3-Month	0.05	0.03	0.05	0.02	0.07
2-Year Treasury	0.50	0.28	0.25	0.16	0.11
5-Year Treasury	1.16	0.99	0.87	0.93	0.36
10-Year Treasury	1.47	1.52	1.44	1.73	0.91
30-Year Treasury	1.82	2.09	2.06	2.42	1.64
Bloomberg Aggregate (YTW)	1.70	1.56	1.50	1.61	1.12
Bloomberg Municipal Bond Blend 1-15 Year	0.90	0.84	0.76	0.87	0.77
ICE BofA US High Yield	4.81	4.08	3.85	4.27	4.24
Currencies	11/26/21	9/30/21	6/30/21	3/31/21	12/31/20
Euro (\$/€)	1.13	1.16	1.19	1.18	1.22
Yen (¥/\$)	113.15	111.57	110.99	110.50	103.25
Pound (\$/£)	1.33	1.35	1.38	1.38	1.37
Commodities	11/26/21	9/30/21	6/30/21	3/31/21	12/31/20
Crude Oil (WTI)	68.15	75.03	73.47	59.16	48.52
Gold	1,786	1,757	1,772	1,716	1,895
Volatility	11/26/21	9/30/21	6/30/21	3/31/21	12/31/20
CBOE VIX	28.62	23.14	15.83	19.40	22.75

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-1.03	-2.18	-3.09	18.95	23.91	28.20	Large
-2.75	-3.17	-3.65	27.18	21.80	16.49	Mid
-3.05	-3.28	-3.55	29.18	24.29	19.41	Small



Data Source: Truist, FactSet

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S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.

S&P 500 Information Technology Index —a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

The CBOE Volatility Index® (VIX®) is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg U.S. Corporate High Yield measures the USD-denominated high yield fixed-rate corporate bond market. Bonds are classified as high yield if they are rated below BBB by Moody's and S&P.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the U.S. dollar.

The ICE BofAML Global Government ex U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in U.S. dollars.

JP Morgan EMBI Global Diversified index includes only USD-denominated emerging markets sovereign bonds and the traditional, market capitalization weighted method for country allocation is modified to limit the weights of index countries with larger debt loads by only including a specified portion of the eligible fact amounts of the debt outstanding.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The S&P U.S. REIT index measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

IA SBBBI U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBBI Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBBI U.S. 30-day T-Bill index measures the total return of T-Bills with a maturity of one month on a monthly basis.

The S&P 500 High Beta index measures the performance of 100 constituents in the S&P 500 that are the most sensitive to changes in market returns.

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