

In this month's recap: Stock prices notched solid gains as a strong start to the corporate earnings season fired up investors.

Monthly Economic Update

Presented by Jennifer L. Johnson, CFP®, ChFEBCSM, November 2021

U.S. Markets

A strong corporate earnings season renewed investor enthusiasm for stocks and propelled the market to healthy gains in October.

The Dow Jones Industrial Average advanced 5.84 percent while the Standard & Poor's 500 Index rose 6.91 percent. The Nasdaq Composite led, surging 7.27 percent.¹

Powerful One-Two Punch

After a difficult September, the markets rallied with a sense of conviction thanks to a string of positive economic reports and a strong start to earnings season.

The encouraging succession of economic reports allayed investor worries about inflationary pressures and economic deceleration, while a wave of corporate earnings releases provided fresh upside surprises that suggested that American businesses had weathered the worst of the Delta variant surge.

Inside the Number

With about half of the S&P 500 constituent companies having reported earnings, more than 80 percent of them have beaten Wall Street analysts' consensus estimates. Based on these results so far, earnings are expected to come in approximately 39 percent above the third quarter last year.²

Looking Past

Nearly lost in October's rally were two important developments. First, the FOMC (Federal Open Market Committee) detailed the expected size and pace of its bond market tapering. Despite the step toward a less accommodative monetary policy, investors greeted it with a collective shrug.

Tax Uncertainty Lifting

Second, the market appeared to look past the possibility of a change in corporate tax rates to help pay for the proposed social and climate spending bill. As legislators narrowed the range of the spending bill framework, the prospect of higher corporate taxes dimmed, which may have provided an additional lift to stock prices.

Sector Scorecard

Every industry sector moved higher in October except Communications Services, which saw a marginal loss of 0.47 percent. Performance was strong across the board, with gains in Consumer Discretionary (+10.05 percent), Consumer Staples (+2.66 percent), Energy (+9.38 percent), Financials (+6.09 percent), Health Care (+3.64 percent), Industrials (+4.69 percent), Materials (+6.00 percent), Real Estate (+7.84 percent), Technology (+6.81 percent), and Utilities (+5.90 percent).³

What Investors May Be Talking About in November

In the month ahead, expect news events from Washington to continue to drive some market activity. One issue that may make headlines is the federal debt ceiling, which is expected to be resolved before early December.

Raising the debt ceiling will allow the federal government to pay its bills, including interest payments on Treasuries and government programs.

But the markets might get unsettled the closer the debt ceiling deadline approaches without a legislative agreement. Uncertainty represents a risk that can manifest itself in price volatility.

TIP OF THE MONTH



Remember that a major life event may mean a change in your retirement, tax, or estate planning approach.

World Markets

Many overseas markets followed Wall Street's lead, with the MSCI-EAFE Index gaining 3.21 percent in October.⁴

Major European markets performed well, with advances in France (+4.76 percent), Germany (+2.81 percent), and the U.K. (+2.13 percent).⁵

Pacific Rim stocks were mixed, with the Hang Seng market adding 3.26 percent while the Nikkei slipped 1.90 percent.⁶

Indicators

Gross Domestic Product: Economic expansion slowed in the third quarter, as the GDP grew at an annualized rate of 2.0 percent. The spread of Delta variant and supply chain bottlenecks were the chief reasons for the slowdown from previous quarters.⁷

Employment: The economy added 194,000 jobs, making September the slowest month for job growth this year. The unemployment rate declined to 4.8 percent, while wages rose 4.6 percent year-over-year.⁸

Retail Sales: Retail sales rose 0.7 percent, despite constrained supply and the Delta variant. The better-than-estimated sales in September may reflect consumer strength and higher prices for goods.⁹

Industrial Production: Industrial output fell 1.3 percent, a downside surprise from consensus expectations for a small gain. The Federal Reserve attributed about half the decline to the continuing impact of Hurricane Ida.¹⁰

Housing: Burdened by a shortage of materials and labor, housing starts dropped 1.6 percent in September, dragged lower by a decrease in multi-family dwelling starts.¹¹

Existing home sales rose 7.0 percent. The median price of existing homes increased by 13.3 percent from a year ago to \$352,800.¹²

New home sales gained 14 percent, reaching a six-month high. The combination of low inventory and high demand led to an 18.7 percent rise in the median cost of a new home.¹³

Consumer Price Index: Consumer prices rose 0.4 percent in September, while over the last 12 months the inflation rate came in at 5.4 percent.¹⁴

Durable Goods Orders: Durable goods orders declined 0.4 percent, lower than economists had forecasted amid labor and supply shortages.¹⁵



“Either you run the day or the day runs you.”

JIM ROHN

The Fed

Minutes from September’s FOMC meeting revealed greater details surrounding the Fed’s taper plans. The Fed would begin reducing bond purchases by \$15 billion a month starting in November and concluding in July 2022.

“No decision to proceed with a moderation of asset purchases was made at the meeting, but participants generally assessed that, provided that the economic recovery remained broadly on track, a gradual tapering process that concluded around the middle of next year would likely be appropriate,” according to the minutes of the two-day meeting, which concluded on September 22.¹⁶

This tapering schedule is a bit accelerated from what investors had been expecting but reflects Fed worries that supply chain bottlenecks were increasing the likelihood of more persistent inflation.¹⁷

MARKET INDEX	Y-T-D CHANGE	October 2021
DJIA	17.03%	5.84%
NASDAQ	20.25%	7.27%
S&P 500	22.61%	6.91%

BOND YIELD	Y-T-D	October 2021
10 YR TREASURY	0.64%	1.56%

Sources: Yahoo Finance, October 31, 2021

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

THE MONTHLY RIDDLE



When can you add two to eleven and get one as the correct answer?

LAST MONTH'S RIDDLE: Tom's mother has four children. Each was born exactly one year and one month apart from the previous child. The first she named April, the second she named May, the third she named June. What did she name her fourth child?

ANSWER: Tom.

Jennifer L. Johnson, CFP®, ChFEBCSM may be reached at (301) 898-7824 or
Jennifer@jljfinancial.com, www.jljfinancial.com

Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

Registered Representative, Securities offered through Cambridge Investment Research, Inc., a Broker/Dealer, Member FINRA/SIPC. Investment Advisor Representative, Cambridge Investment Research Advisors, Inc., a Registered Investment Advisor. Cambridge and JLI Financial are not affiliated.

JLI Financial
11302 Daysville Road
Frederick, MD 21701
(301) 898-7824

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500

leading companies in leading industries of the U.S. economy. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the “NYSE”) and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. The SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The FTSEurofirst 300 Index comprises the 300 largest companies ranked by market capitalization in the FTSE Developed Europe Index. The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. Established in January 1980, the All Ordinaries is the oldest index of shares in Australia. It is made up of the share prices for 500 of the largest companies listed on the Australian Securities Exchange. The S&P/TSX Composite Index is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. The FTSE TWSE Taiwan 50 Index is a capitalization-weighted index of stocks comprising 50 companies listed on the Taiwan Stock Exchange developed by Taiwan Stock Exchange in collaboration with FTSE. The MSCI World Index is a free-float weighted equity index that includes developed world markets and does not include emerging markets. The Mexican Stock Exchange, commonly known as Mexican Bolsa, Mexbol, or BMV, is the only stock exchange in Mexico. The U.S. Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting, or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

CITATIONS:

1. WSJ.com, October 31, 2021
2. CNBC.com, October 28, 2021
3. Sectorspdr.com, October 31, 2021
4. MSCI.com, October 31, 2021
5. MSCI.com, October 31, 2021
6. MSCI.com, October 31, 2021
7. WSJ.com, October 28, 2021
8. WSJ.com, October 8, 2021
9. CNBC.com, October 15, 2021
10. CNBC.com, October 18, 2021
11. Reuters.com, October 19, 2021
12. WSJ.com, October 21, 2021
13. CNBC.com, October 26, 2021
14. WSJ.com, October 13, 2021
15. WSJ.com, October 27, 2021
16. FederalReserve.gov, October 13, 2021
17. WSJ.com, October 13, 2021