

## OBSERVATIONS

- Covid cases are surging again in Europe and are on the rise as well within the U.S. In the U.S., the 7-day moving average increased to over 90,000 new daily cases, increase of 25% from earlier in the month.<sup>1</sup>
- Meanwhile the recently discovered 'B.1.1.529/Omicron' variant of COVID helped spur losses for broad market indices last Friday, the day after Thanksgiving (a historically calm day for markets).<sup>2</sup>
  - The S&P 500 dropped -2.3% — second worst day of the year.
  - The Russell 2000 fared worse, losing -3.8% — the small cap index's worst day of the year.
  - European stocks and emerging market stocks lost -2.6% and -3.4% — also worst days for 2021.
  - Crude oil (WTI) declined -13.0% — the worst day for the commodity since April of 2020.
  - The VIX Index (a measure of volatility, or fear) reached 28.6 — highest level since March of this year.
- Existing-home sales rose +0.8% in October from September to a seasonally adjusted annual rate of 6.34 million—the highest pace since January—according to the National Association of Realtors. While still robust, existing home sales are down -5.8% from the same time last year.<sup>3</sup>
- Thanks in part to seasonal adjustments, initial claims for jobless benefits dropped to 199k during the week of 19-Nov, the lowest since reaching the same level during the week of 17-Oct-1969. Adjustments aside the general direction of the data continues to bode well for employment.<sup>4</sup>
- Global semiconductor chip manufacturers are expected to spend over \$145 billion in new capital expenditures, 50% higher than pre-pandemic. The U.S., which represents just 13% of global chip production capacity will benefit from new investments made by Taiwan Semi, Intel, Texas Instruments, and now Samsung Electronics which recently announced plans to construct a \$17 billion fabrication facility in Texas.<sup>5</sup>

## EXPECTATIONS

- Amid headline inflation running at +20% year-over-year, Turkey's central bank's decision to cut its main policy rate by 100 basis points last week—under pressure from President Recep Erdogan—caused the Turkish Lira to plummet in global currency markets. So far there is little spillover from the Turkish Lira to other emerging market currencies, but the Lira has depreciated by about 50% against the dollar moving from 8 Lira to the US\$ in early September to over 12 Lira per US\$ presently.<sup>6</sup>
- Coordinated release of strategic oil reserves: Six countries, the U.S., China, India, Japan, South Korea, and the U.K., have agreed to release an estimated 60-70 million barrels of oil in the coming weeks to ease prices. The release is thought to be more of a political signal given that the world is expected to consume nearly 100 million barrels per day during this final quarter of 2021.<sup>7</sup>

## ONE MORE THOUGHT: Biden Re-Nominates Jay Powell as Fed Chair<sup>8</sup>

President Biden announced last week that he would be re-nominating Jerome Powell to a second 4-year term as Chairman of the Federal Reserve. Biden also announced that he is nominating Lael Brainard as Fed Vice Chair but

<sup>1</sup> <https://www.cdc.gov/coronavirus/2019-ncov/covid-data/covidview/index.html>

<sup>2</sup> Bloomberg LP, Daily price change on 26-Nov: iShares S&P 500, iShares Russell 2000, iShares MSCI Europe, iShares MSCI Emerging markets

<sup>3</sup> <https://www.nar.realtor/newsroom/existing-home-sales-inch-up-0-8-in-october>

<sup>4</sup> Bloomberg LP

<sup>5</sup> <https://www.wsj.com/articles/more-chips-will-be-made-in-america-amid-a-global-spending-surge-11637762400>, Gartner Inc

<sup>6</sup> EM Markets Debt Daily – VanEck 23-Nov-2021

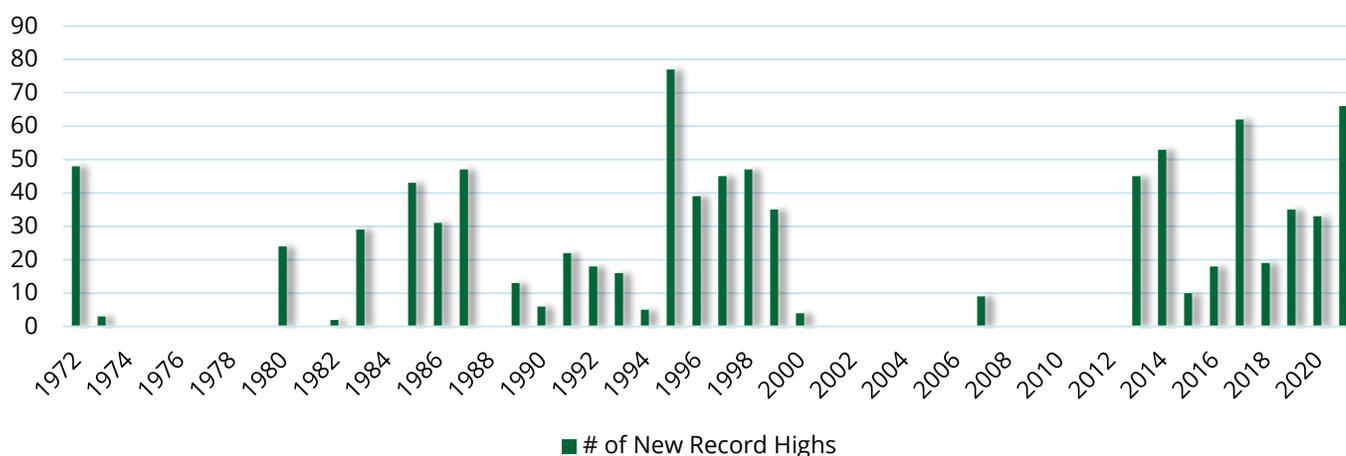
<sup>7</sup> <https://www.wsj.com/articles/u-s-several-other-countries-to-tap-strategic-oil-reserve-11637669762>

<sup>8</sup> [https://www.wsj.com/articles/fed-picks-leave-open-questions-on-how-central-bank-will-regulate-wall-street-11637663401?mod=hp\\_lead\\_pos2](https://www.wsj.com/articles/fed-picks-leave-open-questions-on-how-central-bank-will-regulate-wall-street-11637663401?mod=hp_lead_pos2)

did not yet name a candidate to replace Fed Governor Randal Quarles who serving as the Fed supervisory chief until his retirement next month. In his role, Quarles set the regulatory agenda for the Fed and largely determined the direction the Fed took in regulating Wall Street. The announcements provide clarity on the likely path of Fed in terms of monetary policy as the views of chairman Powell and as well as Brainard—who joined the Fed as a Governor in 2014—are well known to Fed watchers. Both nominations are subject to confirmation by the U.S. Senate, but both candidates are known entities that are likely to face little opposition to their nominations. Biden still has to fill three additional vacancies—the replacement for Brainard, the replacement for Quarles, as well as a replacement for Richard Clarida an economist and former Treasury Department official, whose term as a governor expires in January-2022. While the picks of Powell and Brainard suggest Biden is prioritizing continuity in terms of the current monetary policy regime, the upcoming pick for Quarles replacement will likely show if the Biden administration prefers a more aggressive regulatory stance towards Walls Street or a more hands-off approach.

## CHART OF THE WEEK

### S&P New Record Highs



Source: Clearstead, Bloomberg LP, as of 11/22/2022

Despite last week's market volatility, the S&P 500 has already hit 66 new record highs in 2021, which is the second-best year on record over the past 50 years. Only in 1995 did the S&P 500 hit more record new highs than this year—a total of 77.

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