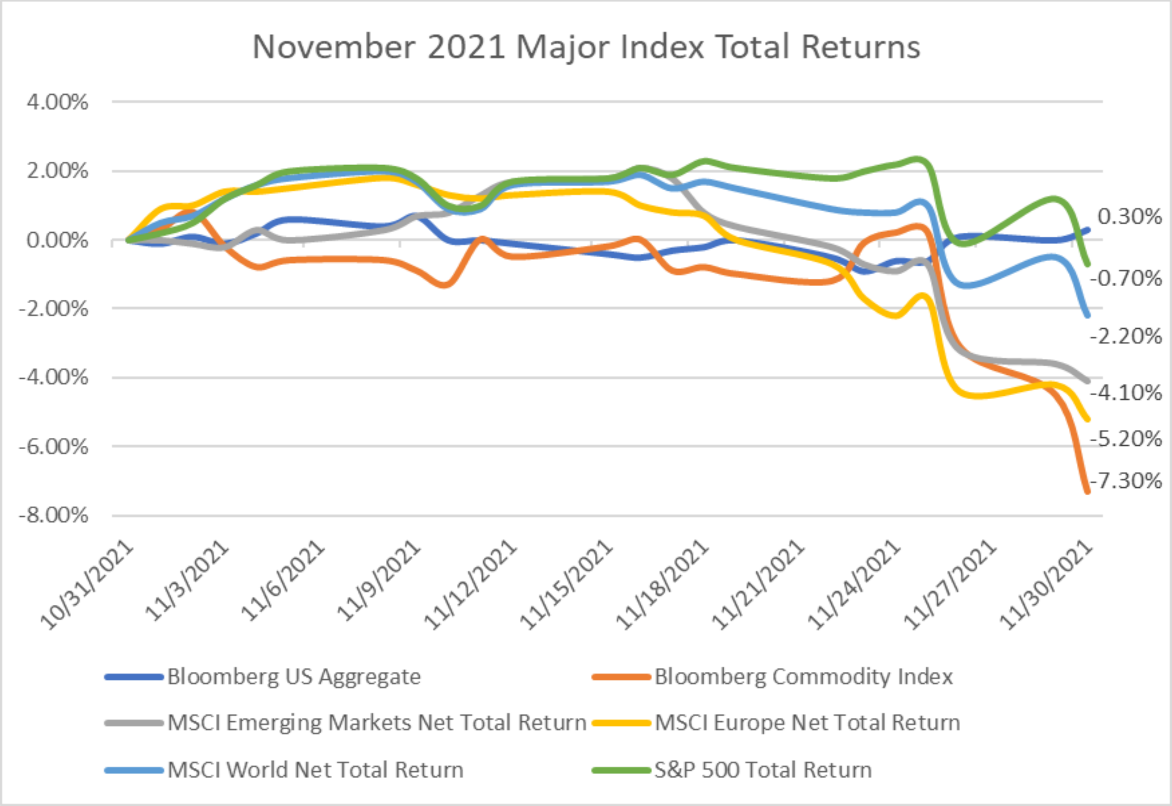
NOVEMBER 2021 MARKET REVIEW

Market Recap: The two main storylines in November were the US Federal Reserve's pivot and the reappearance of virus driven volatility. The majority of financial assets, from equities to commodities to corporate debt, struggled in the latter half of November. Investors sold cyclically driven holdings and bought US Treasuries, which have tended to be the only true safe haven asset during bouts of volatility since the start of the pandemic. The discovery of a new Covid variant, Omicron, complicates the economic outlook for a global recovery. Time will tell how transmissible and deadly the new variant will be, and this strain will also test the efficacy of current treatments and vaccines.

In what seemed to be an inevitability, US Federal Reserve Chairman, Jerome Powell (who will serve another four-year term) stopped characterizing the higher inflationary environment as *transitory*, a change in how the Fed views rising prices. This pivot in the Fed's characterization of inflation is driven partially by the annualized 6.2% October reading. The Fed also signaled a willingness to accelerate tapering its monthly asset purchase program and even opened the door for an interest rate hike over the next six months. To be clear, the Fed's policy remains ultra-accommodative for risk assets, including equities and non-government debt; however, these shifts in monetary policy are negatives at the margin.

How does this impact our perspective? We continue to advocate for an underweight position in fixed income, holding a neutral allocation in equity, with a mild overweight in cash. We continue to see value in more economically sensitive sectors and regions, such as financials and international equities, while complementing that with exposure to quality sectors such as healthcare and portions of technology (which can also be defensive in volatile periods). We are also adding to select sectors, given the recent pullback in equity markets – the headline market performance is masking some severe individual company and sub-sector selloffs that occurred over the past 3 months.



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