

MARKET INSIGHTS

Weekly Market Recap

U.S. | November 15, 2021

The week in review

- U.S. job openings fall to 10.4M
- PPI for final demand +0.6% in Oct.

The week ahead

- Retail sales

Thought of the week

U.S. inflation, as measured by CPI, rose at its fastest pace since 1990 in October. Headline CPI surged 6.2% y/y (+0.9% m/m), led by increases in energy (+4.8% m/m), used and new vehicles (+2.5% and +1.4% m/m), food (+0.9% m/m) and shelter (+0.5% m/m). Yet another hot CPI print is causing many to consider just how transitory inflation really is. Though there is no official definition on the difference between transitory and sticky inflation, components related to the reopening story are likely to be transitory, while inflation due to a broad increase in wages or prices is likely to be sticky. For example, higher auto prices are clearly transitory. The chip shortage is currently limiting inventories and thus, driving up vehicle costs; however, as supply improves, prices should moderate. On the other hand, higher lawyer fees are a hypothetical example of something sticky. There is no particular shortage of lawyers and if prices are rising here, it is more a reflection of general excess demand or too much money chasing too few goods and services. Even as the pandemic recedes, wage growth will continue to put upward pressure on inflation for some time. As illustrated in the chart, the reopening/transitory components of inflation were the main culprits behind price pressure earlier in the year; however, the non-reopening/stickier components are beginning to gain momentum. Looking ahead, as the Fed begins tapering, the transitory argument is becoming harder to make, increasing the likelihood that the Fed may increase short-term interest rates faster than its recent public statements may have suggested.

WEEKLY DATA CENTER

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4683	-0.27	8.88	26.21	34.32	81.25
Dow Jones 30	36100	-0.56	6.83	19.79	26.50	51.89
Russell 2000	5994	-1.00	9.52	23.11	42.58	65.08
Russell 1000 Growth	2019	-0.53	10.73	26.56	36.04	121.71
Russell 1000 Value	1015	0.10	6.65	23.86	33.48	47.83
MSCI EAFE	2364	-0.34	3.81	12.94	21.37	42.17
MSCI EM	1285	1.71	2.69	1.67	11.34	43.90
NASDAQ	15861	-0.68	9.84	23.75	36.36	126.30

Fixed Income	Yield	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	1.72	-0.75	-0.14	-1.69	-0.93	17.74
U.S. Corporates	2.30	-0.99	0.15	-1.12	0.88	25.77
Municipals (10yr)	1.05	0.13	0.11	0.53	2.03	17.48
High Yield	4.80	-0.25	0.19	4.73	8.11	24.05

Key Rates	Levels (%)					
	11/12/21	11/5/21	9/30/21	12/31/20	11/12/20	11/12/18
2-yr U.S. Treasuries	0.53	0.39	0.28	0.13	0.17	2.94
10-yr U.S. Treasuries	1.58	1.45	1.52	0.93	0.88	3.19
30-yr U.S. Treasuries	1.95	1.87	2.08	1.65	1.64	3.40
10-yr German Bund	-0.26	-0.28	-0.19	-0.58	-0.53	0.39
3-mo. LIBOR	0.16	0.14	0.13	0.24	0.22	2.61
3-mo. EURIBOR	-0.56	-0.57	-0.55	-0.55	-0.51	-0.32
6-mo. CD rate	0.15	0.14	0.16	0.26	0.28	0.65
30-yr fixed mortgage	3.16	3.16	3.10	2.90	2.98	5.17
Prime Rate	N/A	3.25	3.25	3.25	3.25	5.25

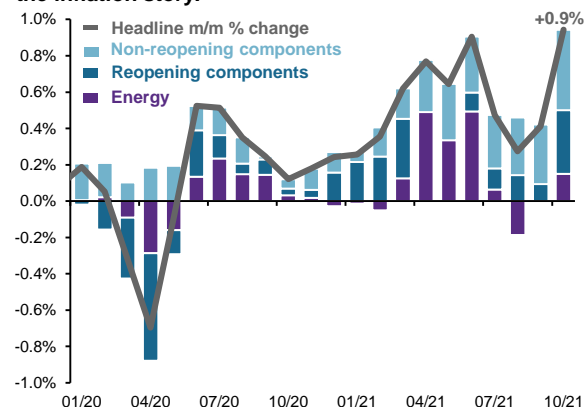
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
21.38	4.68	1.24	86.24
18.89	4.91	1.65	377.63
25.85	2.68	0.83	1.92
31.13	13.38	0.63	66.51
16.35	2.65	1.79	37.59
15.57	1.87	2.48	28.33
12.89	1.90	2.24	19.19
32.35	6.90	0.58	8.17

Currencies	Levels		
	11/12/21	12/31/20	11/12/20
\$ per €	1.14	1.22	1.18
\$ per £	1.34	1.37	1.31
¥ per \$	113.96	103.25	105.13

Commodities	Levels		
	11/12/21	12/31/20	11/12/20
Oil (WTI)	80.79	48.35	40.90
Gasoline	3.41	2.20	2.10
Natural Gas	4.79	2.36	2.81
Gold	1861	1888	1875
Silver	24.96	26.49	24.22
Copper	9855	7742	6904
Corn	5.72	4.74	3.96
BBG Idx	219.53	166.63	157.36

CHART OF THE WEEK

Non-reopening components are gaining momentum in the inflation story.

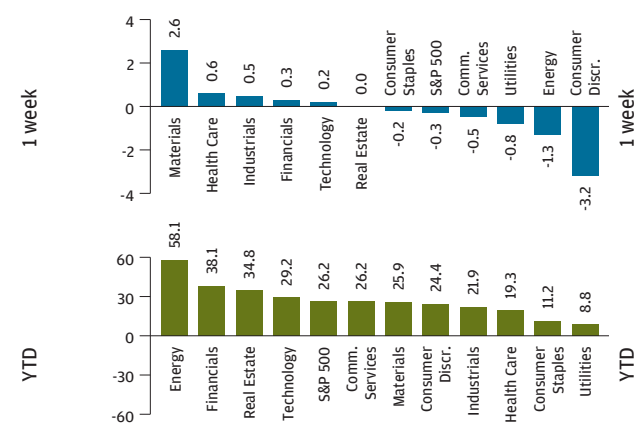


STYLE RETURNS

	V	B	G
L	0.1	-0.3	-0.5
M	0.2	0.4	0.7
S	-0.9	-1.0	-1.1

	V	B	G
L	23.9	26.2	26.6
M	27.7	24.9	19.7
S	34.3	23.1	12.9

S&P 500 SECTOR RETURNS



Please see important disclosure on next page.

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Chart of the Week: Source: Bureau of Labor Statistics, Bloomberg, J.P. Morgan Asset Management. Reopening components include: Used Vehicles, Rental Vehicles, Vehicle Insurance, Lodging, Airfare and Food Away from Home. The Non-reopening component is found by subtracting Energy and Reopening component.

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Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.); provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Barclays US Aggregate; provided by: Barclays Capital. Index: Barclays Investment Grade Credit; provided by: Barclays Capital. Index: Barclays Municipal Bond 10 Yr; provided by: Barclays Capital. Index: Barclays Capital High Yield Index; provided by: Barclays Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios

and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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