

Weekly Market Commentary November 22nd, 2021

The stock market is up roughly 25% so far this year, and its path to get here has been nearly stumble-free, with just one 5% dip along the way. There are clear signs of FOMO (Fear Of Missing Out) as investors pile into high fliers, with outsized gains attracting more attention and buying by those looking to get a piece of the action. At the same time, markets often climb a wall of worry, and that wall has grown taller recently as current conditions are hardly devoid of risks. This historic rally has raised concerns of an overheated market, sparking FONGO (Fear Of Not Getting Out) among other investors. Which one do you have?

FOMO: Whiffs of Euphoria

- **Shades of the late-'90s** – The S&P 500 has a total return of more than 25% so far this year, putting it on track for the third consecutive year of double-digit gains. This would be the third such three-year stretch in the last 30 years, with the late-1990s producing five straight years with returns above 20%. Along with the strong gains, rising valuations, outperformance of the tech sector, and the return of high-flying IPOs have prompted comparisons to the late-1990s market bubble. While these similarities are true, this may not be the same bubble waiting to pop like we saw in the 90's. In addition to being at a different (earlier) stage in the economic, business and monetary-policy cycle, the underlying foundation for corporate earnings is more supportive today, relative to the dot-com era.

Though it doesn't appear the broad market is in a bubble, there are pockets of mania that have emerged. So-called "meme stocks," like AMC and GameStop, along with myriad crypto coins and NFTs (nonfungible tokens) have posted parabolic ascents, as shown in the chart below. Keep in mind that the black line is the S&P 500, which is up 33% over this period. The latest example of this level of optimism came last week when the IPO of electric-vehicle maker Rivian surged, giving the company a sizably larger market capitalization than GM and Ford, despite having zero sales to date. This is not to suggest the automaker won't be successful, but instead highlights the areas of froth that have emerged within the market, as investor optimism has risen and as Fed liquidity remains abundant. These speculative areas represent a systemic threat to the larger bull market, but they do highlight near-term sentiment risks that could spark a bout of volatility.

FONGO: Are the risks about to spoil the party?

The bull market isn't running out of time, though it may lose a bit of steam going forward to have realistic expectations. More often, it's the markets that don't have prevalent or credible risks that are most vulnerable to a peak. FONGO lives on the other end of the emotional spectrum from greed but can have equally adverse effects if it prompts investment decisions (exiting the market, failure to rebalance) that are

not aligned with your long-term goals.

- **Help wanted:** labor shortages will take time to clear – Job openings still exceed the number of unemployed, indicating the dislocation that continues in the labor market. Total employment remains 4 million workers below the pre-pandemic number, which can be attributed to a combination of factors including early retirements, health care concerns, and ongoing disruptions in the leisure and hospitality industry, among others. This is one factor holding the economy back from its potential, but the labor market is poised to improve ahead.

Inflation remains the most prevalent risk to the market narrative, with rising consumer prices stemming from supply-chain disruptions stunting GDP growth while also requiring a less accommodative Fed. While inflation will remain stickier than we've experienced over the last 20 years, some relief is on the way. On one hand, rising wages and further upward pressure coming from the housing/shelter component of the Consumer Price Index (CPI) basket will prevent inflation from dropping fully back to pre-pandemic levels.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	35,602	-1.38%
S&P 500 Index	4,698	.32%
NASDAQ	16,057	1.24%
MSCI EAFE	2,350	-.21%
10-yr Treasury Yield	1.54%	-1.91%
Gold	\$1,846	-1.02%
Bonds	\$114.45	.11%

Source: Reuters/Wall Street Journal

How Much Should I Tip For The Holiday Season?

Why is giving the right tip such a moral dilemma? Year after year we are faced with the same problem, yet most of us have different solutions every year. Was this a good year for me? Was this a bad year for me financially? Do I like this person less? Do I like this person more? It's enough internal dialogue to make you think you were front row for your own Woody Allen move. What's the most expensive gift you got during the holidays? What's the worst gift you got during the holidays? Since many people really didn't celebrate the holidays last year due to COVID, is this a year that we should be tipping more? Here's a holiday guide to tipping!

First things first. You really need to assess a few things before you decide what to tip. Your relationship matters. You should consider how long you have known the person, the quality of the service, and the frequency of the service as a starting point. It also matters as to whether you live in a high-cost area such as New York City or if you are in a more rural area. Last, you should make sure you have some budget, or

you certainly can get in the holiday spirit and over tip against what you can really afford. I'm always surprised on how few people write a heartfelt written thank you note which would go a long way if you cannot afford money.

- 1. Postal Worker-** All federal workers cannot accept cash...it's just that simple. They can't receive more than \$20 anyway for one occasion and a total of \$50 for the entire year, so just stick to \$20 in a gift card or make them something that is from your heart. If you really want to do them a favor, use the post office more than you do today, as pretty soon you could see mail being delivered every other day.
- 2. Housekeeper-** Give them \$50 or up to one week's worth of pay. If your housekeeper charges \$200 per visit, then give them \$100, which would be in the ballpark. There is nothing they want less than a gift card to Starbucks and some candy canes. Remember, they know your house inside and out, so no gifting here.
- 3. Hair Stylist or Barber-** Give them the cost of one normal haircut. If you get your hair colored, etc., you don't have to give the entire value of your overall hair salon experience, just the cost of one haircut. If you go to a place like Super Cuts or Great Clips, make sure to give them at least one decent CD to play so the music isn't so bad next time you go.
- 4. Personal Trainer or Exercise Instructor-** Just because they have tortured you all year doesn't mean they shouldn't get a tip. The cost of one session would be appropriate. Maybe they will give you a break if you are having a sluggish day.
- 5. Trash Services-** Sanitation engineers or garbage collectors have a difficult job moving all kinds of stuff during the year. If you want to make sure they take care of those difficult to move items, you leave during the year, then leave each worker a decent tip. \$25 to \$50 is a good idea unless they are a city worker and cannot accept gifts. Taping it to the top of the trash can is a bad idea by the way- try to hand it them.
- 6. Teacher-** It's best to ascertain what the school recommends or if the class is going to do one large gift altogether. It shouldn't be more than \$20 to \$25 out of your pocket if you do something individually. Remember, they must put up with your kids all year.
- 7. UPS/FedEx-** They are discouraged from taking gifts, but they probably won't turn down something you give them, especially when shorts season turns into pants and jacket season. Somewhere in the nature of \$15 to \$25 would be appropriate.
- 8. Landscaper-** The monthly bill you pay is too much for a tip. Divide it by four and a week's worth of pay would be appropriate. Services like these and your electrician, heating and air conditioning, and other home services might allow for you to give a small \$10 to \$20 gift if you see it in your heart. Otherwise, you generally don't need to tip these businesses as they charge you handsomely for their services.
- 9. Office Staff-** There is no requirement to provide a holiday bonus or tip for working within your company. Those days have come and gone, and it's recommended your office works out some type of Secret Santa, so you don't have to feel like you left someone out of the mix. We often do something just because we love our staff!
- 10. Nanny or Babysitter-** If you have a nanny, it is recommended to give 1 weeks' pay as a holiday gift. It is your kids we are talking about . . . right? You certainly can make your call about what happens at your house when you are gone for the day. The

same may be true for the people within the day care center. This one requires some thought.

Earnings Highlights This Week

(source: CNBC)

Kohl's- Kohl's saw sales rise by 16% in the third quarter, as shoppers bought clothes and makeup. The department store also raised its forecast for the year. The retailer has been trying to draw customers to its stores and website by expanding its assortment of casual clothing and teaming up with Sephora.

Macy's- Macy's reported third-quarter earnings and sales that topped analysts' estimates. CEO Jeff Gennette said Macy's added 4.4 million new customers in the quarter and benefited from an "improved economic environment." Macy's raised its expectations for earnings and revenue for the full year. The department store chain also announced it is working with consulting firm AlixPartners to review its business, amid pushback from the activist Jana Partners to split its e-commerce operations.

Nvidia- Nvidia reported fiscal third-quarter earnings after the bell on Wednesday. Nvidia stock has been on a big run over the past year, with shares up more than 123% year to date.

Target- Target topped earnings for the fiscal third quarter, as seasonal moments like Halloween and back-to-school boosted sales. The retailer raised its forecast, saying that comparable sales could rise at between a high single-digit and low double-digit pace in the holiday period. CEO Brian Cornell said the company is focused on value as prices of food, gas and more rise, and consumers face sticker shock.

Home Depot- Home Depot topped Wall Street's estimates for its third-quarter earnings and revenue. Same-store sales climbed 6.1% in the quarter, beating Street Account estimates of 2.2%. Consumers were spending more when they visited, raising the average ticket by 12.9% to \$82.38.

News and Notes:

How To Avoid a Financial Holiday Hangover

Set Yourself A Spending Plan

- Make a detailed list of people with specific dollar limits. Without a list, you'll tend to spend more person and more overall.
- Credit cards can make you feel flush. You won't see your running tab, so consider using cash from your bank account unless you can pay your bill off in full.

Throw a Gift Giving Party At Work

- Try something fun: Consider a white elephant party!
- Spearhead a potluck lunch vs. going out to lunch which will save you half the cost.

Take A Holiday Trip, Not a Guilt Trip

- Hotels can be very expensive, so look for an Airbnb instead
- Download Trail Wallet, which is an app that can help you save money on trips.

Be Careful Of Marketing Tricks

- Remember the word FREE-Free Shipping, Free Bonus Gift.
- Remember the word ZERO-Zero Money Down.
- These two words tend to make you spend more money.

Beware Of Post-Holiday Sales

- SALE isn't always a SALE, not all sales are deals.
- Social Media doesn't tell the whole story (people don't post their net worth on Facebook). Do not get caught up in FOMO or the Fear Of Missing Out.

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