

## Weekly Market Commentary November 8th, 2021

### Will 'Tapering' Start To Affect The Markets?

#### Tapering begins, but Fed is in no rush to hike rates

- Last week the Federal Reserve (Fed) announced that it will begin to wind down ("taper") its monthly pace of bond purchases, currently at \$120 billion, by \$15 billion per month. At this pace, the Fed will phase out the purchases entirely by next June. This withdrawal of last year's emergency support was widely expected because it was signaled by policymakers in advance, but, naturally, markets have been trying to price in what comes next. With inflation running high and some other central banks leaning toward tightening, the fear was that the Fed might be forced to hike rates sooner than later.

#### Tapering is unlikely to be a key market driver

- The Fed's purchases of government bonds and mortgages have been instrumental in normalizing credit conditions and lowering borrowing costs for households and businesses. But with the Fed now starting to turn off the liquidity spigot, it is logical to wonder what the market impact will be.
- The central bank will continue to inject stimulus over the next eight months, just at a slower pace.
- The last Fed tapering in 2013 had little impact on equity markets. While volatility increased as former Chair Bernanke hinted at a step-down in asset purchases, equities performed well during the 10 months of tapering. The S&P 500 rose 9.5%, with the health care, real estate, and utility sectors leading the market gains.
- Bond yields rose sharply in anticipation of the tapering (the so-called 2013 "taper tantrum") but actually declined while the Fed was reducing its stimulus.

#### 64 new highs – favorable seasonality could help add to this year's tally

- After logging seven new highs over the last seven trading sessions and the most record highs in a year since 2013, the S&P 500 is on track to finish 2021 strong. On top of the solid macroeconomic backdrop, favorable seasonality might be another reason why the positive momentum could carry through to the end of the year. Historically, the two-month stretch between November and December has been rewarding for investors, with above-average equity-market gains and the highest chances of positive returns.
- With valuations elevated, and after three consecutive years of above-average returns, 2022 is likely to prove more challenging to navigate. High inflation that persists and forces the Fed's hand, as well as a slowdown in corporate earnings, are the top-two potential risk candidates that could spark volatility. However,

with the labor market improving and fundamentals remaining broadly supportive, the economic and market cycles are far from exhausted.

(Source: oXYGen & Jones)

## Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	36,328	1.42%
S&P 500 Index	4,698	2.02%
NASDAQ	15,972	3.06%
MSCI EAFE	2,372	.72%
10-yr Treasury Yield	1.45%	-7.05%
Gold	\$1,818	1.91%
Bonds	\$115.26	.54%

Source: Reuters/Wall Street Journal

## Five Money Moves To Make During Open Enrollment

Fall signals the changing of the leaves, football Sundays, and Halloween. It is also the time of year where many of the companies being to offer open enrollment for your benefits. With the increasing complication of benefits packages, it is more important than ever that you learn how to make smart money decisions during your two weeks of open enrollment. Here are five smart money moves to look at when your benefits season comes this fall. Don't wait until the minute to check your options!!

1) Pick The Right Insurance Plan- Picking the right insurance plan today might require a minor in engineering. As companies have increased choices and plans have increased their complexity, it is important you thoroughly review your options. Consider closely how much money you spent on health insurance this year. Did you reach your deductible? How much did you pay in out-of-pocket costs? Do you have planned surgeries for 2022? Was this an unusual health year, or can you expect the same in 2022?

This year in particular looks closely to see if you need to validate if you are vaccinated or not. Some companies (Delta) are charging a monthly surcharge on health insurance premiums if you are unvaccinated. You should also be careful about the potential spousal surcharge when you compare plans if your spouse or partner has a plan at work that they can qualify for in this calendar year. Companies are using this charge to encourage each spouse to stay on their own plan versus all combining on to one plan.

2) Consider A Health Savings Account- For 2022, a married couple under the age of 55 will be able to put away \$7,300 pre-tax into an HSA account (\$8,300 if they are 55 or older), and \$3,650 for a single individual. The HSA is still really the only triple tax-free account that exists where you can put away money pre-tax, let it grow tax-deferred, and then take it out tax-free for approved medical expenses underneath the HSA rules. Remember, once you get to the cliff of about \$2,000 in your HSA plan, the HSA bank will usually let you invest your health insurance money into a pool of

diversified mutual funds like your 401(k) as opposed to letting it sit in a savings account. Finally, HSA accounts are NOT use or lose and can be carried over from year to year.

3) **Understand Your Life Insurance Need-** Your company may allow you to purchase additional term insurance for you, your spouse, and your children through work. With the tragedies of the coronavirus and hundreds of thousands of unfortunate deaths, this is a perfect time of year to determine whether your overall financial situation has changed and whether you need more or less life insurance rather than just signing up for the same amount you did the year before. Consider this purchase carefully, because term insurance through work is NOT always the cheapest form of insurance. Sometimes the cost of insurance can be more expensive and most of the group insurance policies are not portable, so choose wisely on the amount and type of insurance you want for your family.

4) **Consider Buying Supplemental Disability Insurance –** Most regular group long-term disability plans cover 60% of your base salary only (not commissions, bonus, or stock options). Larger companies offer the ability to purchase supplemental long-term disability insurance through work. This can be an important part of your overall financial plan as your income is what drives reaching your financial goals. If you don't get adequate coverage through work, then you should consider looking at getting GAP disability insurance coverage from a third party.

5) **401(k) or Roth 401(k) (or both?)-** To Roth or not to Roth, that is the question. Many employers have added the Roth 401(k) provision to their overall 401(k) plan. This is a great time to determine how much money to put away pre-tax and post-tax for your retirement, check your overall asset allocation and make sure to get the automatic rebalancing set on your 401(k). Remember, this upcoming year in 2022 you can put away as much as \$20,500 if you are under the age of 50, and those 50 and older can put away as much as \$27,000 a year with the catch-up provision. Make sure to adjust your paychecks accordingly.

### **Earnings Highlights This Week**

(source: CNBC)

**Peloton-** Peloton reported weakening sales growth and a wider-than-expected loss in its fiscal first quarter. The company slashed its outlook for the full year amid softened demand for its exercise equipment and ongoing supply chain challenges. A slower-than-expected start to the second quarter and “challenged visibility” in the near term led the company to lower its expectations, CEO John Foley said.

**Uber-** Uber reported third-quarter financial results that included a first-ever adjusted EBITDA profit. The company reported a net loss of \$2.4 billion for the quarter. That was largely attributed to a drop in the value of its investment holdings, particularly in Didi. Uber said active U.S. mobility drivers were up nearly 60% year-over-year in the third quarter.

**Airbnb-** Profits for the quarter rose 280% year over year and the company saw its highest revenue and net income ever. Airbnb said it expects vaccination progress and the recovery of international travel to lead growth in the fourth quarter and new year.

**Pinterest-** The company was able to report strong revenue and profit numbers by generating more money from each user. Pinterest's average revenue per user was up 37% compared with a year prior.

**Moderna-** Moderna shares fell Thursday after it cut its Covid-19 vaccine sales forecast for the year. The drugmaker missed earnings and revenue expectations for the third quarter.

## News and Notes:

### Are Women Better Investors Than Men?

#### What's The Secret To Women Being Better Investors?

- A recent Fidelity Investments study showed the reason women had superior returns is the way they trade. Or rather, how they don't.
- Female investors in this study bought and sold half as much as male customers. The age-old adage that you can't time the market.
- Still, the study showed that 33% of women still feel confident in making investment decisions.

#### Why Are Men Worse At Investing? Is There A Secret?

- In a major study, professors, Brad Barber and Terrance Odean found out that men simply trade too much and are more erratic with investment decisions.
- The study showed the secret to men being worse at lies in overconfidence caused by the hormone testosterone.
- This hormone causes three problems for men: It decreases fear, increases greed, and very much causes that overconfidence button.

#### What should women and men learn from this study?

- Too many women still have too much sitting on the sidelines, and they need more education and confidence to invest outside of retirement accounts.
- Too many men lack a keyword, patience and they need to remember stock investments should be five years or longer.

From the team at J M Brown Financial Partners

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You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

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