

Weekly Market Commentary November 1st, 2021

Trick-or-Treat? October offered treats to investors this year

While history often points to October as a volatile month for equities, this year saw the opposite in equity markets. After a 5.2% correction in September, markets were up nicely in October, with the S&P 500 returning an impressive 6.6% for the month and up over 1.0% last week. This was driven by both growth and value sectors, even as the 10-year Treasury yield climbed higher to 1.57% levels and despite high-profile technology names like Amazon and Apple falling short in earnings. And volatility seemed to fall this month as well: the VIX index (a measure of market volatility, often referred to as the "fear index") fell to around 17.0, in line with readings prior to the pandemic, further supporting the positive tone in markets.

What drove this solid October performance? Three key factors may be at play:

1. Reopening 2.0 – COVID-19 trends improving, not only in the U.S. but globally:

After battling the delta variant for much of the past few months, the US and many global economies finally seem to be at an inflection point, with better COVID-19 trends overall – at least for now. According to data by the CDC, cases, and deaths in the U.S. have come down to numbers last seen in July of this year, prior to the delta variant surge. In addition, vaccination rates have improved, with 69% of the country over the age of 18 fully vaccinated (with the ongoing approval of boosters and vaccinations for children supporting these trends).

2. Third-quarter earnings are exceeding expectations so far: Despite some high-profile companies, including Amazon, Apple, and Starbucks, missing earnings forecasts – largely driven by supply chain bottlenecks and labor shortages – third-quarter earnings have overall been a pleasant surprise to the upside. With about 55% of S&P 500 companies having reported so far, third-quarter earnings growth is up a robust 36% year-on-year, well ahead of the expectation for 28% growth predicted at the end of September¹. This upward revision in earnings has broadly supported the positive market tone.

3. President Biden's new social spending framework – is a corporate tax hike off the table? Last week, President Biden officially unveiled a ~\$1.75 trillion social spending framework, which included spending on areas like universal pre-K, childcare support, and an extension of the child tax credit, as well as over \$500 billion on climate initiatives. While the proposal has not been endorsed by all factions of the Democratic party, policymakers are looking to get the bill passed in the weeks ahead, along with a vote on the \$1.2 trillion infrastructure package in the House. Notably, the proposal does not include raising corporate or personal tax rates directly but instead focuses on a 15% minimum tax on corporations, a 1% tax on stock repurchases, and higher taxes for those earning more than \$10 million in revenue.

Markets are likely viewing this shift in tax plans as a positive. If a corporate tax hike from 21% to about 25%-28% were to be implemented, this could reduce next year's earnings growth, although likely not eliminate it all together.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	35,820	.40%
S&P 500 Index	4,605	1.32%
NASDAQ	15,498	2.70%
MSCI EAFE	2,355	1.07%
10-yr Treasury Yield	1.56%	-4.88%
Gold	\$1,784	-.50%
Bonds	\$114.64	.51%

Source: Reuters/Wall Street Journal

How To Save \$1,000 Fast

How many times have you told yourself, "If I just had an extra thousand dollars in my pocket I would . . ." in your life? There are many things that we would like to purchase month to month or year to year if only that little bit of extra cash was in our pockets. There are a lot of different techniques to make money or save money over the course of a year, but let's itemize a handful of ways to get cash quickly in your pocket. If you need \$1,000 for something you want to buy, a vacation you want to take, or to make an investment that needs to be done now, here are eight ways to save \$1,000 fast.

1. Sell Your Stuff- Whether you do this through a garage sale, you take it on Craigslist, or you do the traditional garage sale, odds are that you have items in your house that you just don't want or need anymore. Do a review of your storage closet, your bedroom closet, or in the garage.

2. Don't Eat Out For A Month- The average budget today for eating out lunch and dinner easily tops \$1,000 a month. Don't think so? Check your latest AMEX or VISA bill and you'll quickly do a double-take.

3. Shop Your Insurance- You might be able to save \$1,000 just by changing your deductibles on all of your policies, but really digging in and shopping all of your insurance (auto, home, life, disability, health, and long-term care) can prove to be an eye-opening exercise.

4. Avoid All Special Holiday Gifts- While it is nice to get new clothes, jewelry, or the latest electronics, skipping or skimming down one or two holidays such as a birthday, holiday time, or Valentine's Day can really add up the money back in your pocket.

5. Read Your Credit Card- What? Are you suggesting that I don't read my credit cards? Yes, that is exactly what we are suggesting. There may be subscriptions that

you no longer use that you are spending money on currently. If you can cancel those subscriptions that can save you \$1,000 quickly.

6. Carpool- Saving \$1,000 quickly won't come without some ingenuity and some effort. Whether you carpool, bike to work, or telecommute if you can trim down parking and gas costs for a few months that can save you money very quickly to get to your goal.

7. Shop Your Technology- Where would be today without our iPads, smartphones, and other gadgets? How often do we actually go in and shop the pricing on all of our technology? Head into your mobile phone store to see what new pricing plans are available. Call up your cable or dish provider to learn about how you can reduce your overall budget. Maybe it is time to ditch the home telephone and get that off your bill!

8. Tell Your Kids No- Believe me, I know how hard it is to tell your kids not now or simply no we are not buying this for the house. I give in more than I probably should, but if you really need to save a \$1,000 fast, then wait for the new clothes, new sporting goods, or new bedroom furniture. You'll be surprised how telling your kids no will bring money back into your budget.

These are eight smart money moves tips on how you can save \$1,000 fast. Do you have anything interesting you did to get \$1,000 back in your pocket quickly?

Earnings Highlights This Week

(source: CNBC)

Amazon- Amazon reported third-quarter results on Thursday, missing on the top and bottom lines. It also gave fourth-quarter sales guidance that was below Wall Street's estimates.

Apple- Apple revenue fell short of Wall Street expectations in its fiscal fourth quarter on Thursday, which Apple CEO Tim Cook attributed to larger-than-expected supply constraints. Apple's overall revenue was still up 29% on an annual basis and each of its product categories grew on an annual basis. Apple hasn't provided official guidance since the start of the pandemic but Cook said Apple expects "solid year-over-year revenue growth" in the December quarter despite the fact Apple will face worse supply constraints.

Starbucks- Starbucks topped analysts' estimates for its fiscal fourth-quarter earnings, but the coffee chain fell short on revenue. China saw same-store sales shrink by 7% in the quarter, missing Starbucks' prior forecast of flat same-store sales growth. U.S. same-store sales increased by 22% in the quarter, rising by 11% on a two-year basis.

Yum Brands- Yum Brands topped Wall Street's estimates for its third-quarter earnings and revenue. The company reported same-store sales growth of 5%, falling short of Street Account's estimates. KFC's same-store sales climbed 6% in the quarter.

Comcast- Comcast's third-quarter earnings beat analyst expectations on the top and bottom lines. The company reported 300,000 net additions for high-speed internet customers, which was slightly ahead of expectations. NBCUniversal saw nearly 58% revenue growth.

News and Notes:

Maximizing Open Enrollment 2021

Will there be a higher cost for health insurance for the unvaccinated?

- There won't be a yes or no box to verify if you are vaccinated until 2023.

- Some companies will be charging a surcharge if you are unvaccinated now- read your open enrollment guide closely.
- Determine if you should do a low deductible or high deductible plan?

Should People Consider Setting Up A Health Savings Account?

- One of the true 'Triple Tax-Free' Accounts and it carries over year to year
- Up To A \$7,300 Tax Deduction For Married Couples and \$3,650 for Single Individuals (\$1,000 catch up if 55 or over). Generally, you can invest your HSA account in stocks and bonds.
- Remember FSA (Flexible Spending Account) and HSA (Health Savings Accounts are different- FSA is generally a use or lose account.

Any New Benefits That Have Been Created From COVID That Employees Should Keep Their Eye On During Open Enrollment?

- Nearly 50% of workers don't know if they have life insurance, but due to COVID, this is a great time to revisit if you have the right amount of life insurance.
- More companies are offering wellness benefits. With more remote workers, items like tele-therapy and stress management programs have become a new benefit to help with mental health.

From the team at J M Brown Financial Partners
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