

Weekly Market Commentary December 6th, 2021

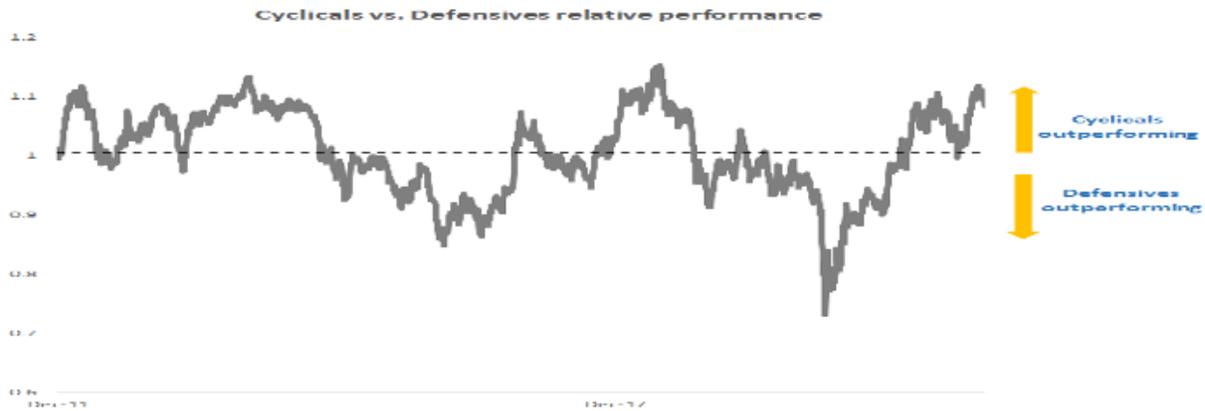
Is It Time To Prepare For The Certainty Of Uncertainty With Omicron?

Lack of certainty and investing go hand in hand, but there are times when the range of outcomes widens, as has been the case during the various phases of the pandemic. When that happens, it should be useful to use history as a guide where applicable, construct different scenarios, assign probabilities, and adjust accordingly. Without attempting to become epidemiologists, the two likely paths following the emergence of the new virus variant appear to be

1. Vaccines remain effective against omicron, and the brief market dip proves to be another buying opportunity like past virus scares; or
2. The omicron variant evades vaccine immunity, and more restrictions are put in place weighing on consumer sentiment. Even in this more adverse scenario, it does not appear we are back to square one because of the knowns discussed above, which is why we expect the global recovery to be delayed instead of derailed.

Asset class, style, and sector leadership are likely to rotate based on the public health developments and government responses, emphasizing the importance of proper diversification to help manage risk. Over the past year in periods when COVID-19 cases rose and health concerns emerged, bonds rose (bond yields fell), growth stocks outperformed while cyclicals lagged, and the energy sector performed the worst. So far, the market's response to the omicron-variant headlines has followed the same playbook.

The likelihood for 2022 is that cyclical sectors will continue to benefit from above-trend economic and earnings growth, even with the pandemic fog persisting. However, with the Fed dialing back its accommodation and with growth moderating as the fiscal stimulus boost fades, the underperforming staples, utilities, and health care sectors are likely to hold up better than they have this year. As shown below, the relative performance of cyclicals over defensives is at the high end of its 10-year range, suggesting that a more balanced approach to sector positioning is warranted.



Source: Morningstar

The graph shows the relative performance of cyclical over defensive sectors. Cyclical sectors include financials, industrials, materials, consumer discretionary, and energy. Defensive sectors include utilities, healthcare, and consumer staples.

At an asset-class level, certain international investments (emerging markets and international small- and mid-cap stocks) are attractive based on their discounted valuations and growth prospects. The likelihood of synchronized global growth is now being pushed further back, but a lot of pessimism already appears to be priced in at the same time as valuations for high-growth domestic stocks appear stretched. Following a disciplined investment approach centered around quality investments and avoiding investment fads provide a good baseline approach, in our view, to deal with the potential for elevated volatility and more moderate equity-market returns ahead.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	34,580	-.91%
S&P 500 Index	4,538	-1.24%
NASDAQ	15,085	-2.63%
MSCI EAFE	2,243	-2.31%
10-yr Treasury Yield	1.35%	-9.40%
Gold	\$1,783	-.56%
Bonds	\$115.07	.55%

Source: Reuters/Wall Street Journal

Would You Spend Less Than \$100 On An Engagement Ring?

Buying an engagement ring can be an emotionally draining purchase. For most people, it's more than jewelry: It's a symbol of love and affection and of the serious commitment they want to make to a lifelong partner. For years, it's been bandied that the diamond industry spearheaded this notion that you have to spend 3 months of your salary on an engagement ring. As we have witnessed millennials and now generation Z changing the way we do many things in their lives, are they going to

change what we spend on engagement rings? How much is love worth?

In a recent study that was one, here is what late-stage millennials and generation z had to say about engagement rings.

Engagement rings should cost...

- Less than \$100: 11 percent of Gen Z and 8 percent of young Millennials
- Between \$100 and \$999: 43 percent of Gen Z and 31 percent of young Millennials
- \$1,000 to \$2,499: 28 percent of Gen Z and 30 percent of young Millennials
- \$2,500 to \$4,999: 11 percent of Gen Z and 18 percent of young Millennials
- \$5,000 to \$10,000: 5 percent of Gen Z and 10 percent of young Millennials

When it comes to spending money, you should only spend what you can afford on an engagement ring. Under no circumstances should you pile up a bunch of credit cards or personal debt to buy an engagement ring. And the whole notion of three months' salary for a ring would put some folks at \$30,000 for a ring. We certainly don't want to take the example of what was recently given to Cardi B, which was reported at \$500,000. That just doesn't seem responsible at all.

Part of the reason these generations are spending less money on engagement rings is the mounting level of student debt and that more couples are having to bear the cost of paying for their own wedding. With overall student debt north of 1.6 trillion, those that do want to get married don't want to drive their financial situation to be worse than it is currently. Also, we are seeing a shift in what these generations value. These generations would much rather spend the money on an amazing and memorable honeymoon than a physical worldly possession such as an engagement ring.

We are also seeing a shift in buying patterns and the types of functional rings that are available. One of the emerging new companies in functional rings is [QALO](#), which specializes in silicone rings that are stylish and functional at the same time. With a cost on average of \$20, you don't have to worry as much about losing your ring and you can create a variety of rings for you and your spouse to wear. Some people are also substituting diamond rings for moissanite rings which have properties that look very similar to diamonds but at a much lower cost. Last, some people are just getting ring tattoos and foregoing jewelry altogether.

One of the most interesting changes is that women are feeling more strongly than men that rings should be less expensive. I'm not sure if the cost of rings will all go under \$1,000 on average or as low as \$100 on average, but one thing is true.... the cost of an engagement ring is getting lower every year. Maybe people are realizing love is more important than money.

Earnings Highlights This Week

(source: CNBC)

DocuSign- DocuSign said it expects fourth-quarter revenue of \$557 million to \$563 million, trailing the average analyst estimate of \$573.8 million. The stock sank by almost 30% in extended trading on Thursday after the report. For the third quarter, DocuSign's earnings and revenue topped estimates.

Signet (Kay Jewelers)- Shares of Signet Jewelers fell despite the jeweler reporting fiscal third-quarter results ahead of analysts' expectations. The company also hiked its outlook for the year. Amid ongoing global supply chain issues, Signet CEO Virginia Drosos said the company secured its holiday merchandise early this year and expects

no significant disruptions.

Dollar General- Dollar General said it will have about 1,000 Popshelf locations by the end of fiscal 2025. Popshelf's customers are skewing younger, wealthier, and more suburban than the dollar store chain's typical shopper. The stores sell higher profit items such as home goods and seasonal decor and their shoppers are filling up bigger baskets, Chief Merchandising Officer Emily Taylor said.

Snowflake- Shares of Snowflake were up more than 13% after it surpassed analyst expectations for third-quarter revenue. The data-analytics software company also provided fourth-quarter product revenue guidance between \$345 million and \$350 million, above the FactSet consensus estimate of \$315.9 million.

Salesforce- Salesforce reported fiscal third-quarter earnings on Tuesday. Salesforce named Bret Taylor to be co-CEO alongside current CEO Mark Benioff. Salesforce said earnings per share for the December quarter would be between 72 and 73 cents, lower than Refinitiv analyst expectations of 81 cents.

News and Notes:

Are You Obsessed With Tracking Your Packages?

Why are we so obsessed with tracking our packages?

- Most of all is the anticipation that something positive will happen no matter how the day goes. Remember as a kid when you said, "Are we there yet?"
- It gives us something to look forward to...like your next Netflix episode, dinner reservations, or a vacation.
- Are you really obsessed? Get the Route App. Get real-time status updates on any delivery all in one place.

Why do we get so angry when our packages are delayed?

- This is a new phenomenon called pre-parcel anxiety. When our package doesn't arrive on time, we often feel 'ripped off.'
- When the delivery company sends you that date, you now have an 'expectation'. Happiness or unhappiness is all about expectations met or unmet.
- It then leads to worry about "what happened to my package?" Did it get stolen, lost, or did my stalker neighbor take it?

Do you expect packages to have delays over the next few weeks?

- This is going to be the biggest online shopping year ever, so packages are bound to get delayed or lost.
- If you are sending by mail, no later (and probably earlier) than December 15th by ground. Otherwise, you will pay a premium for 3-day, 2-day, or overnight service.
- Remember, weather, labor shortages, and the supply chain can all have a factor in the delivery of your package.

From the team at J M Brown Financial Partners

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