MARKSGROUP WEALTH MANAGEMENT

PERSPECTIVES & OUTLOOK

November 2021

Inflation Pressures are Rising

It's becoming more and more difficult to suggest inflation is merely transitory. The latest CPI data reflects 5.4% inflation from a year ago. The reading has been 5% or higher five months in a row. Pressure is building on the Fed to adjust its policy in response.

Growth and Value Take Turns in the Lead

Value stocks outperformed for the first five months of the year, but Growth shined (again) this summer. Rather than trying to predict the ebb-and-flow between Growth and Value, we prefer owning complementary strategies with exposure to both.

Supply Chains Will Take Time to Recover

Although consumer demand is strong, global supply chains remain far below their pre-pandemic efficiency. With COVID-19 a persistent threat in much of the developing world, supply/demand imbalances will constrain the economic recovery.

Fed Will Taper Before Year-End

All signs point toward the Fed reducing its bond buying as soon as November. But smaller amounts of asset purchasing will continue through next summer, and it's clear the Fed prefers to delay raising interest rates as long as possible, perhaps until 2023.

Bond Yields Have Bounced Off Lows

Bond yields remained depressed for much of 2021, but have bounced considerably off their midsummer lows. Rising yields are an acknowledgment of higher inflation. They have also hurt the investment returns for those investors who own bond funds.

Stock Returns Uncorrelated to Tax Hikes

Higher corporate taxes and capital gains rates, if implemented, will not be a major hurdle for stocks. Equity returns historically show little correlation to tax policy, and trillions in infrastructure spending will certainly benefit a wide array of public companies.

Corporate Earnings Growth Nearing Peak

Second-quarter earnings for S&P 500 companies grew nearly 90% from last year's pandemic lows. Earnings growth will slow in future quarters, but favorable economic conditions and cheap access to capital should promote strong earnings into 2022.

Gold Still an Attractive Diversifier

Investors need not be bearish on equities to have a positive outlook on gold, which serves as an appropriate diversifier and a hedge against inflation. Gold prices have risen from their March lows, but remain well below their August 2020 highs.