

Monthly Market Commentary

November 2021 Recap

U.S. equities wavered in November as investors assessed worries of persistent price pressures and a perceived hawkish tilt from the Federal Reserve (Fed). A strong conclusion to third-quarter earnings season from retailers, along with robust economic data, had propelled stocks to fresh record levels early in the month. The S&P 500 notched its 66th all-time high of 2021, the most in any year since 1995. However, renewed pandemic anxiety sapped risk sentiment by month-end, as uncertainty over the Omicron COVID-19 variant raised the possibility that new restrictions could impact the economic recovery. The S&P 500 fell 0.8% for its first losing November since 2011, while the Dow Jones Industrial Average slumped 3.7%. The Nasdaq Composite bucked the downtrend, adding 0.3% as tech and growth-related stocks outperformed their value-oriented peers. Treasuries also weathered a turbulent month as bond traders weighed the probability of Fed rate hikes in 2022.

Stocks notched fresh record levels early in November, as Wall Street continued to ride an impressive earnings-driven rally that had pushed the major averages to their best October performance since 2015. Retailers brought up the tail-end of a solid third-quarter earnings season, with overall takeaways positive. Many of America's big box retail chains highlighted strong consumer demand, along with generally solid pricing power. Corporate commentaries also indicated confidence in inventory positioning and staffing heading into the critical holiday shopping season. Overall, S&P 500 companies saw profits grow by 40.3% from the same period last year, more than 10% above expectations coming into earnings season, according to Bloomberg. Resilient profit margins were another source of optimism, given the oft-cited concerns about inflation, worker shortages, and rising commodity prices.

Robust economic data also supported a bullish narrative. U.S. retail sales jumped a better-than-expected 1.7% in October, the most in seven months and more than doubling the previous period's surprise gain of 0.8%. The strong reading suggested that ongoing price pressures were not yet denting consumer spending despite a separate update showing consumer sentiment dropped to the lowest point in a decade on inflation concerns. Updates on the labor market continued to show progress towards the Fed's goal of maximum employment. The U.S. Labor Department's monthly jobs report revealed non-farm payrolls increased by a better-than-forecasted 531,000 in October, while the prior month's reading was upwardly revised. The unemployment rate fell more than expected to 4.6%. Meanwhile, weekly initial jobless claims finally breached pre-pandemic levels, with the number of Americans filing for first time unemployment benefits falling to 199,000 during the week before Thanksgiving, the lowest reading since 1969 on a seasonally-adjusted basis.

The run-up in equities stalled, however, amid worries that a more contagious strain of the coronavirus could resurrect pandemic-related restrictions with the potential to dent demand and further snag supply chains. Additionally, signs of persisting inflation raised concerns that the Fed may need to act to tighten monetary policy sooner than previously anticipated. Data showed the domestic consumer price index (CPI) climbed 6.2% year-over-year in October, the sharpest uptick since 1990. While the U.S. central bank formally announced their highly telegraphed plans to begin winding down its bond buying program early in the month, subsequent commentary from Fed officials heightened bets for a rate liftoff in early 2022. Renominated Fed Chair Jerome Powell admitted that inflation could no longer be characterized as "transitory" during a congressional testimony on the final day of the month, and indicated that policymakers would discuss expediting the tapering process during their December meeting as risks of elevated inflation had "clearly risen." Treasuries were

whipsawed as traders weighed the probability of one or more Fed rate hike(s) next year. The yield on the 10-year note closed as high as 1.65% before ending a turbulent month 11 basis points (0.11%) lower at 1.44%. Meanwhile, the more-Fed sensitive two-year note rate climbed seven basis points (0.07%) to 0.53% on expectations for higher short-term rates. The flattening of the Treasury yield curve was also evident between the five- and 30-year maturities, with the spread ending the month at its lowest level since March 2020.

Nine of 11 S&P 500 sectors finished in negative territory with Energy stocks leading laggards. West Texas Intermediate (WTI) crude slumped 20.8% to \$66.18/barrel as virus-related fears and a coordinated effort by the U.S. and other nations to release oil from strategic reserves provided a headwind to oil prices. Information Technology and Consumer Discretionary groups were the lone advancers, helped by a 10% rally in Apple Inc. (AAPL - \$165.30) and 4% jump in Amazon.com Inc. shares (AMZN - \$3,507.07).

Disclaimers

Pricing as of market close on November 30, 2021 unless indicated otherwise.

All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security. Stocks may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Bonds are subject to interest rate, credit/default, liquidity, inflation and other risks. Prices tend to be inversely affected by changes in interest rates.

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Definitions

Consumer Price Index (CPI) produces monthly data on changes in the prices paid by urban consumers for a representative basket of goods and services.

Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the U.S. stock market.

Price and Total Returns

U.S. Markets

Index	Close	November Price Return (%)	November Total Return (%)	October Total Return (%)	YTD Total Return (%)*
S&P 500	4567.00	-0.83	-0.70	7.01	23.17
Dow Jones Industrial Average	34483.72	-3.73	-3.50	5.93	14.61
Nasdaq Composite	15537.69	0.25	0.34	7.29	21.31
S&P 400 Mid Cap	2708.65	-3.06	-2.95	5.89	18.71
S&P 600 Small Cap	1343.15	-2.42	-2.32	3.43	21.27

U.S. Sector Performance

Index	Close	November Price Return (%)	November Total Return (%)	October Total Return (%)	YTD Total Return (%)*
Communications Services	260.90	-5.17	-5.16	2.83	18.57
Consumer Discretionary	1615.83	1.90	1.97	10.94	24.75
Consumer Staples	731.76	-1.26	-1.10	3.89	7.56
Energy	410.70	-5.84	-5.16	10.36	49.78
Financials	630.37	-5.79	-5.68	7.30	30.59
Health Care	1510.45	-3.13	-3.00	5.16	15.74
Industrials	850.54	-3.71	-3.50	6.88	14.98
Information Technology	2956.85	4.23	4.35	8.17	30.12
Materials	530.68	-0.70	-0.49	7.63	18.33
Real Estate	295.94	-0.97	-0.85	7.51	32.58
Utilities	332.59	-2.13	-1.65	4.73	7.33

International Markets

Index	Close	November Price Return (%)	November Total Return (%)	October Total Return (%)	YTD Total Return (%)*
U.K. FTSE 100	7059.45	-2.46	-2.17	2.21	13.02
Germany DAX	15100.13	-3.75	-3.75	2.81	10.07
France CAC 40	6721.16	-1.60	-1.50	4.76	23.87
Spain IBEX 35	8305.10	-8.31	-8.21	3.26	5.05
Italy FTSE MIB	25814.34	-3.95	-3.41	4.86	19.70
Greece ATHEX	867.71	-3.38	-3.07	3.82	9.16
MSCI Emerging Market	1212.42	-4.14	-4.07	1.00	-4.21
Shanghai Composite	3563.89	0.47	0.47	-0.54	4.81
Japan Nikkei 225	27821.76	-3.71	-3.71	-1.90	2.92
Hong Kong Hang Seng	23475.26	-7.49	-7.42	3.27	-11.56
Brazil Bovespa	101915.50	-1.53	-1.53	-6.74	-14.37
Russia Micex	3890.59	-6.25	-6.25	1.56	23.99
India Sensex	57064.87	-3.78	-3.78	0.44	20.68

Treasuries

Maturity	November Ask Yields	October Historical Yields	September Historical Yields	August Historical Yields	July Historical Yields
2-Year	0.57	0.50	0.28	0.21	0.18
5-Year	1.16	1.18	0.96	0.78	0.69
10-Year	1.44	1.55	1.49	1.31	1.22
30-Year	1.79	1.93	2.04	1.93	1.89

Municipal Bonds

Maturity	Close	November Price Return (%)	October Price Return (%)	September Price Return (%)	YTD Price Return (%) *
S&P Municipal Bond Index	279.54	0.74	-0.10	-0.68	1.62
S&P Muni Bond Long Intermediate	291.12	0.70	-0.19	-0.77	1.11
S&P Muni Bond Intermediate	275.53	0.59	-0.17	-0.70	0.97
S&P Muni Bond Short	180.70	0.04	-0.02	-0.18	0.39
S&P Muni Bond Investment Grade	274.74	0.69	-0.08	-0.67	1.26
S&P Muni Bond High Yield	358.77	1.29	-0.32	-0.87	6.48
S&P Muni Bond General Obligation	267.48	0.70	-0.09	-0.68	0.91

Commodities

Front Month Futures	Close	November Price Return (%)	October Price Return (%)	September Price Return (%)	YTD Price Return (%) *
CRB Index	219.19	-7.79	3.83	4.93	30.63
Oil/bbl	66.18	-20.81	11.38	9.53	36.40
Natural Gas	4.57	-15.83	-7.52	34.04	79.87
Gold	1773.60	-0.58	1.63	-3.33	-6.41
Silver	22.77	-4.94	8.63	-7.98	-13.81
Copper	427.80	-2.06	6.82	-6.22	21.57
Nickel	20007.00	2.46	8.81	-8.29	20.77

Foreign Exchange

Currency	Close	November Price Return (%)	October Price Return (%)	September Price Return (%)	YTD Price Return (%) *
Dollar Index	95.99	1.99	-0.11	1.73	6.73
Euro/USD	1.13	-1.90	-0.19	-1.94	-7.19
USD/Yen	113.17	-0.68	2.39	1.15	9.61
GBPound/USD	1.33	-2.80	1.54	-2.04	-2.71
USD/CAD	1.28	3.16	-2.30	0.51	0.42
USD/Krona	9.02	5.02	-1.94	1.60	9.68
USD/Swiss Franc	0.92	0.31	-1.67	1.81	3.81

Source: Bloomberg. *Prices as of the close November 30, 2021

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