



## The Month in Review

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### November Takeaways

- *The past couple of weeks have seen the last of the leaves fall and the geese fly south outside of my office window.* I wish they would take the bears with them! Although we are still having a good year, new headwinds have been challenging equity investors in the month just passed. Just remember, a pullback from an overbought condition does not translate into a correction or worse, a bear market.
- *The onset of the latest variant, Omicron (it's Greek to me!) created new fears of shutdowns which translated into a new round of selling in the market.* That, at least, is what we have been hearing as the cause of the sell-off. However, new information suggests that the new variant might not be terribly dangerous. Even the doctor in South Africa is “flabbergasted” by the global response.
- *So if it's not the new variant, what might really be behind the current weakness?* Equity investors were gorging themselves on stocks going into Thanksgiving. Let's just say that the day after the holiday caused a serious case of “indigestion.” The Volatility Index (VIX) spiked beginning that Friday and in spite of investors feeling they had the stock picking thing in hand, the VIX Nixed their Picks!
- *Selling spilled over into the first week of December before the volatility (VIX) receded.* Let that serve as a warning against complacency. As I pointed out in my last missive, large caps were over-extended and due for a pullback. Conveniently, the market stopped going down almost exactly at our fair market value as measured by our [Relative Value](#) chart.
- *This model is less predictive than it is a sort of barometer.* It simply offers some insight into weather (pun intended) or not there is too much or too little pressure in the markets. Still, it is encouraging to see it working and we update this and our other models each Monday on our [website](#). Please feel free to check in regularly.
- *Finally, with volatility pulling back, we are hopeful for a year-end Santa Claus rally.* Even though the economy is sluggish and inflation remains stubbornly high, earnings are still pretty strong and interest rates have retreated from their highs. Talking with a friend from another firm last night, he pointed out that most of his 20-something young associates have never seen inflation and/or interest rates above 5%. Hmmmm... More next month!

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