MIDWEST FINANCIAL

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The SITREP for the week ending 12/03/2021

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SIT REP: n. a report on the current situation; a military abbreviation; from "situation report".

In the markets:

U.S. Markets: All of the major U.S. indexes finished the week to the downside. The Dow Jones Industrial Average fell 319 points finishing the week at 34,580—a decline of -0.9%. The technology-heavy NASDAQ Composite declined a second week giving up -2.6%. **By market cap, the large cap S&P 500 retreated -1.2%, while the mid cap S&P 400 and small cap Russell 2000 declined -2.8% and -3.9%, respectively.**

International Markets: International markets finished the week mixed. Canada's TSX fell -2.3%, while the United Kingdom's FTSE 100 rose 1.1%. France's CAC 40 rose 0.4%, but Germany's DAX declined -0.6%. China's Shanghai Composite added 1.2%, but Japan's Nikkei declined -2.5%. **As grouped by Morgan Stanley Capital International developed markets ticked down -0.1%, while emerging markets finished the week up 0.5%.**

Commodities: Major commodities finished the week to the downside. Gold ticked down -0.1% to $1783.90 per ounce, while Silver fell a steeper -2.7% to $22.48. **Oil fell for a sixth consecutive week.** West Texas Intermediate crude oil declined -2.8% to $66.26 per barrel. The industrial metal copper, viewed by some analysts as a barometer of world economic health due to its wide variety of uses, ended the week down -0.6%.

November Summary: For the month of November all but 1 of the major U.S. indexes finished in the red. The Dow Jones Industrial Average shed -3.7%, while the Nasdaq Composite managed a 0.3% gain. The large cap S&P 500 declined -0.8%, while mid caps and small caps were the hardest hit, declining -3.1% and -4.3% respectively. Almost all major international indexes finished the month of November to the downside. Canada's TSX declined -1.8% and the United Kingdom's FTSE 100 gave up -2.5%. France's CAC 40 and Germany's DAX ended down -1.6% and -3.8%, respectively, while in Asia, China's Shanghai Composite was the lone gainer, adding 0.5%. Japan's Nikkei ended November down -3.7%. Developed markets and emerging markets ended the month down -4.5% and -4.1%, respectively. Like equities, November was a difficult month for commodities. Gold and silver declined -0.4% and -4.7%, respectively, while copper pulled back 2%. Oil finished the month down a huge -20.8%.

U.S. Economic News: The number of Americans filing first-time unemployment benefits jumped in late November; however analysts are questioning the validity of the reading given the volatility of these reports around holidays like Thanksgiving. The Labor Department reported new claims for benefits jumped by 28,000 to 220,000 last week. Still, claims remain near their pandemic lows in the low 200,000's. Meanwhile, **continuing claims, which counts the number of people already collecting benefits, fell by 107,000 to 1.96 million. This is the first time that number has fallen below 2 million during the pandemic.** Robert Frick, corporate economist at Navy Federal Credit Union stated, "Factoring out the previous week's adjustment noise, which pushed the count artificially low, **today's release of initial unemployment claims puts us almost back to pre-pandemic levels."**

The U.S. gained a meager 210,000 new jobs in November, a disappointing increase that shows the worst labor shortage in decades is still weighing on the economic recovery. The increase in hiring was far below economists' forecasts. The consensus was for 573,000 new jobs. The U.S. jobless rate, meanwhile, fell to 4.2%

from 4.6% and touched a new pandemic low. Also in the report, the size of the labor force grew substantially as some 594,000 people rejoined the labor force in November. **The so-called rate of participation rose two ticks to 61.8% and reached the highest level since the start of the pandemic.** The biggest job gains took place in white-collar professional jobs and warehouse and transportation. Employment also grew steadily in construction and manufacturing. Retailers and government cut jobs in November.

The number of home sales in which a contract has been signed, but the deal not yet closed, surged in October - far exceeding economists' expectations. The National Association of Realtors (NAR) reported **pending home sales rose 7.5%, far above the 0.7% increase analysts had expected.** Compared with the same time last year, however, pending sales were down 1.4%--reflecting how much home-buying activity has cooled from the frenzy of 2020. Lawrence Yun attributed the increase in contract signings to fast-rising rents and the anticipated increase in mortgage rates. Every region saw an increase in sales, led by an 11.8% gain in the Midwest. Yun added that the report solidified projections that existing home sales will exceed an annual rate of 6 million for 2021.

The pace of home price appreciation slowed in September, according to S&P CoreLogic. S&P's Case-Shiller 20-city home price index posted **a 19.1% year-over-year gain in September, down 0.5%** from the previous month. On a monthly basis the index increased 0.8% between August and September. The separate national index showed a 19.5% gain—down 0.3% from its previous reading. **Phoenix led the country in home-price growth with a 33.1% increase, followed by Tampa and Miami**. Just six of the 20 major cities that the report tracks recorded larger price increases in September than in August, though all cities did continue to notch increases.

Confidence among the nation's consumers fell to a 9-month low as concerns over rising inflation and a resurgence in coronavirus cases weighed on sentiment. The Conference Board reported its index of consumer confidence dropped 2.1 points to 109.5 in November. It was the fourth decline in the past five months. Economists had expected a reading of 110. Lynn Franco, senior director of economic indicators at the board stated, "**Concerns about rising prices--and, to a lesser degree, the Delta variant--were the primary drivers of the slight decline in confidence."** Note that data for this report was before the outbreak of the new 'Omicron' variant of the coronavirus. Analysts don't expect sentiment to improve soon. Chief economist Joshua Shapiro of MFR Inc. wrote in a research note, "Supply chain disruptions, inflation, economic policy concerns, and a stubborn pandemic are all likely to continue to weigh on consumer confidence and sentiment in the months ahead."

A closely-watched index of manufacturing activity rose in November on news supply chain disruptions may be easing. **The Institute for Supply Management (ISM) reported its manufacturing index rose 0.3% to 61.1% in November.** The reading matched forecasts. Note that readings above 50% signify growth and this the 18th consecutive month in which the index has been above that level. In the report, new orders and production both rose in November, and the sub-index that tracks employment rose to 53.3% from 52%. Ian Shepherdson, chief economist at Pantheon Economics said, **"The supply-chain measures in the survey all eased in November, though they remain elevated. All these numbers peaked in the spring, *suggesting that the worst of the supply-chain crisis is over*, though it will be a while before normal conditions are fully restored."**

The Federal Reserve's 'Beige Book', a collection of anecdotal reports from each of its member banks, found "widespread" price hikes with "little pushback" from consumers. "Prices rose at a moderate to robust pace, with price hikes widespread across sectors of the economy," the survey found. Increases in input costs were "wide-ranging" due to strong demand for raw materials, logistical challenges and labor market tightness, the report said**. Tight labor markets meant wages were also rising at a "robust" pace across most of the Fed's 12 districts, according to the report.**

International Economic News: **The Canadian economy roared back in the third quarter on a rebound in consumer spending and manufacturing activity**. Statistics Canada reported Canada's economy grew an annualized 5.4% in the third quarter, beating analyst expectations for a gain of 3.0%. **The third-quarter rebound was driven by one of the largest household spending sprees on record as COVID-19 restrictions were eased**. Exports were also up, led by crude oil. With the October gain, economic activity is now just 0.5% below pre-pandemic levels.

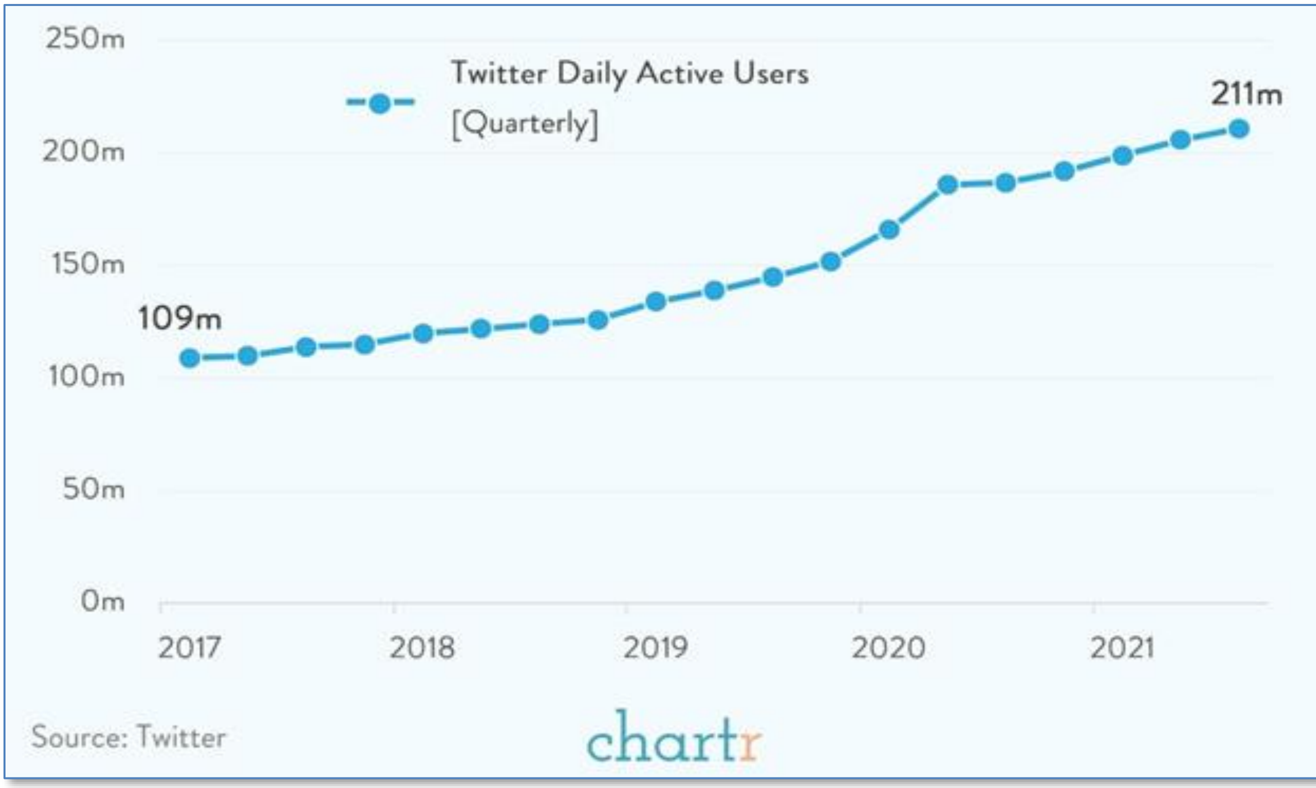
Across the Atlantic, **the Organization for Economic Cooperation and Development (OECD) stated the United Kingdom is headed for the fastest growth in its Group of Seven (G7) major economies this year but will suffer a setback if supply shortages persist.** A lack of workers to fill open jobs and persistent disruptions in the flow of goods across borders could force companies to reduce output, damaging the pace of recovery in the economy, the Paris-based researcher concluded in its report. The OECD cut its growth forecast for the U.K. next year to 4.9% from 5.2%--that's still the fastest in the G-7. **Growth this year will be better than previously estimated at 6.9% rather than 6.7%.**

On Europe's mainland, **Germany decided this week to bar its unvaccinated citizens from all but the most essential business to curb the spread of the Omicron variant of the coronavirus.** The new measures will allow the unvaccinated only in essential businesses such as grocery stores and pharmacies. Legislation to make vaccination mandatory will be drafted for early in 2022. "We have understood that the situation is very serious," Chancellor Angela Merkel told a news conference. A nationwide vaccination mandate could take effect from February 2022 after it is debated in the Bundestag and after guidance from Germany's Ethics Council, she said.

In Asia, **advisers to China's government will recommend authorities set its economic growth target for 2022 below the one set for 2021, giving policymakers more room to push through structural reforms.** Advisers told Reuters they drafted recommendations for annual economic growth targets ranging from as low as 5% to 5.5%, down from the "above 6%" target set for 2021. The advisers make policy proposals to the government but are not part of the final decision-making process. **A poll in October showed economists expect China's growth to slow to 5.5% in 2022, but some analysts have since trimmed forecasts on new risks such as a deteriorating real estate sector.** The new Omicron coronavirus variant is also an added risk.

The OECD stated Japan must maintain its expansive fiscal policy until its economic recovery from the pandemic is on track and not pull back stimulus too soon. Fiscal policy should continue to support the economy in the near term, the OECD said in its report. OECD Secretary-General Mathias Cormann noted Japan's debt has grown to more than twice the size of its gross domestic product (GDP). The best way for reducing that ratio is by strengthening the growth of the economy, he added**. The world's third-largest economy shrank an annualized 3.0% in the third quarter due to weak consumption and supply shortages but is forecast to bounce back in the current quarter**.

Finally: **This week Jack Dorsey resigned from his role as CEO of Twitter. For over 15 years Dorsey has been an iconic figure in Silicon Valley. Under his leadership, Twitter implemented wide censorship on its platform, which appeared to many to be mostly directed at conservatives. To some, he is "Saint Jack", to others, "Jack the Ripper". Despite his controversial tenure, what isn't up for debate is the steady consistent growth Twitter has shown over the past several years. Daily active users almost doubled from 109 million in 2017 to over 210 million in 2021. (Data: twitter, Chart: chartr.co)**



(**Sources:** All index- and returns-data from Yahoo Finance; news from Reuters, Barron's, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zerohedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)

The SITREP | Glossary of Terms

Index, Exchange and Investment Definitions:

- **Barclays Aggregate Index -** An unmanaged index of fixed rate investment grade securities with at least one year to maturity combining the Barclays U.S. Treasury Bond Index, the Barclays U.S. Government-Related Bond Index, the Barclays U.S. Corporate Bond Index, and the Barclays U.S. Securitized Bond Index.
- **Barclays US Corporate Index** is a broad-based benchmark that measures the investment grade US dollar- denominated, fixed-rate, taxable corporate bond market. It includes USD denominated securities issued by US and non-US industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.
- **Barclays Aggregate Bond Index** (formerly known as the Lehman Brothers Aggregate Bond Index), an unmanaged, market capitalization weighted index of government and corporate bonds, mortgage-backed securities, and other asset-backed securities, with interest reinvested. This index commonly serves as a proxy for the U.S. bond market.
- **The Bloomberg Commodity Index** is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- **CBOE Volatility Index** shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."
- **The DJ Equity All REIT Total Return Index** measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- **The S&P 500** is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy.
- **The Dow Jones Industrial Average** is a price-weighted index of 30 actively traded blue-chip stocks.
- **The NASDAQ Composite Index** is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **The Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe: market-cap weighted index composed of 2,000 U.S. small-cap common stocks.
- **The CAC-40 Index** is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse.
- **The ISEQ Overall Index** is a capitalization-weighted index of all official list equities in the Irish Stock Exchange, excluding U.K.-registered companies.
- **The FTSE MIB** (Milano Italia Borsa) is the benchmark stock market index for the Borsa Italiana, the Italian national stock exchange.
- **The IBEX 35** is the benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange.
- **The DAX 30** is a Blue-Chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.
- **The FTSE 100 Index** is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.
- **The STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index.
- **The RTS Index** (abbreviated: RTSI, Russian: Индекс РТС) is a free-float capitalization-weighted index of 50 Russian stocks traded on the Moscow Exchange.
- **The SSE Composite Index** is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

- **The Shanghai Composite Index** tracks the biggest and most important public companies in China.
- **The Hang Seng Index** is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong.
- **The IDX Composite** or Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange (IDX).
- **The Korea Composite Stock Price Index** or KOSPI is the major stock market index of South Korea, representing all common stocks traded on the Korea Exchange.
- **The Asia Dow** measures the Asia equity markets by tracking 30 leading blue-chip companies in the region.
- **The S&P/ASX 200 Index** is a market-capitalization weighted and float-adjusted stock market index of Australian stocks listed on the Australian Securities Exchange from Standard & Poor's.
- **Nikkei 225 (**Ticker: ^N225) is a stock market index for the Tokyo Stock Exchange (TSE).
- **The Nikkei Average** is the most watched index of Asian stocks.
- **The BSE SENSEX** (Bombay Stock Exchange Sensitive Index), also-called the BSE 30 (BOMBAY STOCK EXCHANGE) or simply the SENSEX, is a free-float market capitalization-weighted stock market index of 30 well-established and financially sound companies listed on the Bombay Stock Exchange (BSE).
- **Karachi Stock Exchange 100 Index** (KSE-100 Index) is a stock index acting as a benchmark to compare prices on the Karachi Stock Exchange (KSE) over a period.
- **The Dow Jones Americas Index** measures the Latin American equity markets by tracking 30 leading blue-chip companies in the region.
- **The Mexican IPC Index** (Indices de Precios y Cotizaciones) is a major stock market index which tracks the performance of leading companies listed on the Mexican Stock Exchange.
- **The Bovespa Index** is a gross total return index weighted by traded volume & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.
- **The S&P/TSX Composite Index** is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization.
- **The Global Dow** is an equally weighted index of 150 widely traded blue-chip common stocks worldwide.
- **The MSCI World Index** is a free-float weighted equity index that includes developed world markets and does not include emerging markets.
- **The MSCI EAFE Index** is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indices that represent developed markets outside of North America: Europe, Australasia and the Far East.
- **The MSCI Emerging Markets Index** is a float-adjusted market capitalization index consisting of indices in more than 25 emerging economies.
- **The US Dollar Index** measures the performance of the U.S. dollar against a basket of six currencies.
- **Corporate BBB 1-3-year Index** - as represented by the BBB rated component of the BofA Merrill Lynch 1-3 Year U.S. Corporate Index, comprised of U.S. dollar-denominated investment-grade corporate debt securities publicly issued in the U.S. domestic market with between one and three years remaining to final maturity.
- **High Yield Index** - as represented by the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index, a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment–in-kind securities.
- **10 -Year US Treasury Index** - This index represents a theoretical rolling 10-year U.S. Treasury note, renewed semiannually to a new higher coupon based on the indicated rise in rates.

Index Disclosures:

"An index is a composite of securities that provides a performance benchmark. Indexes are unmanaged, do not incur management fees/costs/expenses, and cannot be invested-in directly. Past performance is not a guarantee of future results."

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* refers to Market Conditions Midwest Financial monitors each day. For more information you can contact Midwest Financial.

"Good risk managers are unapologetic about taking actions to avoid or mitigate risk - even if the actions don't always pay off - because they know that in the long run, their investors will survive the trip when other investors are left in smoking ruins at the side of the road to retirement."