"Crypto's Crash," says some financial news headlines. The reality is Bitcoin, Ethereum and others are down about 10-15% in the last few days. The word "crash" may seem appropriate to describe the sharp decline, except 10%+ moves in a matter of days is the norm, not the exception for crypto.

Ignoring the crypto crash, the S&P 500 went higher. The index is up over 25% this year. Despite such an outsized gain, the table below from LPL Research argues we should be optimistic for 2022. Of course, it's worth noting some of these outsized returns were coming off of major bear market lows such as 1975, 2003, and 2009.

Greater Than 20% Years Are A Good Sign For The Next Year

S&P 500 Index Returns After Big Yearly Returns

		S&P 500 Return
Year	Return	Next Year Return
1950	21.7%	16.3%
1954	45.0%	26.4%
1955	26.4%	2.6%
1958	38.1%	8.5%
1961	23.1%	-11.8%
1967	20.1%	7.7%
1975	31.5%	19.1%
1980	25.8%	-9.7%
1985	26.3%	14.6%
1989	27.3%	-6.6%
1991	26.3%	4.5%
1995	34.1%	20.3%
1996	20.3%	31.0%
1997	31.0%	26.7%
1998	26.7%	19.5%
2003	26.4%	9.0%
2009	23.5%	12.8%
2013	29.6%	11.4%
2019	28.9%	16.3%
2021	?	?
Average		11.5%
Median		12.8%
% Positive		84.2%
Average Year (1950 - 2020)		9.2%
Median		11.8%
% Positive		71.8%

Source: LPL Research, FactSet 11/15/21

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.

The modern design of the S&P 500 stock index was first launched in 1957. Performance back to 1950 incorporates the performance of predecessor index, the S&P 90.

[dmc]

What To Watch Today

Economy

- 7:00 a.m. ET: **MBA mortgage applications,** week ended Nov. 12 (5.5% during prior week)
- 8:30 a.m. ET: **Building permits,** month-over-month, Oct. (2.8% expected, -7.8% in Sept.)
- 8:30 a.m. ET: **Housing starts,** month-over-month Oct. (1.5% expected, -1.6% in Sept.)

Earnings

Pre-market

- 6:00 a.m. ET: **Lowe's (LOW)** to report adjusted earnings of $2.35 on revenue of $22.12 billion
- 6:20 a.m. ET: **Target (TGT)** to report adjusted earnings of $2.84 on revenue of $24.27 billion
- 7:30 a.m. ET: **TJX Cos. (TJX)** to report adjusted earnings of 81 cents on revenue of $12.28 billion

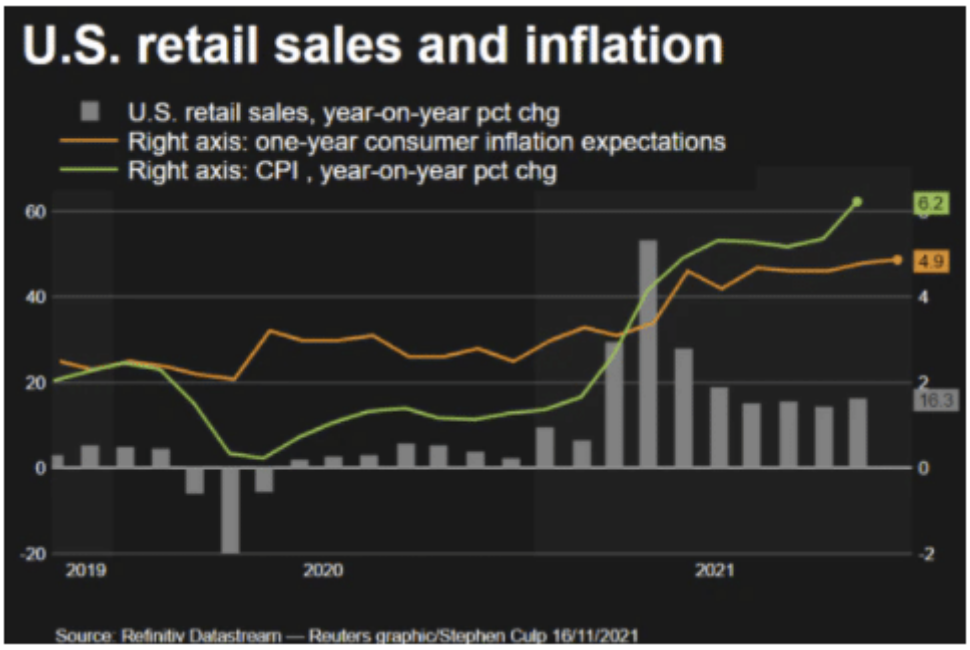
Post-market

- 4:05 p.m. ET: **Sonos (SONO)** to report adjusted earnings of 10 cents on revenue of $360.00 million
- 4:05 p.m. ET: **Cisco (CSCO)** to report adjusted earnings of 81 cents per revenue of $12.99 billion
- 4:20 p.m. ET: **Nvidia (NVDA)** to report adjusted earnings of $1.11 per revenue of $6.81 billion
- 4:15 p.m. ET: **Victoria's Secret (VSCO)** to report adjusted earnings of 70 cents on revenue of $1.47 billion

Stronger Than Expected Retail Sales

Despite weakening confidence, consumers spent a lot of money last month. Retail Sales rose 1.7%, up from 0.7% last month and well above the 1.0% consensus. While the number was great, there are a couple of factors that may be overstating it.

Retail Sales are nominal, meaning it doesn't capture inflation. **As such, consumers may be buying a similar number of goods but paying more for them.** Second, we believe many people are ordering Christmas gifts early due to concerns about supply lines and shortages. If this is the case, sales for November and especially December may end up being weaker than expectations. One last point, Hanukah starts on the Sunday after Thanksgiving this year, which is also driving earlier than normal demand.



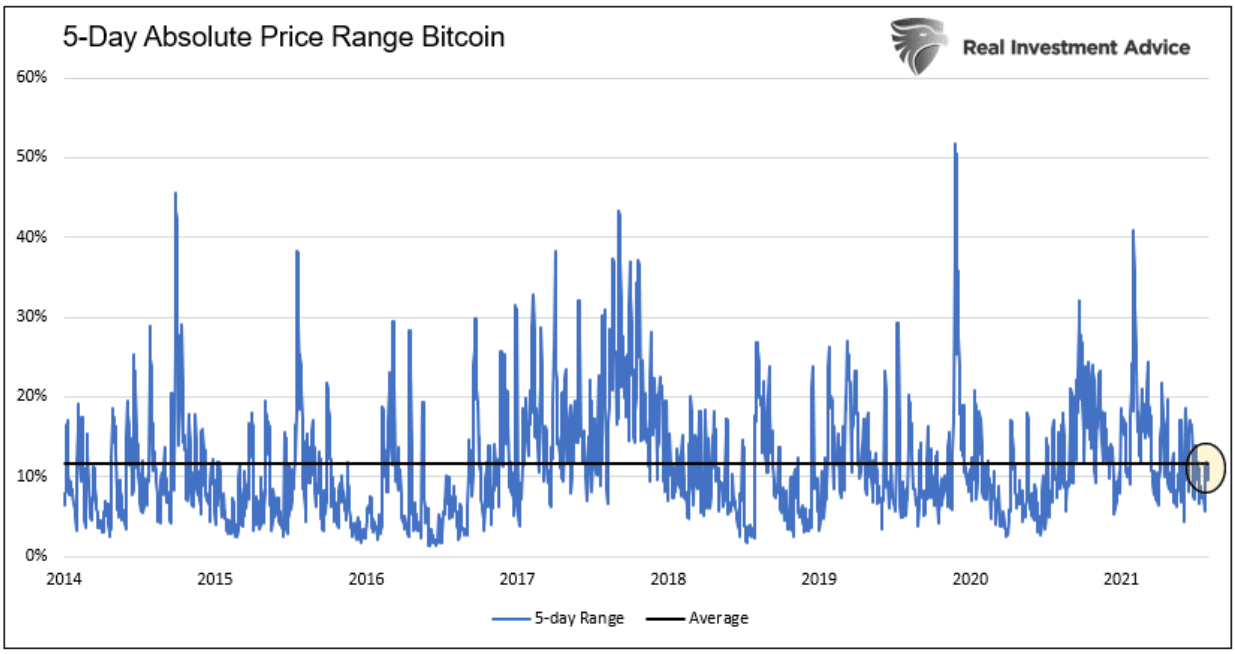
[Trading The Bull]



Bitcoin Correction or Just an Average Move?

As the first graph shows Bitcoin is down about 11% over the last few days. While a double-digit percentage move is quite often significant for most assets, it is fairly commonplace for Bitcoin. In fact, the five-day average price range using the high and the low for each five-day period since 2014, is 11.65%. The second graph circles the recent five-day range, highlighting just how average it is.





Lofty Earnings Expectations

?The attractive P/E to LTG ratio, or 'PEG ratio', of the S&P 500 is due to lofty growth expectations, not low valuations? LTG rates are better contrary than positive indicators? today?s level would suggest losses of -20% over the next 12 months? - BofA

Bottom line- implied long-term earnings growth of nearly 20% is well above any level witnessed since 1986, including 1999. It's also more than double any actual growth rate over the period. Now consider, profit margins will be under pressure due to rising prices and wages, the Fed is removing accommodations, and economic growth will normalize. Given these headwinds, the implied growth forecast seems like pie in the sky. An adjustment of growth expectations is likely to make investing much more difficult in 2022 than this year.

Exhibit 2: Consensus LTG is at a record high, well above the Tech Bubble peak

S&P 500 consensus long-term growth forecast (1986-10/21)

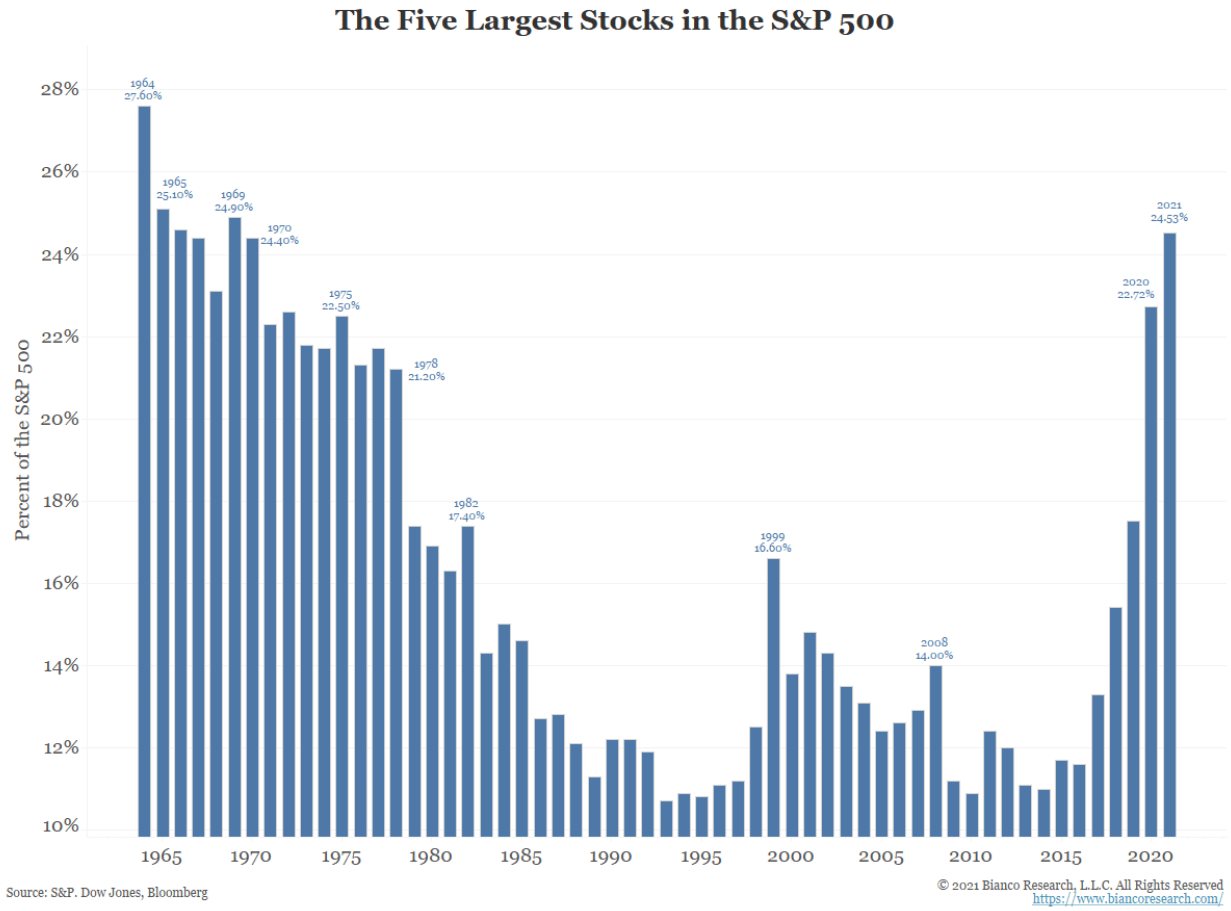


Source: FactSet, BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Diversification Ain't What it Used to Be

The graph below, courtesy of Jim Bianco, shows the diversification benefits of a passive portfolio are rapidly fading as the five largest stocks now garner nearly 25% of the contribution to the S&P 500. While many investors may think they are diversified because they indirectly own 500+ stocks, such is not mathematically accurate. Yes, they own a piece of 500+ stocks, but the returns are heavily based on five stocks.



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