

The typical uneventful post-Thanksgiving Friday trading session was anything but that. Black Friday market discounts are now in effect as the stock market, cryptos, and many commodities fell sharply. Black Friday investors fear a repeat of the lockdowns, and economic weakness may be upon us again. Crude oil is among the biggest loser, down over 12% and below \$70 a barrel. Bond yields fell sharply as the bond markets are pricing in slower economic growth and more dovish policy.

The graphs below, a sneak peek of our soon-to-be-released new version of RIAPro, show the day's biggest gainers and losers. Moderna and Pfizer lead the winners. The ten worst stocks are primarily airlines and cruise ship companies.



Not surprisingly, market futures are pointing higher this morning. The question will be whether they are sustainable.

[dmc]

What To Watch Today

Economy

- 10:00 a.m. ET: **Pending home sales,** month-over-month, October (0.8% expected, -2.3% in September)
- 10:30 a.m. ET: **Dallas Federal Reserve Manufacturing Activity Index,** November (17.0 expected, 14.6 in October)

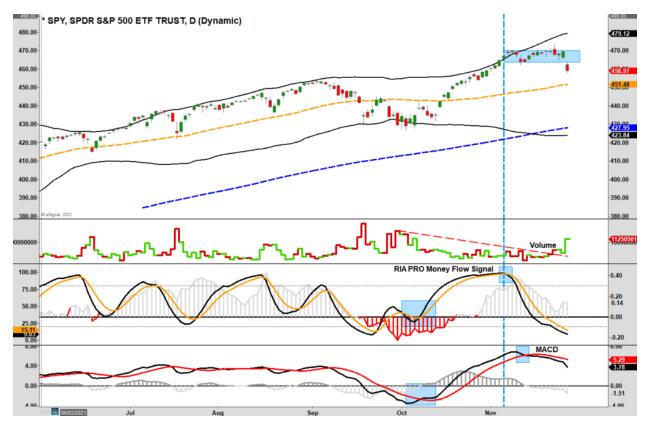
Earnings

• No notable reports scheduled for release

Reflex Rally After "Black Friday" Plunge

As news of a new *?Covid?* variant broke, stocks marked *?Black Friday?* by plunging firmly through the 20-dma and support at recent lows. Notably, that downside break broke the consolidation pattern *(blue box in the chart below)* that began in early November. While there is some minor support around 4550, critical support lies at the 50-dma at 4527. That support level also corresponds to the September peak.

With mutual fund distributions running through the first two weeks of December, there is additional downside pressure on stocks near term. However, our *?money flow sell?* signal is firmly intact and confirmed by the MACD signal. Such suggests we continue to maintain slightly higher levels of cash.



Notably, the market is getting oversold near-term, with the money-flow signal depressed. Such suggests that any further weakness will provide a short-term trading opportunity. As discussed last week, the statistical odds are high that we will see a *?Santa Rally?* as most professional managers will position for year-end reporting.

We expect a short-term bounce, but there is more risk of selling over the next few days.

Green in a Sea of Red on Black Friday

The Finviz heat map below shows that many stocks are down 2-3% on the day, but a few stocks are bucking the trend. In most cases, the green on the map is in businesses that benefit from the lockdowns. In addition to the obvious winners in the healthcare industry are Verizon, NetFlix, and Clorox. Moderna and Pfizer are up significantly. The restaurant and travel business are faring the worst. Notice losses are approaching 10% for Marriot, Las Vegas Sands, and Booking.com in the upper right corner.

TECHNOLOGY				SEMICONDUCTO	DRS					CONSUMER CYCLICAL	AUTO MANUFACTURERS	RESTAURANTS FOOTWEAR
MSFT -1.93% CONSUMERELECTRONICS			ADBE +0.04N	NVDA -3.11%	AVGO 2425 QCOM 2175	-2.77% -2.77% ADI MU -2.9% MU	GO	OGL	FB	AMZN	TSLA -1.96%	MCD 37% Conce 50% Conce Conce 50% Conce Conc
			ORCL -0.92%	INTC SOFTWARE - APP	AMD -2.18%	NXCPI 433% 433% XLNX MATION TEC	-2.	36%		-1.25%	HOME IMPROVEMENT RETA HD LOW -1.60%	BY RESOR LODGIN APTV 121 Max -243 -428 TRAVELSE -243 -243 -428 BICNG RESIDE APPAR -428 DHI VIC VIC -428
			SNPS -1.37%	CRM -1.06%	INTU -1.64N -2.1	0% -122%	DIS -2.48%	CMCSA 127%	VZ T EA	CONSUMER DEFENSIVE DISCOUNT STORES COST	REAL ESTATE REVERAGES - NON-ALCOHO RETT-SPEC RETT-IND RETT-RET A LA T PSA SPG O	
				-LARX		-2.01% CDW -3.77 BR FLT	NFLX +1.60%	CHTR +0.77% VIAC DISH DISH	TMUS	WMT -0.07% -0.33% DG	KO PEP -3.07% -1.20%	AIMI PLD -1.45% -2.54 RETT-OFFI CCI -0.65% REIT-RESI PLR EQIX WY RETT- EQIX WY RETT- CCI -0.65% RETT- -0.65% RETT- -0.6
			CSCO -1.52%	AMAT -4.02%	ITEL APH IRME IDY IPUTER STX	HEALTHCARE DRUG MANUFACTU JNJ -0.33%	LLY -0.53%	DIAGNOSTICS & RES TMO +2.11% +2.91%	HOUSEHOLD & PERSONAL PR PG EL -0.44% CL KMB	PM MOLZ -1.33% -1.38 ACKAGED FO KHC K BF-B TSN GIS	ENERGY OIL&GASINT OIL&GASEAP COP -5.23%	
FINANCIAL CREDIT SERVICES	DITSERVICES MA AX -5.14%			USB PNC 457% 457%		-1518 -2.83%	ABBV -2.22% -1.27\% -1.27\% -1.2		IDXXX IQV 0.925% 0.47% A LH 4.035% PKI MTD PKI	INDUSTRIALS	ROADS INTEGRATED CVX PSX -147% UPS -147% -0.69% UTILITIES UTILITIES REGULATED UTILITIES	
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JPM -4.00%	BAC -5.07%	WFC -5.87%	CAPITAL MI MS SCHW -5255	-3.11 GS	AMP JRANCE - PRO PGR -127N	MMC AON -248% 218 AJG INSURANCE MET AR -438% -286 PRU	-2.1178 CVS CI -1778 ANTM 2458 CNC	MDT SYK -2.40% -377%	IDTECH DRUG MANUF ZTS -078% MRNA 42537% MEDICAL HCA -27% NEDICAL	233 TT AME IR SPEC AEROSPACE & DEFENSE GPN GPN GPN RTX LMT NOC CGA -6.349 LMT NOC CGA BA GD UM TDG INFC -7.61% 333 UM VRSI VRSI	WM KSG DAL -1.23% KSG DAL UAL SUL JCI J BUILDIN	ALSS WILL AND
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B.1.1.529 Variant is Roiling Markets

Stocks are declining worldwide due to a new variant of covid detected in South Africa. Per CNBC:

"South African scientist Tulio de Oliveira said in a media briefing held by the South Africa Department of Health on Thursday that the variant contains a ?unique constellation? of more than 30 mutations to the spike protein, the component of the virus that binds to cells. This is significantly more than those of the delta variant.

Many of these mutations are linked to increased antibody resistance, which may affect how the virus behaves with regard to vaccines, treatments and transmissibility, health officials have said."

The bond market is assuming the new strain will force the Fed into a more dovish policy stance. 2year yields are down 12 bps this morning, essentially taking out half of a 25bps Fed rate hike over the next two years.

Many traders are out for the holiday, so liquidity will be poor and trading may likely be volatile.

Black Friday Disappointment

The good news: Black Friday retail traffic was up 47.5% over last year. The bad news: **It was still 28.3% lower vs. 2019 levels**, according to <u>*CNBC*</u>, citing preliminary data from Sensormatic Solutions.

The peak time for Black Friday shopping in stores was 1 p.m. to 3 p.m., similar to trends in past years, Sensormatic said. Black Friday is still predicted to be the busiest in-store shopping day of the season, according to Sensormatic.

On Thanksgiving day, visits to brick-and-mortar stores cratered 90.4% from 2019 levels, Sensormatic found. Retailers including <u>Target</u>, <u>Walmart</u> and <u>Best Buy</u> opted to

keep their doors closed to customers on the holiday. Target has said it will be a permanent shift. -CNBC

Online spending fell from 2020 levels, meanwhile, with e-retailers ringing up \$8.9 billion in Black Friday sales - down from \$9 billion last year, according to Adobe Analytics, which noted that this is the first year that growth reversed from the prior year as long as records have been kept. The company analyzes over 100 million items in 18 product categories spanning 1 trillion visits to US retail sites.

Thanksgiving day online sales were flat from one year ago at \$5.1billion, according to Adobe.

The numbers provide even greater evidence that **the holiday season g**ot **stretched out as more Americans began their shopping as early as October.** Retailers have been spreading out their promotional offers, too. According to <u>a survey from the</u> <u>National Retail Federation</u>, the retail industry?s leading trade group, 61% of consumers had already started purchasing holiday gifts before Thanksgiving. -CNBC Courtesy of Zerohedge

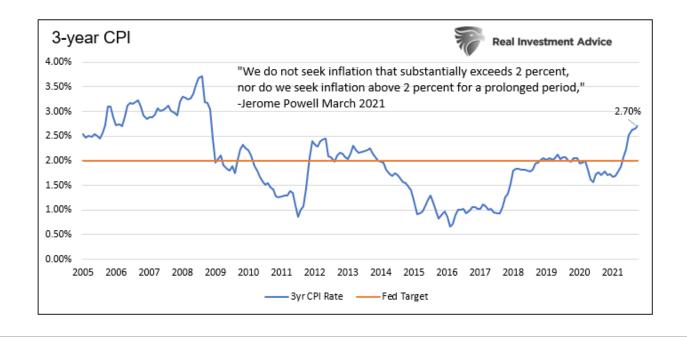
The Dollar is on Fire

Other than Friday, the dollar has been strong. The impetus behind the dollar continues to be economic data that the market believes will push the Fed to become more hawkish. Many corporate and sovereign borrowers that borrow in dollars for use in their home country get exposed to currency risk. Essentially, a stronger dollar increases their net borrowing costs as they have to convert to dollars at a higher rate to pay interest and principal. As such, a strong dollar tightens liquidity for the rest of the world and will inhibit global economic growth if the dollar continues upwards. The graph below shows the dollar index is up over 7% year to date.



Defining "Prolonged" and "Substantially Exceeds"

The Fed recently informally updated its price stability policy. Under the new inflation averaging regime, they will allow inflation to run higher than 2% for short periods to compensate for periods when it was below average. The graph below shows the three-year average inflation rate is now 2.7%. Further, the annual inflation rate is 6.2%. Fed members are increasingly getting nervous that inflation is running hot for a prolonged period and the current rate substantially exceeds the Fed's target on both a short-term and longer-term averaging basis. We expect to see various Fed members discussing their thoughts on how to adjust monetary policy to manage inflation better.



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