

Jerome Powell has been using the words *"transitory inflation"* to characterize the recent bout of inflation as temporary. Such verbiage pacified the stock markets as it entailed the Fed would not stop the printing presses too soon. The markets showed their displeasure as Powell retired *"transitory inflation."* In Senate testimony Tuesday, he stated: *"It's time to say goodbye to the term 'transitory' when it comes to inflation."* During his testimony, he had a concerning tone about inflation leading markets to believe the Fed will be more aggressive in tapering QE. The graph below from our 'coming soon' version of RIAPro, shows that there were only six winners in the S&P 500 yesterday.



[dmc]

## What To Watch Today

### Economy

- 7:00 a.m. ET: **MBA Mortgage Applications**, November 26 (1.8% during prior week)
- 8:15. a.m. ET: **ADP Employment Change**, November (525,000 expected, 571,000 in October)
- 9:45 a.m. ET: **Markit U.S. Manufacturing PMI**, November final (59.1 during prior month)
- 10:00 a.m. ET: **Construction Spending**, month-over-month, October (0.4% expected, -0.5% in September)
- 10:00 a.m. ET: **ISM Manufacturing**, November (61.2 expected, 60.8 in October)
- 2:00 p.m. ET: **Federal Reserve releases Beige Book**

### Earnings

- 4:15 p.m. ET: **PVH Corp. (PVH)** to report adjusted earnings of \$2.07 on revenue of \$2.41 billion

## Consumer Confidence Continues to Weaken

The Conference Boards Consumer Confidence Index fell to 109.5, down from 111.6. Both the present situation index and the expectations index were lower. Driving consumers' moods are concerns about rising prices and income prospects.



The Chicago PMI, a precursor to national manufacturing surveys, fell more than expected to 61.8 from 68.4. After hitting a high of 75 in April, the index has been trending lower. The slowing of new orders and employment were partially responsible for this month's decline. The ISM and PMI manufacturing surveys will be released tomorrow. Both are expected to show slight increases from last month.

## Sounding The Inflation Alarms

Chairman Powell was vocal about inflation and is finally backing off using the word *"transitory"* to describe it. Per his testimony to the Senate: *"time to retire the term 'transitory' regarding inflation."* He followed, *"the risk of persistently higher inflation has increased. We will use our tools to make sure higher inflation does not become entrenched."* The inflation comments are an upgrade to his recent descriptions of inflation.

However, he countered the discussion by mentioning the weak labor participation rate and covid related factors affecting economic growth. On balance, his statement was a little more hawkish than usual.

The market did not like that *"hawkish"* tilt.



The 50-dma is now the most logical support where an increase in the previous volume-at-price resides. Also, the market is now approaching decent oversold levels. While we could see another day or two of volatility, we are continuing to set up for a potential year-end rally.

## End In Sight?



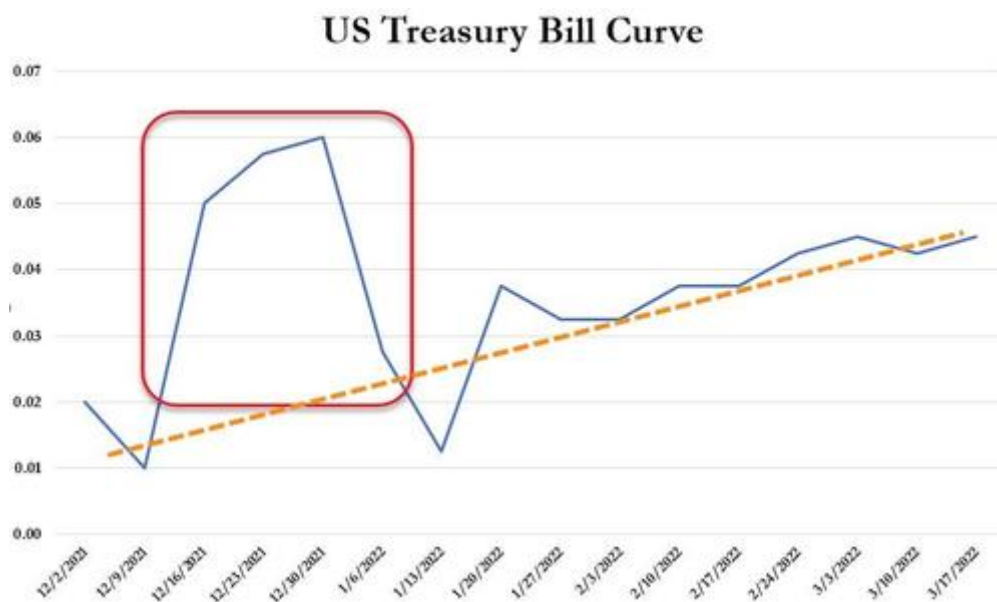
## Powell Warns About Omicron

[Chairman Powell spoke](#) late on Monday. While his economic assessment was in line with other recent speeches, he did offer pause about the new Omicron variant.

*The recent rise in COVID-19 cases and the emergence of the Omicron variant pose **downside risks to employment and economic activity and increased uncertainty for inflation**. Greater concerns about the virus could reduce people's willingness to work in person, which would slow progress in the labor market and intensify supply-chain disruptions.*

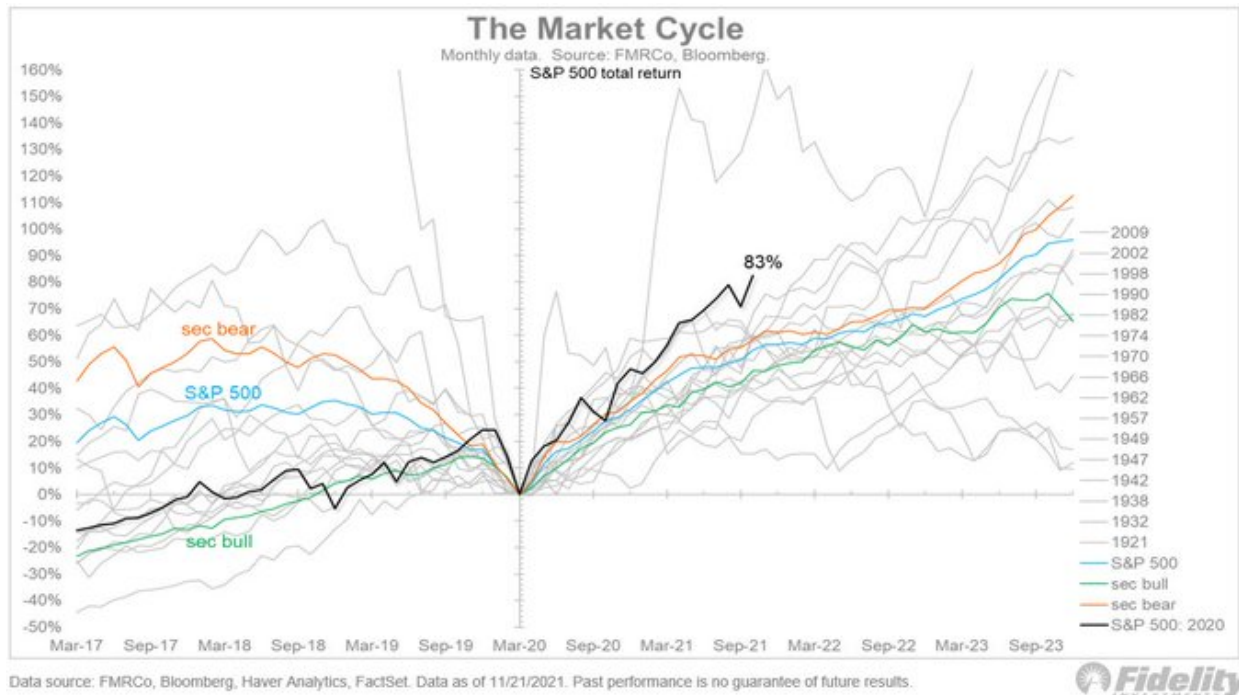
## Buckle Up - The Debt Ceiling is Upon us Again

The last debt ceiling debate ended with an extension to mid-December. December starts tomorrow, and the debt ceiling headlines are starting back up. Bloomberg reports that Congress needs to pass a stopgap funding bill to keep the government open beyond this week. The graph below, from Zero Hedge, shows Treasury Bills maturing in mid/late December yield 4bps more than they should. The kink in the curve is due to investors requiring a premium to take the risk that principal payments on maturing bills are delayed.



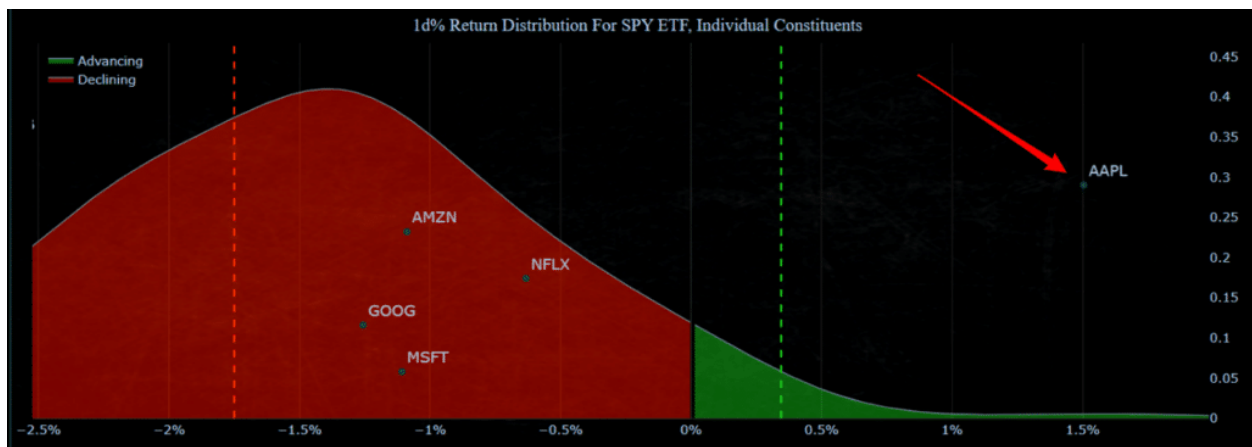
## A Bull Market For the Ages

The chart below, courtesy of Fidelity, shows all of the cyclical bull markets since 1920. The rally starting in 1932, following the crash of 1929 and subsequent 89% drawdown, is the only rally steeper than the post-March 2020 rally.



## FANG Outlier

Money has been hiding in some unusual places. As of late that hiding place is Apple. The chart below, courtesy of @themarketear, shows Apple relative to the rest of the FANG stocks.



Please [subscribe to the daily commentary](#) to receive these updates every morning before the opening bell.