October 2021

Monthly Market Commentary

Fall is officially here! The leaves are changing color, football is in full swing, and the holidays are right around the corner. Not to mention, this time of the year brings families to pumpkin patches, the wide spread of fall flavored spices, and fun times around a campfire. It is our hope that things continue to return to normal and that you and your family can remain safe and healthy!

Global markets posted mixed results with major indexes ending Q3 flat to slightly up/down as bond yields stopped going down and reversed course following a 6-month downtrend. The key takeaways from this reversal can be attributed to a peak in rate of change trends in Covid cases alongside a slowdown in economic growth in the same period. Commodities on the other hand, have continued to perform well and are further evidence of a broad risk-on environment developing underneath the surface. Cyclical sectors are also starting to strengthen underneath the surface, as defensive and long duration assets correct from elevated levels. Further, September and October tend to be seasonally weak periods for equity markets, and it is not surprising to have elevated volatility over this period as markets consolidate. In the meantime, having patience and opportunistically positioning for the developing trends remains our goal while being cognizant about immediate risks.

On the fundamental side, the ISM manufacturing index, a leading indicator for growth, ticked up slightly to 61.1 vs 59.9 in the previous month. Retail sales and housing data remained strong while industrial production and capital goods slowed slightly in September. All in all, the underlying economy should continue its resilience with strong consumer balance sheets and their propensity for consumption in both goods and services; although, the latter may take the lead going forward as the pandemic dies down.