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FAMILY OFFICE

Economic & Market review – November 2021

Major equity markets ended the month lower on fears that the emergence of the omicron variant of the coronavirus could derail the economic recovery.

Inflationary pressures remained elevated in many major economies, raising questions about the growth outlook and pressuring central banks to rein in accommodative policies.

Chinese and European equities lagged during the month, reflecting concerns about coronavirus outbreaks. Property sector uncertainty was a headwind in China.

Equities sold off late in the month on inflationary pressures and the emergence of the omicron variant of the coronavirus, both of which sparked concerns about the economy's prospects. Most stock indexes pulled back. The small-cap Russell 2000 Index underperformed the large-cap Russell 1000 Index, although both benchmarks ended the month lower. Within the S&P 500 Index, the energy sector was among the worst performers, hit by a sharp decline in oil prices. Information technology and consumer discretionary stocks, on the other hand, gained ground.

After the 10-year U.S. Treasury yield increased on concerns about persistent inflation, the benchmark yield pulled back late in the month and ultimately ended lower. The resurgence in global coronavirus cases and the emergence of a new variant spurred a flight to asset classes that the market views as potential havens. High yield bonds lagged in this environment.

Late in November, scientists in South Africa identified a new variant of the coronavirus that appears to spread more quickly than the delta version that caused a wave of infections earlier in 2021. Although it is unclear if the new variant is more effective at evading the immune defenses triggered by current vaccines, the news spurred fears about the economic outlook and the potential that a resurgence in coronavirus cases could lead to further supply chain disruptions.

Shares in Europe fell sharply on fears that the economic recovery might be derailed by the imposition of tight coronavirus restrictions and the spread of a new variant of the virus. In local currency terms, the pan-European STOXX Europe 600 Index ended the month more than 2.5% lower. The main indexes of Germany, France, Italy, the Netherlands, and Spain also dropped. The decline in the UK's FTSE 100 Index was less pronounced, as the pound depreciated against the U.S. dollar.

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