RAYMOND JAMES

In The Month Before Christmas

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"December is here before its June...How did it get so late so soon?" – Dr. Seuss

The key for writing any monthly report is not to do it too early, especially during the end of November which saw the word Omicron become much better known than just by followers of the Greek alphabet. Whilst progress against COVID-19 challenges have helped almost all developed market stock markets generate attractive returns year-to-date, many indices fell during the second half of November following concerns about the new virus strain. It also led to a fall in bond yields despite continuing inflationary fears which has meant - during 2021 - over thirty-five global central banks collectively raising their interest rates nearly a hundred times.

The final weeks of the third-quarter corporate earnings season during November on average performed strongly, reflecting a global economic backdrop that has generally continued to improve along with the ability of most management teams to find ways of countering any supply-side issues. Corporate expectations for 2022 have consequently been heightened, a backdrop that normally would be associated with a positive end to the year. However - consistent with a continuous range of surprises for global investors over the last two years - 2021 still has some scope for a few surprises, even before we start thinking about a Christmas break.

By mid-December there should be a clearer view of the realities of the Omicron virus and whether Christmas gatherings and travel are going to be much materially easier than last year, in line with general expectations a couple of weeks ago. It will also help discussions at the Bank of England and other important central banks in about two weeks time.

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Certainly, recent shifts in both inflation and employment numbers have increased the rationale for the first Bank of England interest rate rise for a number of years. Virus uncertainties will have to be considered but only the fear of a significant lockdown is set to stop a rise in exceptionally modest interest rates - to slightly less modest interest rates - over the next year. Nevertheless, even modest interest rate shifts have to be acknowledged by both highly indebted and highly valued investments.

It was positive to read some agreements and climate change progress at the COP26 meetings in Glasgow in mid-November. And whilst the radically enhanced growth in carbon and related matters has become apparent globally, much remains to be discussed and achieved. The COP27 meetings set for November next year in Egypt will be a big focus for all.

As the Greek philosopher, Heraclitus once observed, 'there is nothing permanent except change'. On that basis prospects for 2022 should not be overly worrying, despite COVID-19 challenges, volatile stock markets, inflationary concerns and growing environment appreciation. 2021 has been a very positive year for most investors - certainly compared to many consensus thoughts at the start of the year. And returns over the last twelve years have been simply phenomenal for almost all investors. 2022 will be full of both opportunities and threats but that is what makes the investment world interesting...as shown by the need for a few remaining insights and answers in December.

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