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Good Afternoon,

Stocks have made a furious round trip over the past several days. The announcement of the Omicron variant the day after Thanksgiving sent the S&P 500 tumbling 4% over the next four market sessions. The next four sessions saw the index nearly fully recovered. Like the economy has, traders are learning to take pandemic news in stride, albeit with a slightly nervous initial reaction. Anecdotal evidence suggests the Omicron variant spreads very rapidly but may be less severe than Delta. Vaccines and boosters are likely to be at least somewhat effective against Omicron, but we'll know more in the coming weeks.

Speaking of vaccines, the Fed (the doctor) has begun its inflation vaccine program for the US economy. While they spent the early fall discussing the possibility of tapering their monthly bond-buying and then gauging market reactions (the vaccine testing phase), they eventually put the plan into action in November (the first dose). The economy and markets (the patient) took the first dose fairly well. As inflation numbers continue to rise, the Fed is now discussing tapering more quickly and has given themselves room to start raising interest rates sooner than projected (the second dose). While the patient is nervous, the idea is to introduce higher interest rates slowly, so the economy builds "antibodies" and doesn't get too sick when exposed to a more normalized rate environment.

Speaking of doctors, I told mine I was experiencing memory loss. He made me pay in advance. Then he said he had bad news and really bad news. He told me I had 24 hours to live. I said, "Oh no! What's the really bad news?" He said, "I've been trying to reach you since yesterday." Ok, that's enough. You're probably running out of patients.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week!

Wade

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