



Level Four Capital Management WEEKLY INSIGHT

HIGHLIGHTS

- After the S&P 500 posted its worst day since February on Friday 11/26, the S&P 500 rebounded to post its best day in six weeks on Monday.
- The sharp declines came last week on Friday after the emergence of the Omicron variant was found in various African nations.
- Travel and re-opening names were the hardest hit while stay-at-home names such as Zoom, Docusign, and Peleton all jumped to the upside.
- Strong consumer spending continues to underpin the bullish narrative, despite Black Friday and Cyber Monday spending numbers being flat versus 2019.
- A forward-looking gauge of U.S. home purchases rebounded in October to a ten-month high, as pending home sales jumped 7.5%/m. signaling steady housing demand.
- Oil plunged on Friday after a new COVID-19 variant sparked a sell off, on renewed worries of travel restrictions and lockdowns. The decline of 13% was the largest since April of 2020.
- Following the rout in oil on Friday, the commodity climbed 2.64% recouping some losses. Analysts across the street agreed that the selloff was overdone, with multiple firms saying they see upside price action. JPM called for Brent oil hitting \$125 in 2022 and \$150 in 2023 on OPEC+ lack of space capacity.
- In China, regulators asked ride-sharing company Didi Global to work on a path to delist from the New York Exchange, citing security concerns as the catalyst.
- In Japan, the government announced that the closure of its borders starting Tuesday to new foreign arrivals on Omicron fears. The NIKKEI 225 declined 3.34% last week.
- In South Korea, policy makers lifted the benchmark interest rate by 25bps to 1%, in line with expectations. The KOSPI index declined 1.16% last week.

MARKET COMMENTARY

LAST WEEK

With markets closed on Thursday and an early close on Friday due to the Thanksgiving holiday, the market ended the week sharply lower, in large part due to Friday's steep decline when the S&P 500 fell 2.27%. The declines came as COVID-19 variant concerns spiked with the emergence of the "Omicron" variant, as major governments began, again, discussing travel restrictions against various African countries where the new variant has been identified.

SPX Index		Export		Settings		High		4,704.54 on 11/18/21	
S&P 500 INDEX		Range 11/30/2020 - 11/29/2021		Period	Daily	Low		3,621.63 on 11/30/20	
Market		Last Price	Volume	Currency	USD	Average		4,184.15 602,788,627	
View		Price with % Chg		Net Chg		Net Chg		1,033.64 28.54%	
Date	Last Price	Net Change	% Change	Volume					
Mo 11/29/21	4,655.27	+60.65	+1.32%						
Fr 11/26/21	4,594.62	-106.84	-2.27%	532,795,045					
Th 11/25/21									
We 11/24/21	4,701.46	+10.76	+0.23%	518,402,735					
Tu 11/23/21	4,690.70	+7.76	+0.17%	562,663,117					
Mo 11/22/21	4,682.94	-15.02	-0.32%	634,155,773					

Source: Bloomberg as of 11.30.21



Source: Goldman Sachs, Bloomberg as of 11.30.21

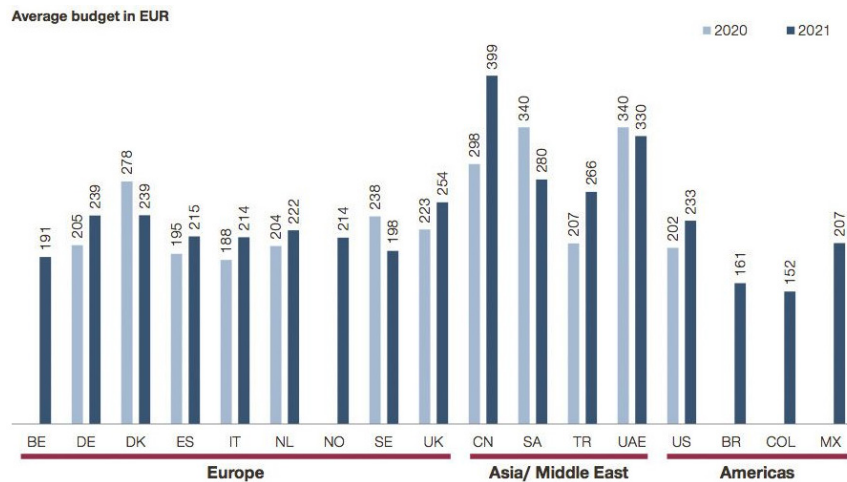
The week had initially been mixed in terms of performance by the close on Wednesday, before Friday's shortened session, which resulted in the S&P's worst day since February, and the Dow's worst day since October 2020. All sectors were broadly lower with select Health Care names overcoming selling pressures due to the Omicron news. Travel names were the hardest hit and underperformed on renewed fears of additional restrictions while stay-at-home names such as Peleton, Zoom, and Docusign all jumped. Treasuries strengthened as yields moved significantly lower with the 10-year declining 10%, back below 1.50%, their lowest levels in the last three weeks.

COVID-19 OMICRON DECLARED "VARIANT OF CONCERN"

The World Health Organization held a closed-door meeting to address the new COVID-19 variant first detected in South Africa and Botswana. Although no clear data concerning increased transmissibility or lethality has yet been published, scientists are especially concerned due to the presence of multiple mutations. At this time, infection rate concerns due to the Omicron and Delta variant has caused government to begin floating plans for additional lockdown measures and travel restrictions to affected areas. Effective November 29th, the Biden administration will be restricting travel from various African nations.

BLACK FRIDAY & CYBER MONDAY SHOPPING

Strong consumer spending has continued to underpin the bullish narrative with a recent survey indicating that 158.3 million people will have shopped during this Black Friday weekend. Despite this being slightly lower than 2019's 165.3M, it still represents an increase from 2020's 156.6M as shoppers return to physical stores. With the previously observed strong consumer and pent-up demand, it remains to be seen how consumers will deal with significantly higher prices and lower inventory than years previous.

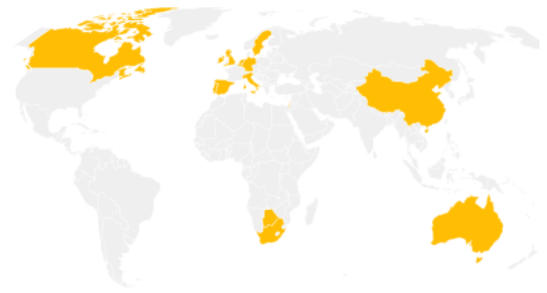


Source: Consultancy.EU News as of 11.30.21

FED CHAIR DECISION

On Monday morning, the Biden administration announced they would elect to have Jerome Powell remain as Fed chair and Lael Brainard will serve as vice chair in their nomination announcement. When announcing this decision, Biden claimed that the need for stability at this time was paramount to getting America back to work. This nomination will also make it somewhat easier to secure the support of moderate democrats to help the passage of the BBB in the Senate. Although there had been some momentum behind Lael Brainard as an alternative chair, Powell had remained the consensus choice by the market.

Tracking Omicron



Country	Date
South Africa	Nov. 24
China	Nov. 25
Belgium	Nov. 26
Netherlands	Nov. 26
Botswana	Nov. 26
Germany	Nov. 27
Italy	Nov. 27
Czechia	Nov. 27

Source: Bloomberg as of 11.30.21

According to reporting from Bloomberg, this year's average discount rates are some of the weakest in recent history, as companies continue to have some of the strongest pricing power in recent memory. Looking forward to cyber-Monday U.S. shoppers are projected to spend \$11B, while globally, they are expected to spend \$43B. These headline figures are also in line with last year's total according to Salesforce and remained largely flat from 2020.

Domestic stocks climbed and bonds declined as a relative sense of calmness returned to global equity markets after Friday's rout lower. Investors on Monday re-assessed their worst-case scenarios for the Omicron Coronavirus strain and had a more optimistic tone which came after.

- President Biden gave remarks, cautioning Americans against panicking over the new variant, saying he did not think another shutdown this winter would be needed.
- Shares of Moderna gained after Chief Medical Officer Paul Burton said a new vaccine to handle the Omicron strand could be reformulated and available early in the new year.

While it may take weeks for data to be tested and analyzed by scientists to know the true effectiveness of the existing vaccines, investors are making the assumption that the leading drug makers will be able to adapt their shots with little hurdles.

In the broad-based rally where the S&P 500 had its best day in six-weeks on Monday, all major U.S. indices finished higher, led by the Tech-heavy NASDAQ, followed by the S&P 500 and Dow Jones. The gain for the S&P 500 on Monday wiped out November's losses, with volumes about 20% higher than the one-month average according to Bloomberg data.



Source: Bloomberg as of 11.30.21

OIL AND THE ROLLER COASTER RIDE



Source: Bloomberg as of 11.30.21

Oil continued its wild ride on Monday gaining as much as 7% in the session, before slipping to close up 1.82%. The move higher follows one of its largest daily drops of ~13% on Friday, as traders weighed Omicron and OPEC+'s potential response to support prices. Despite the limited rebound following the decline, analysts seemed to largely agree with one another, saying the move lower on Friday was overdone. In a research note making its way around, JP Morgan said they see Brent oil hitting \$125 in 2022 and \$150 in 2023 due to OPEC+'s lack of spare capacity, falling to a 25-year low of 4% (down from average of 14%) and a potential halt to their 400K bpd increase in supply.

ECONOMIC DATA AND WASHINGTON

The week will be a busy one on the macro front with a plethora of economic data set to be released, with perhaps the most important figure being the non-farm payroll number and the unemployment rate. Expectations call for an increase of 545K jobs in November, with the unemployment rate falling to 4.5% versus last month's reading of 5.6%.

United States		Browse	16:26:00	11/29/21	12/06/21					
Economic Releases		All Economic Releases	View Agenda Weekly							
Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
42	12/01				Wards Total Vehicle Sales	Nov	13.40m	--	12.99m	--
43	12/02 06:30				Challenger Job Cuts YoY	Nov	--	--	-71.7%	--
44	12/02 07:30				Initial Jobless Claims	Nov 27	240k	--	199k	--
45	12/02 07:30				Continuing Claims	Nov 20	2002k	--	2049k	--
46	12/02 08:45				Larger Consumer Comfort	Nov 28	--	--	52.2	--
47	12/03 07:30				Two-Month Payroll Net Revision	Nov	--	--	235k	--
48	12/03 07:30				Change in Nonfarm Payrolls	Nov	550k	--	531k	--
49	12/03 07:30				Change in Private Payrolls	Nov	525k	--	604k	--
50	12/03 07:30				Change in Manufact. Payrolls	Nov	42k	--	60k	--
51	12/03 07:30				Unemployment Rate	Nov	4.5%	--	4.6%	--
52	12/03 07:30				Average Hourly Earnings MoM	Nov	0.4%	--	0.4%	--
53	12/03 07:30				Average Hourly Earnings YoY	Nov	5.0%	--	4.9%	--
54	12/03 07:30				Average Weekly Hours All Emp...	Nov	34.7	--	34.7	--
55	12/03 07:30				Labor Force Participation Rate	Nov	61.7%	--	61.6%	--
56	12/03 07:30				Underemployment Rate	Nov	--	--	8.3%	--
57	12/03 08:45				Markit US Services PMI	Nov F	57.0	--	57.0	--
58	12/03 08:45				Markit US Composite PMI	Nov F	--	--	56.5	--
59	12/03 09:00				ISM Services Index	Nov	65.0	--	66.7	--

Source: Bloomberg as of 11.30.21

As we approach the end of the week, House Democrats may propose a stopgap spending measure to keep the federal government funded through mid-to-late January. As of writing this, current funding is set to run out on Friday with Congress facing urgent deadlines to avoid both a government shutdown, a debt limit default, as well as having to finalize President Biden's tax /spending bill.

INTERNATIONAL

Last week, the Bloomberg World index declined 2.8% as the panic selloff at the end of the week disproportionately skewed the weekly performance to the downside. Travel and entertainments stocks declined over 7%, while retailers and energy companies fell over 5%. European and Asian nations suspended flights from southern Africa as a preventive measure against the Omicron variant. Global yields rose as markets priced in the possibility of lockdowns. The Japanese Yen and the Swiss Franc rallied over 1.5% at the end of the week as investors looked for safety.

EUROPE

Protests against virus restrictions are spreading across Europe amid rising COVID-19 cases. Austria has returned to a full national lockdown last week and is contemplating legally mandating vaccination from February 2022. In the Netherlands, police struggled to control riots in Rotterdam following a three-week partial lockdown imposed by the government. In Belgium, the government tightened face masks rules and recommended remote work four days a week until mid-December. Plans to mandate vaccines for health workers faced backlash as tens of thousands of civilians gathered in Brussel to protest against the new measures. The Euro STOXX index dropped 5.17% last week, with travel and leisure down 10.09%.

In the United Kingdom (UK), Bank of England (BOE) governor Andrew Bailey said "the proximate cause of many of these inflation issues is on the supply side, and monetary policy isn't going to solve those directly. It doesn't get more gas, more computer chips, and more lorry drivers." UK inflation surged 4.2% in October led by energy costs. BOE Chief Economist Huw Pill said in a recent interview that there is "no quick fix" to inflation and that the December rate decision will be balanced giving uncertainties about strength of economic recovery. He concluded that he does not know which way he will vote at the next policy meeting. The FTSE 100 index declined 2.49% last week.

APAC

In China, regulators asked ride-sharing company Didi Global to work on a path to delist from the New York Exchange, citing security concerns as the catalyst. Earlier in the summer, the cyberspace Administration of China announced that companies filing for international IPOs must go through cybersecurity and national security reviews if they hold data of at least one million people. Didi Global went public regardless without a proper review, despite warnings from



Source: Bloomberg as of 11.30.21

multiple stakeholders. Shares of Didi plunged over 7% on the delisting news before partially recovering on the next trading session. Negative headlines regarding the Omicron variant exacerbated the selling pressure on Friday, sending the Hang Seng index to a 13-month low.

In Japan, the government announced that the closure of its borders starting Tuesday to new foreign arrivals on Omicron fears. Additionally, citizens that have traveled to countries where the virus has been found will be asked to self-quarantine. Prime Minister Fumio Kishida commented “these are unusual emergency measures that will be in place until we have a certain amount of information about Omicron.” Japan made significant progress on the virus front as infections decreased from the summer peak. According to Bloomberg, close to 80% of the population is fully vaccinated, the highest rate among G-7 nations. The NIKKEI 225 declined 3.34% last week.

EMERGING MARKETS

In South Korea, Bank of Korea Governor Lee Ju-Yeol said it is hard to gauge if inflation is temporary as consumer prices rose at the fastest pace since early 1990s. Policy makers lifted the benchmark interest rate by 25bps to 1%, in line with expectations. Korea’s bond yields fell on the news as Bank of Korea maintained uncertainty surrounding the timing of the next rate hike. Early data from Korea trade ministry shows that November exports are expected to rise over 25% despite supply chain disruptions. Shipments to China climbed 24.2% during the first 20 days of the month, while those to the United States increased 8.9%. The KOSPI index declined 1.16% last week.

In Chile, presidential elections added to recent volatility in equity markets. According to data from electoral body Servel, far right candidate Jose Antonio Kast led the first round with 28% of vote, followed by 35-year-old Gabriel Boric. According to new polls from Activa Research, Gabriel Boric leads second round polls as he represents a coalition between left-wing parties and the communist party. Chile will know the identity of its new president after the second round on December 19th. Last week, the Chilean Peso depreciated against the U.S. dollar to the lowest level since April 2020. Chilean stocks rallied 5.07% during the same period.

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