

HIGHER MARKET VOLATILITY IN NOVEMBER

After strong stock market performance in October, the S&P 500, an index of the 500 largest companies in America by market value, declined almost 1%, while the technology-heavy NASDAQ Index was roughly flat for the month of November.

Stocks declined sharply during the last days of the month due to worries over the potential spread of the Omicron variant and the potential of rising interest rates to curb the rapid pace of inflation. Over the past few months, inflation has been more problematic and may prove to be more long-lasting than a temporary response to supply chain issues.

Over the past year, U.S. inflation has risen to 6.2% as of October 2021, the highest in more than 30 years. In the past 12 months, energy prices have climbed 30%, with national gasoline prices averaging nearly \$3.40 per gallon. Due to computer chip shortages, the price of used cars and trucks have increased 26%. It now costs more to shop at the grocery store as food prices have risen 5%, according to the U.S. Bureau of Labor Statistics. The trickle-down effect is underway as companies push higher input and labor costs onto the consumer.

A very visible sign of current higher prices was the 2022 Social Security cost-of-living-adjustment, or COLA, increase of 5.9%. The 62 million Americans receiving Social Security benefits welcomed this news as it was one of the highest COLA increases in 40 years.



Although stocks ended November slightly down for the month, on a year-to-date basis, stocks have performed very well. In fact, the S&P 500 has risen 23%, while the average annual increase over the past 30 years has been approximately 10%. As volatility picks up, we would encourage investors to remember that volatility is normal and that the market has fallen, on average, 5% three times each year over the past half century. Instead, it's generally more important for investors to focus on long-term goals and stay the course.

As we close out 2021 and begin to think about the new year ahead, many investors may be looking for ways to improve their financial situation, especially in the face of potentially higher consumer prices. Whether your goal is to build income, reduce debt, increase your retirement funding, or create an emergency fund, Jemma Financial is here to help.



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