

11.29.2021 – Thanksgiving Omicron

Hope you had a great Thanksgiving. We enjoyed a fabulous meal at my longtime partner and friend's house on Thursday and then cooked a big turkey and "fixins" for some of Renate's family and two of their friends visiting from Germany.

You may have noticed the "Omicron" stock market meltdown on Friday the 26th, resulting in the worst losses in the stock markets and oil markets (and our accounts at Nationwide) since the crash in Feb/March of 2020. Today, we have come back on the major indexes most all the way from the stock market losses, and I suspect will grind our way higher over the next 4-6 weeks. From my read, and it is still early, I don't see this variant being an issue the way COVID-19 was when it began. The reports from South Africa are it causes tiredness and a small cough*, meaning the symptoms aren't as severe as the "Delta" strain. There is actually a train of thought^, if the aforementioned is accurate, the new variant may result in better growth. If it is true, and it's not certain yet, the new variant takes over the infections from Delta with symptoms are less severe, it would allow society to function as pre-covid. Based on the early reports, the President made it clear there would be no lockdowns, which don't seem to have done much anyway to stop the spread of the Delta strain.

*<https://www.zerohedge.com/covid-19/top-south-african-doctor-confirms-no-evidence-omicron-variant-more-harmful-delta>

^<https://www.zerohedge.com/economics/here-are-goldmans-four-market-moving-omicron-scenarios>

For a bit more comfort, here's a "conclusion" stating what I have been thinking:

"While COVID is just not going away, at the risk of over-reduction, I'd argue the variable of rising case count hasn't been a significant net negative for a while: the Sun Belt episode of summer 2020 didn't derail the S&P ... the India surge this past spring didn't stand in the way of NIFTY making all-time highs ... and global equity markets haven't been overly bothered in the era of the Delta variant. along that sequence of each successive wave, here's what's seemingly clear: the link between infection and hospitalization/fatality has largely been broken, and that's the big ball for risk assets..."

Tony Pasquariello, Goldman Sachs

Lastly, the chart below indicates that large gyrations don't necessarily bode ill for stock markets. A measure of risk in the stock market called the "VIX" rose by 50% on Friday. That has happened few times in history. The chart shows how the stock market did after such a massive increase. While one can't make a conclusion from such a small sample, the markets were higher every time 1 day later (like today), 1 week later, and 1 month later. (The chart only shows the other 2 times since 2018)



I will be monitoring the situation closely. Please let me know if you have any questions or concerns.

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