



**Equities**

The S&P 500 fell -0.31%, its first decline in 6 weeks as Wed's hot CPI report rattled market confidence. Consumer discretionary stocks endured their worst week since May, pulled down by flagging consumer sentiment and a plunge in Tesla's stock price. Value stocks such as materials and financials gained while tech underperformed. Despite the modest pullback, market breadth has improved since the start of the month, with more than 75% of index members trading above their 200-day average. The S&P 500 has outperformed QTD amid yield curve flattening and a stronger USD, beating the MSCI EAFE and EM indexes by 508 bps and 613 bps, respectively.

**Fixed income**

The inflation data hit fixed income across the curve, with 2-year and 10-year yields 11 bps to 0.51% and 1.56%, respectively. Markets priced in more aggressive Fed rate hikes and are putting 50-50 odds on either 2 or 3 rate hikes by the end of 2022. Market inflation expectations have risen more than nominal yields, meaning that real interest rates have moved into deeply negative territory. The 10-year TIPS yield hit -1.20% on Wednesday in the wake of the CPI data. The move higher in rates hit fixed income performance, with the Barclays Agg down -0.75% on the week and investment grade down -0.99%.

**Commodities**

Oil oscillated but ended largely unchanged at \$80.79/bbl as markets digested a stronger USD and a third straight weekly uptick in crude inventories. Markets weighed the possibility that the Biden administration could begin to release the U.S. Strategic Petroleum Reserve to ease oil prices, a prospect that has perhaps become more likely amid the rising political pressures brought on by inflation. Gold and bitcoin each surged in the wake of Wed's hot CPI report and ended the week up 2.85% and 5.12%, respectively.

**Economic overview**

Consumer price inflation surged in October, catching markets off guard with both the magnitude of the upside surprise and the scope of intensifying price pressure. CPI jumped 0.9% m/m (Cons 0.6%), pushing inflation up to 6.2% y/y, the highest since 1990. Ex. food & energy, inflation rose 0.6%, and accelerated to 4.6% y/y. Inflation is running far above the pre-pandemic 10-year average in almost every major category (medical is an exception). Inflation hit consumer sentiment, and the Univ. of Michigan measure slumped to 66.8 in November, the lowest since 2011. Consumer inflation expectations remain elevated at 2.9% over the next year and at 4.9% over a 5-10 year horizon.

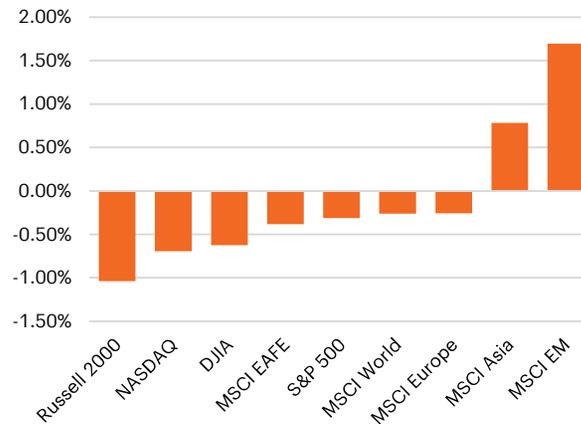
Equities (price index)	MTD	QTD	YTD	2020	
S&P 500	4,682.85	1.68%	8.71%	24.67%	16.26%
DJIA	36,100.31	0.78%	6.67%	17.95%	7.25%
NASDAQ	15,860.96	2.34%	9.78%	23.06%	43.64%
Russell 2000	2,411.78	4.99%	9.41%	22.12%	18.36%
MSCI World	3,223.82	1.55%	7.22%	19.84%	14.06%
MSCI Europe	2,099.30	1.22%	5.65%	14.08%	3.14%
MSCI EAFE	2,364.20	1.23%	3.63%	10.09%	5.43%
MSCI Asia	200.07	1.45%	1.45%	0.08%	17.15%
MSCI EM	1,285.48	1.64%	2.58%	-0.45%	15.84%
VIX	16.29	0.03	-6.85	-6.46	65.09%

Fixed income (total return index)	MTD	QTD	YTD	2020	
Barclays U.S. Agg	2,351.53	-0.11%	-0.14%	-1.69%	7.51%
Inv. grade bonds	3,520.63	-0.10%	0.15%	-1.12%	9.89%
High yield bonds	2,448.61	0.36%	0.19%	4.73%	7.11%
Leveraged Loans	3,307.02	0.22%	0.49%	4.93%	3.12%

Alternatives (total return index)	MTD	QTD	YTD	2020	
FTSE NAREIT					
REIT Index	26,707.13	1.22%	8.39%	31.83%	-5.29%
GS Commodity Index	579.62	-1.46%	3.93%	41.56%	-6.13%
Alerian MLP Index	1,213.19	2.06%	7.14%	49.35%	-28.69%
HFRX Global*	1,445.33	0.18%	1.08%	4.70%	6.81%

\*1-day lag

**Last week's equity returns**



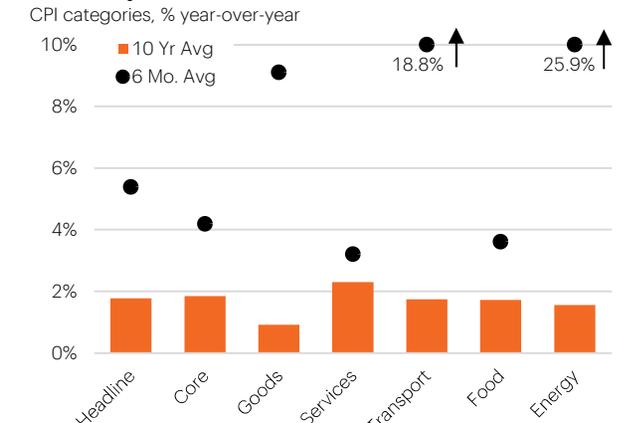
Commodities	MTD	QTD	YTD	2020	
WTI Crude	\$80.79	-3.33%	7.68%	66.51%	-20.54%
Brent Crude	\$82.17	-2.62%	4.65%	58.63%	-21.52%
Natural Gas	\$4.79	-11.70%	-18.34%	88.70%	15.99%
Gold	\$1,869	4.74%	6.45%	-1.40%	24.42%

Currency	MTD	QTD	YTD	2020	
Dollar Index (DXY)	95.13	1.07%	0.95%	5.77%	-6.69%
USDCNY	6.38	-0.40%	-1.01%	-2.26%	-6.26%
Bitcoin	64,101	5.12%	47.57%	121.07%	305.07%

Spreads	MTD	QTD	YTD	2020	
Inv. grade bonds	88 bps	1 bps	4 bps	-8 bps	3 bps
High yield bonds	284 bps	-3 bps	-5 bps	-76 bps	24 bps
Leveraged loans	398 bps	-3 bps	-1 bps	-45 bps	-20 bps
Emerging markets	303 bps	-1 bps	1 bps	22 bps	20 bps

Interest rates	MTD	QTD	YTD	2020		
Fed Funds Target	0%	-0.25%	0%	-0.25%	0%	1.633%
SOFR	0.05%	0 bps	0 bps	-2 bps	-148 bps	
3-month LIBOR*	0.16%	2 bps	3 bps	-8 bps	-167 bps	
2-year Treasury	0.51%	1 bps	24 bps	39 bps	-145 bps	
10-year Treasury	1.56%	1 bps	7 bps	65 bps	-100 bps	
30-year Treasury	1.93%	0 bps	-11 bps	29 bps	-74 bps	
Barclays U.S. Agg	1.71%	5 bps	15 bps	59 bps	-119 bps	
Inv. grade bonds	2.26%	4 bps	13 bps	52 bps	-110 bps	
High yield bonds	4.23%	0 bps	19 bps	5 bps	-101 bps	

**Inflation pressures have broadened**



Source: BLS, FS Investments, as of November 11, 2021. 10-year average is pre-pandemic decade 2010-2019.

## Equities

**S&P 500:** Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

## Credit

**Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

## Alternatives

**FTSE NAREIT All Equity REITs Index:** Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

## Commodities

**Generic 1st Crude Oil (WTI Crude):** Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

## Currency

**Dollar Spot Index:** Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

## Spreads

**Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

## Interest rates

**Fed funds target:** Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

**Sources:** Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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