



Client Update
November 29, 2021

Market Declines on New Variant Concerns

Over the Thanksgiving holiday a new variant of the coronavirus was discovered. It was first seen in Southern Africa but now has been observed in Hong Kong, Israel, Canada, and several European countries. Governments including the US have acted quickly to restrict travel from several African nations.

The new strain of the virus, now named Omicron, has raised particular concerns because it contains as many as 30 mutations to the spike protein of the virus, significantly more than in the Delta variant. This could make it more resistant to current vaccines. That said, initial reports may indicate that symptoms of the new variant are not as severe as previous ones.

Reaction to the discovery of Omicron has been swift. Public health officials around the world have expressed extreme concerns. Financial markets sold off on Friday, with stock markets around the world down over 2%, and oil prices down more than 9%. Stocks and oil prices regained some of their losses on Monday.

As we have noted in the past, markets often sell off due to unexpected news. This is a normal and healthy development as investors process new information. Such market moves may be more extreme when new information becomes available over a holiday and many traders are away from their desks.

Our job as investors is to process new information and to make a determination as to whether it impacts our intermediate to long term market outlook. At this point we do not believe this situation does, but that does not mean there are no concerns. There will be numerous ups and downs in coming weeks as the world learns more about Omicron. Some of the stories may be very concerning. There will also be positive stories. Already Pfizer and Moderna have said that if needed they could produce a vaccine updated for Omicron. It is also possible the world has learned enough about coronavirus variants to control the spread of this one more effectively than it did in previous cases. In terms of financial markets, if concerns about Omicron persist it would be expected that worries about inflation and interest rate increases will be reduced.

This is a long way of saying that, while we are closely tracking the developing news, we are not recommending any action at this time. Should there be a prolonged selloff we will recommend an increase in holdings of equities for clients for whom it is appropriate. In the meantime, we hope you stay safe and healthy and enjoy the holidays with your families and loved ones.

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