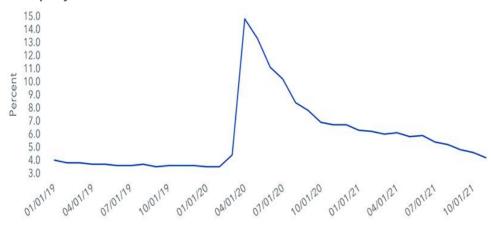
IN THE EYE OF THE BEHOLDER

Kevin Flanagan - Head of Fixed Income Strategy 12/08/2021

Ever since the introduction of the omicron variant into the news stream, the money and bond markets have been vacillating between focusing on the latest headlines on this front and the more typical fundamental factors, such as the <u>Fed</u>, economy, <u>inflation</u>, etc. For now, this dynamic will more than likely remain in place, resulting in heightened market <u>volatility</u>. The most recent macro-related headline grabber was the November jobs report. While the numbers did not live up to expectations, the results still revealed an improving labor market.

Without a doubt, new job creation was softer than expected last month when total nonfarm payrolls rose by 'only' 210,000. In pre-pandemic times, a gain of this magnitude would have been characterized as 'solid,' but when consensus forecasts are calling for an increase of over 500,000, this result is met with disappointment. However, for all of you statisticians out there, before the seasonal adjustment process was utilized, the actual gain was 778,000.

Unemployment Rate



Source: Bureau of Labor Statistics, as of 12/03/21.

For the record, there are two parts to the employment report: the establishment survey, which includes payrolls, earnings and hours worked, and the household survey, which contains the jobless rate data. This latter survey was, in fact, anything but disappointing. Indeed, the unemployment rate fell 0.4 percentage points to 4.2%, the lowest level since pre-pandemic February 2020. In addition, the alternate civilian employment measure surged by over 1.1 million while the number of unemployed plummeted by 542,000.

Let's turn to the inflation part of the data, namely wages. Average hourly earnings rose at an annual rate of 4.8%, which was a bit below consensus forecasts. However, this gain tied last month's tally for the highest non-pandemic reading in this data series going back to 2006.

Conclusion

The big question: did the November jobs data alter the recent narrative that Fed policy is about to become more hexample.com/hawkish? In my opinion, the answer is negative. Chairman Powell



& Co. seem to have shifted their focus more toward inflation, at least based on recent public commentary. On that front, the data remains crystal clear: inflation is not going away any time soon. While longer-dated <u>Treasury yields</u> have been falling of late, the money and bond markets are still leaning toward a quicker end to the Fed's <u>taper</u> program, followed by the potential for two to three <u>rate hikes</u> next year.

For standardized performance and the most recent month-end performance click here NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

View the online version of this article here.



IMPORTANT INFORMATION

U.S. investors only: Click <u>here</u> to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Jianing Wu, and Brian Manby are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only. You cannot invest directly in an index.



DEFINITIONS

Federal Reserve: The Federal Reserve System is the central banking system of the United States.

Inflation : Characterized by rising price levels.

Volatility: A measure of the dispersion of actual returns around a particular average level. .

<u>Hawkish</u>: Description used when worries about inflation are the primary concerns in setting monetary policy decisions.

<u>Treasury yield</u>: The return on investment, expressed as a percentage, on the debt obligations of the U.S. government.

<u>Tapering</u>: A shift in monetary policy by which the Federal Reserve would begin decreasing the amount of bonds it purchases.

Rate Hike : refers to an increase in the policy rate set by a central bank. In the
U.S., this generally refers to the Federal Funds Target Rate.

