

MARKET VIEW WEEKLY

January 7th 2022



ECONOMIC REVIEW¹

- The ISM Manufacturing Index for the month of December fell to 58.7, lower than the expectation among economists of 60.
- The ISM Services Index for the month of December decreased more than expected. The index fell to 62 while the expectation was for a decrease to 67.
- Non-farm payrolls for the month of December missed sharply to the downside, the survey expectation was for the economy to add 450,000 jobs whereas the actual increase was 199,000.

INSIGHT: The first week of the year started off with some disappointments in terms of economic data. The jobs report revealed hiring slowed in the final weeks of 2021 as coronavirus case counts increased to unprecedented levels and fueled new concerns for the still-incomplete recovery. The latest count marks the worst month of job creation since December 2020. Despite the big hiring miss, the unemployment rate fell to 3.9%, reaching below 4% levels for the first time since late 2019 and early 2020. The manufacturing sector continued to expand in December, though at a slower pace, with fifteen of eighteen industries reporting growth. Respondent comments in December continued to be dominated by widespread worries about input availability and labor shortages. The service sector retreated as expected due to the record-setting pace in November, attributable to news about the Omicron variant and its effects on more pandemic-sensitive industries. Most notably, some supply constraints have started to slow; the backlog of orders index fell for the second consecutive month. Lastly, the supplier deliveries index posted its largest monthly decline since 1997, signaling shorter wait times for inputs.



A LOOK FORWARD¹

- The Consumer Price Index (CPI) for the month of December will be announced on Wednesday, the expectation is for prices to increase by +0.4% on a month-over-month basis.
- The Producer Price Index (PPI) for the month of December will be announced on Thursday, the survey expectation is for producer prices to increase by +0.4% on a month-over-month basis.
- Retail sales for the month of December will be announced on Friday, economists' expectations are for retail sales to decrease by -0.1% on a month-over-month basis.

INSIGHT: Inflation continues to be top of mind for investors as earlier this week the most recent transcript of the Fed's meeting took a more hawkish turn than expected. Many Fed officials pointed to the possibility of rate hikes occurring as early as March and discussion of letting the balance sheet wind down surprised markets. Another larger than expected inflation reading may justify the Fed's new notions. Lastly, retail sales are expected to decrease in a month that is traditionally seasonally strong. A slow in retail spending may point to the effect the Omicron variant has had on the consumer's psyche.

MARKET UPDATE

Market Index Returns as of 1/7/22 ¹	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-1.83%	-1.83%	-1.83%	24.71%	24.57%	17.63%
NASDAQ	-4.52%	-4.52%	-4.52%	15.04%	30.97%	23.20%
Dow Jones Industrial Average	-0.25%	-0.25%	-0.25%	18.90%	18.02%	15.21%
Russell Mid-Cap	-2.79%	-2.79%	-2.79%	15.79%	21.17%	14.02%
Russell 2000 (Small Cap)	-2.91%	-2.91%	-2.91%	4.99%	17.21%	11.19%
MSCI EAFE (International)	-0.29%	-0.29%	-0.29%	8.64%	12.71%	9.10%
MSCI Emerging Markets	-0.47%	-0.47%	-0.47%	-5.29%	10.30%	9.30%
Bloomberg Barclays US Agg Bond	-1.53%	-1.53%	-1.53%	-2.23%	4.19%	3.21%
Bloomberg Barclays High Yield Corp.	-0.94%	-0.94%	-0.94%	4.11%	7.77%	5.89%
Bloomberg Barclays Global Agg	-1.17%	-1.17%	-1.17%	-5.39%	3.02%	3.12%



OBSERVATIONS

- U.S. equities moved lower this week as indicated by the S&P 500 which was down -1.83% on the week.
- In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index decreased by -2.91% on the week.
- International stocks as measured by the MSCI EAFE were negative on the week, down -0.29%, outperforming domestic stocks.
- Emerging market stocks were down on the week with the MSCI EM down -0.47%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -1.53%.



BY THE NUMBERS

WORTH MANY TRILLIONS - The US stock market grew by \$12 trillion in calendar year 2021, from \$41 trillion as of 12/31/2020 to \$53 trillion as of 12/31/2021. 10 years ago (12/31/2011), the US stock market was worth just \$16 trillion (source: Sibilis Research).

PROTECTING THE DOWNSIDE - There were more put option contracts outstanding (more than 200 million) at the end of 2021 on US individual stocks, ETFs (exchange-traded funds) and stock indices than at any time in history based on records maintained since 2009 (source: CBOE Global Markets).

HAS NEVER BEEN LOWER - 5 states (Georgia, Nebraska, Oklahoma, Utah, and West Virginia) recorded their lowest unemployment rates ever in November 2021. State jobless rates have been tracked nationwide since 1976 (source: Bureau of Labor Statistics).

WHO WINS? – It's Alabama vs. Georgia in college football's national championship game tonight (1/10/2022). An Alabama victory would give Nick Saban his 8th national title as a head coach. His 7 current titles (6 with Alabama and 1 with LSU) is the most in college football history (source: NCAA).

Economic Definitions

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

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¹ Data obtained from Bloomberg as of 1/07/2022