

Horizon Wealth Management

Weekly Market Commentary

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The Markets

Is the economy doing well, or not?

If you skimmed the headlines last week, you may have seen that retail sales – the purchases we make from stores in-person or online – declined 1.9 percent in December. The statistic may have raised questions about the strength of the economy. After all, how could retail sales move lower during the holiday season?

Media headlines speculated that the spread of the Omicron variant, rising inflation, and consumer grumpiness were to blame. Economists had other ideas, according to Logan Moore and Megan Cassella of *Barron's*. “Consumers had long been expected to pull forward their holiday shopping to get ahead of any supply chain backlogs, economists say.”

As you think back on when you did your holiday shopping, there is another important question to ask: What time frame does the 1.9 percent capture?

The retail sales report showed that sales were:

- **Down 1.9 percent month-to-month** (comparing November 2021 to December 2021)
- **Up 16.9 percent year-to-year** (comparing the month December 2020 to the month of December 2021)
- **Up 19.3 percent for the year** (comparing 2020 retail sales to 2021 retail sales)

So, back to the original question: is the economy doing well, or not?

If you are judging based on retail sales – or any other piece of economic data – your conclusion is likely to depend on the time frame the data reflect.

For instance, if retail sales are down 1.9 percent from November to December, it tells a different story than if retail sales are up 19.3 percent for the year. The story may also be affected by the fact that 2021's retail sales gain built on 2020's gain. Retail sales rose 3.1 percent from 2019 to 2020, despite the pandemic.

Of course, the story of the dip in month-to-month numbers could be that we are at an inflection point. *Barron's* reported, “While the December report showed an unexpected drop in retail sales from the catapult in spending November data showed, the slowdown is expected to be short-lived. Put more simply: ‘Don’t panic’...”

Last week, major U.S. stock indices moved lower, reported Ben Levisohn of *Barron's*.

Data as of 1/14/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.3%	-2.2%	22.9%	21.8%	15.5%	13.7%
Dow Jones Global ex-U.S. Index	0.9	0.3	2.1	9.8	6.9	5.0
10-year Treasury Note (yield only)	1.8	N/A	1.1	2.7	2.3	1.9
Gold (per ounce)	1.7	0.2	-1.0	12.1	8.7	1.1
Bloomberg Commodity Index	2.2	4.4	27.5	9.0	3.1	-3.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IT'S A BEAUTY REVOLUTION! Many caretakers have experienced that jolting realization: It's too quiet! Where are the children? Then, a discovery that leaves them uncertain whether to yell, laugh, or cry. The kids have hijacked a makeup bag and given themselves – and the room – a new look. Sparkling shadow on cheekbones. Lip paint on toenails and eyebrows. Brown, red, blue, and green streaks on every surface. Palettes of cosmetics ruined.

A new trend in beauty may change this childhood rite of passage: virtual makeup.

The coronavirus has made cosmetic counters far less enticing than they once were, a change in circumstance that led beauty companies to develop new strategies for delivering personalized beauty experiences, reports Jennifer Kingson of *Axios*.

Beauty companies are teaming up with technology firms that specialize in artificial intelligence (AI) and augmented reality (AR) to develop apps that let people try on makeup virtually, according to Daniela Morosini of *Vogue Business*.

“In recent years, activity in the beauty [mergers and acquisitions] sector was often focused on larger cosmetic conglomerates buying up indie beauty brands. Now, the pendulum is swinging towards Silicon Valley – a tech ‘arms race’ is underway.”

The trend isn't limited to makeup. One fragrance and cosmetics firm acquired a company with technology that interprets fragrances through images and patterns of colors.⁷

“Customers love playing with these apps so much that companies see big revenue boosts after introducing them,” reported *Axios*.

The new technology may change the way people shop for makeup, fragrance, and other beauty products. It also may put an end to childhood makeup-bag raids. Children will be able to experiment all they want, sitting in front of a screen.

Then again, maybe not.

Weekly Focus – Think About It

“The most beautiful people we have known are those who have known defeat, known suffering, known struggle, known loss, and have found their way out of the depths. These persons have an appreciation, a sensitivity, and an understanding of life that fills them with compassion, gentleness, and a deep loving concern. Beautiful people do not just happen.”

—*Elisabeth Kübler-Ross, psychiatrist*

Best regards,

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P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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