Market Commentary

For the week of December 13th, 2021

The Markets

Returns Through 12/10/21	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	4.05	19.71	22.15	16.29	15.29
NASDAQ Composite (PR)	3.62	22.03	26.81	31.73	24.68
S&P 500 (TR)	3.85	27.16	30.31	23.49	18.00
Barclays US Agg Bond (TR)	-0.72	-1.67	-1.34	5.08	3.64
MSCI EAFE (TR)	2.44	8.99	11.53	`12.52	9.19

Observations

· U.S. equities moved higher this week as indicated by the S&P 500 which was up +3.85% on the week.
· In the U.S., smaller sized companies underperformed their larger-sized counterparts, as the Russell 2000 index increased by +2.45% on the week.
·International stocks as measured by the MSCI EAFE were positive on the week, up +2.44%, underperforming domestic stocks.
· Emerging market stocks were positive on the week with the MSCI EM up +1.15%.
· U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.72%.

Data Obtained from Bloomberg as of 12/10/2021

Economic Review

·The Job Openings and Labor Turnover Survey (JOLTS) for the month of October was higher than the expectation among economists. The actual number of openings was 11.033 million compared to the expectation of 10.438 million openings.
·The Consumer Price Index (CPI) for the month of November increased by 0.8% compared to the survey estimate among economists of 0.7%.
·The University of Michigan Consumer Sentiment Index increased to 70.4 from 67.4, which was higher than the expectation of 68.

INSIGHT: The sharp increase in job openings continue to highlight the ongoing struggle that employers are facing in trying to match workers with vast number of openings. On a more positive note, the quits rate did decline for the first time since May of this year. The quits rate came down from previous all-time high of 3% to settle at 2.8%. While this number is still elevated, it does indicate that employers have had more success at retaining human capital. Inflation once again rose to record levels in November, accelerating to its fastest pace since 1982. However, what seemed to calm investors was that most of the gains were attributed to the more volatile food and energy prices. The Labor Department stated that this 12-month increase for food and energy was the fastest in the last 13 years. With evidence of persistent inflation moving forward, markets seem to expect the Fed to double its current pace of bond tapering. The Fed previously reduced its bond buying by $15 billion a month and could potentially reduce their pace of buying further to $30 billion a month.

A Look Forward

·The Producer Price Index (PPI) for the month of November will be announced on Tuesday, the survey estimate is a 0.5% increase on a month-over-month basis.
·Retail sales for the month of November will be released on Wednesday, the expectation among economist's is for retail sales to increase by 0.8% on a month-over-month basis.
·Housing Starts for the month of November will be announced on Thursday, the survey estimate is expecting starts to increase by 3.2% on a month-over-month basis.

INSIGHT: Fresh off another sharp increase in consumer prices, it would be no surprise to see the input prices for producers increase as well. Supply constraints continue to plague most firms and especially those who are without strong pricing power. With Black Friday not too far behind us, retail sales data looks to continue to be strong. However, this Black Friday marked the first time ever that growth slowed on a trailing year. According to data from Adobe Analytics, online sales were $8.9 billion for 2021 compared to $9 billion for the trailing year. This does not come as a surprise, as over the last few months' supply issues caused consumers to start their shopping earlier due to the possibility that their goods may not make it in time for the holidays. According to a survey from the National Retail Federation, 61% of consumers had already started purchasing holiday gifts before Thanksgiving. Although sales on Black Friday were lower, the expectation is that holiday spending for the whole season will eclipse last year's amount.

BY THE NUMBERS

TWENTY OR MORE – The S&P 500 is up +27.2% YTD (total return) through last Friday 12/10/21. The S&P 500 has returned at least +20% (total return) in 11 of the last 30 years (1991-2020). The S&P 500 consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

VERY LATE IN THE YEAR AGAIN – The all-time closing high for the S&P 500 of 4712 was set on 12/10/21. The S&P 500 has set its closing high for the calendar year during December in 13 of the last 19 years, i.e., 2003-2021, including December highs reached in 2019, 2020 and now 2021 (source: BTN Research).

ONE-PER CENT – To rank in the top 1% of US taxpayers for the 2019 tax year required adjusted gross income (AGI) of at least $546,434. That highly paid group received 20.14% of all AGI that was reported nationwide but they paid 38.77% of the federal income tax that was collected (source: Internal Revenue Service).

IMPACTING MANY – 45% of American households surveyed in November 2021 indicate that rising domestic inflation has caused them "moderate" or "severe" hardship (source: Gallup).

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