PRIVATE CAPITAL GROUP LLC

Private Capital Group Q4 2021 Newsletter

It's a January thing, right? We welcome a new year, set goals or "resolutions" for ourselves, and take a moment to reflect on the previous year gone by. While 2021 seemed almost revolutionary compared to the life-altering shock of 2020, the economy and financial markets were, and still are, affected by the COVID-19 pandemic. Some sectors forged comebacks, but it's safe to say the pandemic left an indelible imprint. While we and the world economy have adapted to post-pandemic, current-variant life, we can't escape its effects, but with tremendous human spirit have welcomed – and managed - our new norm, for now.

Trends from Q3 2021 persisted into the fourth quarter. COVID and its dizzying impact surmounted even the most dramatic of what our imaginations could conjure. And you'll hear it again and again, COVID is still an integral part of our daily lives, and fiscal and monetary policies reflect as much. In our Q4 wrap-up, we'll touch on COVID cases on the rise with variants spiking, economic improvements, higher inflation sparking an acceleration of tapering for Federal Reserve bond purchases, the Fed's suggested multiple projected short-term interest rate hikes, and unemployment and wages.

Financial Market	Q4 2021	YTD 2021
S&P 500 (Domestic Stocks)	11.02%	28.68%
EAFE (International Stocks)	2.69%	11.26%
U.S. Government/Credit Intermediate Bonds	0.01%	-1.54%

Can't shake COVID or its counterparts

COVID's shake-up in Q4 2021 arrived in the form of two variants which impacted our lives yet again, thankfully to a lesser degree for most. Over the late summer and into early fall, the Delta variant dramatically increased the number of cases and fatalities, but quickly subsided. As we welcomed winter, an uptick in cases coincided, credited mostly to the Omicron variant. Fortunately, early data suggests that Omicron, although more contagious, is far less deadly than previous COVID strains.

Increased vaccination rates along with prior infections and recoveries indicate that over 90% of the United States population may have already had or been exposed to the virus. This means that an estimated 300 million Americans may have developed some immunity to COVID-19. Because of this, experts believe that cases and fatalities should decline in the coming months.

Fiscal Stimulus, Inflation, Interest Rates, and the Fed

Over the last few months, two monumental pieces of legislation have been introduced; one signed into law and the other still hotly contested. The $1.2 trillion

Infrastructure Investment and Jobs Act was signed into law on November 15, 2021, and is, in part, intended to address new spending on hard infrastructure, climate change as it pertains to surface transportation, and implement new safety requirements for all modes of transportation.

The second piece of legislation, President Biden's proposed $1.8 trillion Build Back Better Bill, narrowly passed in the House of Representatives but has come up short mustering support in the Senate. The Senate's recent stalemate makes a vote look glum.

In 2021, and predominantly in Q4, inflation is on the rise. Surging renewed consumer demand paired with supply shortages across most major sectors of the economy has put the Consumer Price Index (CPI) at a year-over-year gain of 6.8% overall, and 4.9% excluding food and energy. Global semiconductor shortages have also been a major contributing factor for such significant increase in prices across the economy. General recovery from pandemic lows in prices of air fares, restaurants, and rents, however, may also be a contributing factor to increased inflation.

At the end of November, Jerome Powell was reappointed as Fed Chairman. His first course of action was to cut bond purchases from $120 billion to $105 billion monthly in recognition of the progress the economy has made. Since then, along with the Delta and Omicron variants, the Fed has accelerated their bond purchase tapering, eyeing completion by end of March 2022. The Fed has also suggested three rate hikes by end of 2022, with a possible fourth in 2023.

Unemployment and Wages

Many attribute the surge in GDP with the rebound of the labor market as the economy recovers from pandemic lows. After losing roughly 22 million jobs between February and April 2020, the economy has regained roughly 83% of the total pandemic loss, or 18.4 million jobs. Currently, the unemployment rate sits at 4.2%, 0.7% shy of the 3.5% unemployment rate prior to the pandemic.

Along with many returning to work, wage growth in hourly-waged workers has grown at an annualized rate unseen since the 1980s. Rising labor demands paired with wage increases tells a story that labor supply is still a major issue. Labor supply has slowly recovered during the economy reopening and many economists speculate that this is in part tied to enhanced unemployment benefits, higher cost of childcare, many school-aged children attending school virtually, and ongoing pandemic fears.

As we reflect on 2021 and say "Hello!" to 2022 hoping for a bright and promising new year - in a number of ways - we thank you for your trust in Private Capital Group. We are committed to delivering dedicated service to you and your family and offering you an exceptional client experience. As we embrace our new opportunity as part of Wealthspire Advisors, our valued clients remain and will continue to be our focus.

We wish you a healthy and safe start to the new year!

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