

## **The Markets (as of market close January 28, 2022)**

A very turbulent week, marked by volatility, ended with a robust finish. Last Friday's gains were enough to push several of the benchmark indexes higher by the end of the week. The Dow advanced 1.3% and the S&P 500 gained 0.8%. A late-week tech rally was enough to move the Nasdaq back to where it began the week. Crude oil prices advanced for the sixth straight week, with prices reaching a nearly seven-year high. With supplies remaining limited, more projections are pointing to a return to \$100.00 per barrel. Ten-year Treasury yields have risen 27 basis points since the beginning of January, while the dollar moved 1.7% higher. Gold prices, which had been gaining ground, fell back last week. Fourth-quarter corporate earnings have been generally favorable, with about 80% of the companies that have reported earnings so far this season beating projections.

Dip buyers and bargain hunters helped push the market indexes generally higher last Monday. After beginning the day well in the red, the Nasdaq was able to climb 0.6%, while the Dow and the S&P 500 each gained 0.3%. The Russell 2000 (-1.8%) and the Global Dow (-1.2%) failed to gain ground. Ten-year Treasury yields and crude oil prices declined, while the dollar gained a quarter of a percent. Most of the market sectors ended the day higher, led by consumer discretionary, which advanced 1.3%. Utilities, health care, and consumer staples ended the day lower.

Stocks were unable to maintain any momentum from the prior day, as each of the benchmark indexes fell last Tuesday. The Nasdaq led the downturn, dipping 2.3%, followed by the Russell 2000 (-1.4%), the S&P 500 (-1.2%), and the Dow (-0.2%). The Global Dow inched 0.2% higher. Investors apparently remained edgy as they awaited the Wednesday statement following the Federal Reserve's meeting. Corporate earnings data for the fourth-quarter of 2021 has not been quite as robust compared to the third quarter, although several major companies posted returns that beat projections. Ten-year Treasuries rose five basis points to close at 1.78%. Crude oil prices climbed 2.3% to \$85.23 per barrel. The dollar was little changed on the day.

Last Wednesday, Wall Street reacted to the expected Federal Reserve announcement (see below) with mixed results. The Dow slid 0.4%, the Russell 2000 fell 1.3%, and the S&P 500 dipped 0.2%. The Nasdaq closed relatively unchanged. Among the market sectors, only financials and information technology gained ground, while materials and

real estate each fell more than 1.0%. Ten-year Treasury yields added more than seven basis points to close at 1.85%. The dollar and crude oil prices also advanced on the day.

Despite last Thursday's upbeat fourth-quarter gross domestic product (see below), stocks couldn't hold on to gains from earlier in the day, ultimately closing in the red. The Russell 2000 continued to dive lower, ending the day down 2.3%, followed by the Nasdaq (-1.4%), the Global Dow (-0.6%), and the S&P 500 (-0.5%). The Dow was flat by the end of Thursday's trading. Ten-year Treasury yields dipped 4 basis points, crude oil prices slid minimally, while the dollar advanced 0.9%.

Stocks roared back last Friday with the best day since June 2020. Strong fourth-quarter earnings reports from some major corporations may have lured dip buyers, at least for the day. The Nasdaq jumped 3.1%, followed by the S&P 500 (2.4%), the Russell 2000 (1.9%), the Dow (1.7%), and the Global Dow (0.5%). Gains in the market sectors were widespread, with only energy losing ground. Information technology jumped 4.3%, real estate gained 3.4%, and communication services advanced 2.9%. Crude oil prices climbed to \$87.23 per barrel. Ten-year Treasuries and the dollar fell.

## Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 1/28	Weekly Change	YTD Change
<b>DJIA</b>	36,338.30	34,265.37	34,725.47	1.34%	-4.44%
<b>Nasdaq</b>	15,644.97	13,768.92	13,770.57	0.01%	-11.98%
<b>S&amp;P 500</b>	4,766.18	4,397.94	4,431.85	0.77%	-7.01%
<b>Russell 2000</b>	2,245.31	1,987.92	1,968.51	-0.98%	-12.33%
<b>Global Dow</b>	4,137.63	4,145.33	4,113.38	-0.77%	-0.59%
<b>Fed. Funds target rate</b>	0.00%- 0.25%	0.00%- 0.25%	0.00%- 0.25%	0 bps	0 bps
<b>10-year Treasuries</b>	1.51%	1.74%	1.78%	4 bps	27 bps

<b>US Dollar-DXY</b>	95.64	95.64	97.23	1.66%	1.66%
<b>Crude Oil-CL=F</b>	\$75.44	\$84.76	\$87.23	2.91%	15.63%
<b>Gold-GC=F</b>	\$1,830.30	\$1,831.60	\$1,790.40	-2.25%	-2.18%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

## Last Week's Economic News

- No surprises followed last week's Federal Open Market Committee meeting. The Committee noted that while indicators of economic activity and employment have continued to strengthen, supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation. The FOMC decided to keep the target range for the federal funds rate at 0.00%-0.25%. However, with inflation well above 2.0% and a strong labor market, the Committee expects it will soon be appropriate to raise the target range for the federal funds rate. Also, the Committee decided to continue reducing the monthly pace of its net asset purchases, bringing them to an end in early March. It is presumed that the first interest rate hike would occur following the FOMC's March 16 meeting.
- The economy accelerated at an annual rate of 6.9% in the fourth quarter of 2021, according to the initial, or advance, estimate of gross domestic product. GDP advanced 2.3% in the third quarter. The increase in GDP primarily reflected increases in private inventory investment, exports, personal consumption expenditures (PCE), and nonresidential fixed investment that were partly offset by decreases in both federal, state, and local government spending. Imports, which are a subtraction in the calculation of GDP, increased. Personal consumption expenditures advanced 3.3% in the fourth quarter compared with a 2.0% increase in the third quarter. The price index for gross domestic purchases rose 6.9% in the fourth quarter, compared with a 5.6% gain in the third quarter. The personal consumption expenditures price index increased 6.5% in the fourth quarter, compared with

a third-quarter increase of 5.3%. Excluding food and energy prices, the PCE price index increased 4.9% in the fourth quarter compared with an increase of 4.6% in the third quarter. The PCE price index increased 3.9% in 2021, compared with an increase of 1.2% in 2020.

- Inflationary pressures continued in December, according to the latest data from the Bureau of Economic Analysis. The personal consumption expenditures price index, a measure of inflation, rose 0.4% last month after climbing 0.6% in November. For the year, the PCE price index rose 5.8%. Energy prices increased 29.9% while food prices increased 5.7%. Excluding food and energy, the PCE price index increased 4.9% in 2021. Personal income climbed 0.3% in December and disposable (after-tax) personal income advanced 0.2%. The increase in personal income in December primarily reflected an increase in compensation that was partly offset by a decrease in proprietors' income. Within compensation, the increase reflected increases in both private and government wages and salaries. Personal consumption expenditures, a measure of consumer spending, fell 0.6% in December, reflecting a decrease in spending for goods (-2.6%). Within goods, decreases were widespread across most components and were led by declines in spending on recreational goods and vehicles, "other" nondurable goods (which includes newspapers, household supplies, and games and toys), and furnishings and durable household equipment.
- New orders for durable goods declined for the first time in three months, falling 0.9% in December. Driving the decrease last month was a 3.9% dip in transportation equipment, a 14.4% decrease in nondefense aircraft and parts, and an 11.2% drop in defense aircraft and parts. Despite the December decrease, new orders for durable goods rose 20.9% in 2021.
- The advance report in international trade in goods saw the December trade deficit come in at \$101.0 billion, up \$2.9 billion from November. Exports of goods for December were \$157.3 billion, \$2.2 billion more than November exports. Imports of goods for December were \$258.3 billion, \$5.1 billion more than November imports.

- According to the Census Bureau, new home sales jumped 11.9% in December above the prior month's total. However, sales of new single-family homes decreased 14.0% in 2021 compared to 2020. The median sales price of new houses sold in December 2021 was \$377,700. The average sales price was \$457,300. Inventory of new homes for sale sat at a supply of 6.0 months at the current sales rate.
- The national average retail price for regular gasoline was \$3.323 per gallon on January 24, \$0.017 per gallon more than the prior week's price and \$0.931 higher than a year ago. The Gulf Coast price increased more than \$0.05 to \$3.01 per gallon, the Midwest price increased nearly \$0.02 to \$3.13 per gallon, and the East Coast price increased more than \$0.01 to \$3.25 per gallon. The West Coast price decreased nearly \$0.01, remaining virtually unchanged at \$4.16 per gallon, and the Rocky Mountain price decreased less than \$0.01, remaining virtually unchanged at \$3.33 per gallon. As of January 24, residential heating oil prices averaged nearly \$3.67 per gallon, almost \$0.07 per gallon above last week's price and nearly \$1.10 per gallon higher than last year's price at this time. Residential propane prices averaged nearly \$2.75 per gallon, more than \$0.02 per gallon above last week's price and more than \$0.55 per gallon above last year's price.
- For the week ended January 22, there were 260,000 new claims for unemployment insurance, a decrease of 30,000 from the previous week's level, which was revised up by 4,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended January 15 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended January 15 was 1,675,000, an increase of 51,000 from the prior week's level, which was revised down by 11,000. States and territories with the highest insured unemployment rates for the week ended January 8 were Alaska (3.1%), New Jersey (2.7%), California (2.6%), Minnesota (2.6%), Illinois (2.5%), Rhode Island (2.5%), New York (2.4%), Kentucky (2.3%), Massachusetts (2.3%), Connecticut (2.1%), and Puerto Rico (2.1%). The largest increases in initial claims for the week ended January 15 were in California (+805), Kentucky (+527), Puerto Rico (+473), Rhode Island (+464),

and Virginia (+406), while the largest decreases were in New York (-13,854), Missouri (-7,098), Washington (-6,016), Michigan (-5,555), and Texas (-4,773).

## Eye on the Week Ahead

The latest data on the employment sector is available this week with the release of the Job Openings and Labor Turnover Survey and the employment situation summary. Job openings have been falling, but the number of quits has continued to increase. On the employment side, December saw 199,000 new jobs added, the unemployment rate dipped, and average hourly earnings rose by 0.6%.

*Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment. This page's content is provided by Broadridge Investor Communication Solutions, Inc*