

# Capital Markets Snapshot

December 27<sup>th</sup> to January 7<sup>th</sup>, 2022

## U.S. Economy

- The December jobs report signaled evidence of a tight labor market, as the unemployment rate fell to 3.9% and wages increased 0.6% from November. In contrast, nonfarm payrolls only increased by 199k, sharply missing expectations of 450k.
- The ISM Services Index dropped from 69.1 to 62.0 in December, well below the median estimate of 67.0. Slowdowns in business activity and new orders drove the largest decline since April 2020.
- The trade deficit widened from \$67.2B to \$80.2B in November, reversing a sharp contraction in October. The value of imports and exports are at all-time highs (\$304.4B and \$224.2B, respectively).

## U.S. UNEMPLOYMENT RATE (U-3)

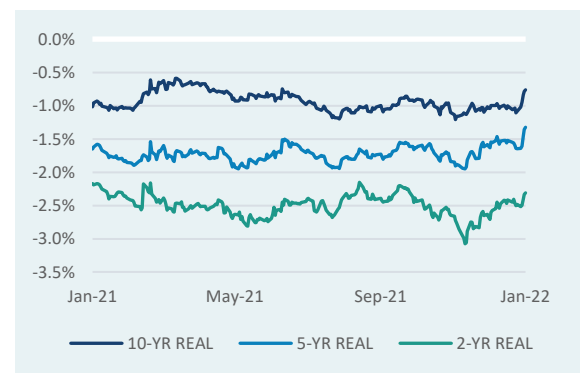


Source: Bureau of Labor Statistics, as of 12/31/21

## U.S. Markets

- Treasury yields rose significantly across the curve over the session, fueled by the increasing conviction of at least three rate hikes in 2022. The futures-implied probability for a rate hike in March 2022 increased from 59% to 78% over the two-week period.
- Federal Open Market Committee meeting minutes reflected discussions around faster than expected rate increases and the possibility of reducing the balance sheet shortly after hiking rates.
- U.S. equities stumbled despite the S&P 500 Index hitting an all-time high at the close last Monday (1/3). Large and small caps fell (-1.0% and -2.7%, respectively), as interest rates pressured prices.

## U.S. TREASURY YIELDS (REAL)

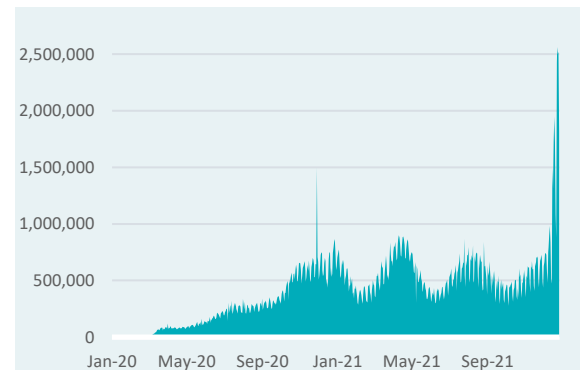


Source: Bloomberg, as of 1/7/22

## International Economy

- The omicron variant of Covid-19 continued its spread as multiple countries hit record daily cases. While global cases surpassed 300 million, low death rates indicate less severe symptoms than delta.
- OPEC+ ministers agreed to stick with policy, increasing output by 400,000 barrels per day in February. Market participants are questioning whether the supply increase will actually be delivered, as multiple countries have struggled to hit their current quotas.
- Canadian employment rose 55k in December, more than doubling the expected 25k. Markets have priced in five rate hikes for 2022, as total employment is now 240k above pre-pandemic levels.

## GLOBAL DAILY CONFIRMED CASES

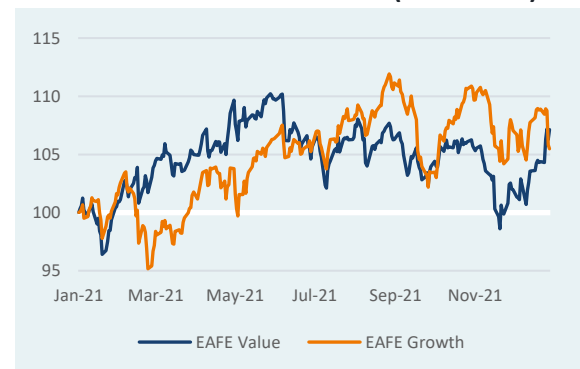


Source: Bloomberg, as of 1/7/22

## International Markets

- International developed (+0.6%) and emerging market equities (+0.6%) handily outperformed the global opportunity set (-0.7%) which was dragged down by U.S. equity declines (-1.0%).
- German 10-year bund yields rose to their highest level since May 2019 as market participants adjusted expectations for earlier rate increases as inflation picked up to its highest levels in 30 years.
- International developed value equities significantly outpaced their growth counterparts, as the MSCI EAFE Value Index gained +3.5% while the MSCI EAFE Growth Index fell -2.2%. The +5.7% return spread signaled a value rotation supported perhaps by rising rates.

## MSCI EAFE VALUE V. GROWTH (INDEX 100)



Source: Bloomberg, as of 1/7/22



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# Capital Markets Snapshot

## MARKET PERFORMANCE

### Equities

	Last Two Weeks 12/27/2021 - 1/07/2022		December		Q4 2021		2021	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	-0.97	13.30	4.48	17.07	5.86	13.80	28.71	13.09
Russell 2000 TR USD	-2.70	20.29	2.23	26.12	-0.87	20.55	14.82	21.98
MSCI ACWI NR USD	-0.71	9.22	4.00	13.77	2.27	11.37	18.54	10.88
MSCI EAFE NR USD	0.60	12.13	5.12	14.62	-0.29	11.57	11.26	11.70
MSCI EM NR USD	0.56	9.34	1.88	14.78	-5.23	12.26	-2.54	15.21

### Fixed Income

Bloomberg US Treasury US TIPS TR USD	-1.35	6.60	0.32	4.09	1.63	4.61	5.96	4.58
Bloomberg US Treasury TR USD	-1.51	5.22	-0.51	3.98	-0.91	4.54	-2.32	4.07
Bloomberg Long Term US Treasury TR USD	-3.82	16.25	-1.42	12.63	0.12	14.13	-4.65	13.00
Bloomberg US Agg Bond TR USD	-1.38	4.76	-0.26	3.29	-0.85	3.85	-1.54	3.50
Bloomberg US Credit TR USD	-1.59	6.33	-0.08	4.58	-0.85	5.16	-1.08	4.79
Bloomberg High Yield Corporate TR USD	-0.72	2.49	1.87	2.51	0.70	2.49	5.28	2.06
JPM EMBI Global Diversified TR USD	-1.28	4.12	1.40	2.82	-2.51	3.78	-1.80	3.77

### Other

Bloomberg Commodity TR USD	2.42	11.18	3.53	13.97	3.33	16.50	27.11	15.50
Wilshire US REIT TR USD	-0.23	15.75	8.82	17.55	11.16	16.28	46.18	15.44
MSCI Currency Factor Mix ER USD	0.59	1.81	0.54	3.44	-0.08	3.46	0.04	2.82

Source: Morningstar, data as of last available market close, Top/bottom two highlighted.

## ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
12/27/21	US	Dallas Fed Manf. Activity	M	Dec	13.5	8.1	-3.4
12/28/21	US	S&P CoreLogic CS 20-City YoY NSA	M	Oct	18.5%	18.4%	-0.6
12/29/21	US	Advance Goods Trade Balance	M	Nov	-\$88.1b	-\$97.8b	-3.2
12/29/21	US	Retail Inventories MoM	M	Nov	0.5%	2.0%	6.9
12/30/21	CH	Non-manufacturing PMI	M	Dec	52.0	52.7	1.9
12/30/21	CH	Manufacturing PMI	M	Dec	50.0	50.3	1.5
01/04/22	FR	CPI YoY	M	Dec P	2.9%	2.8%	-0.4
01/04/22	US	ISM Manufacturing	M	Dec	60	58.7	-1.4
01/06/22	EC	PPI YoY	M	Nov	23.2%	23.7%	0.3
01/06/22	US	ISM Services Index	M	Dec	67.0	62.0	-3.5
01/07/22	EC	Retail Sales YoY	M	Nov	5.6%	7.8%	1.6
01/07/22	EC	CPI Core YoY	M	Dec P	2.5%	2.6%	0.9
01/07/22	US	Change in Nonfarm Payrolls	M	Dec	450k	199k	-2.3
01/07/22	US	Unemployment Rate	M	Dec	4.1%	3.9%	-2.7
01/07/22	US	Average Hourly Earnings YoY	M	Dec	4.2%	4.7%	2.4

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
01/10/22	EC	Unemployment Rate	M	Nov	7.3%	7.2%	0.1
01/11/22	US	NFIB Small Business Optimism	M	Dec	98.4	98.5	0.3
01/11/22	CH	PPI YoY	M	Dec	12.9%	11.3%	0.3
01/11/22	CH	CPI YoY	M	Dec	2.3%	1.7%	0.2
01/12/22	US	CPI YoY	M	Dec	6.8%	7.0%	0.1
01/12/22	US	CPI Ex Food and Energy YoY	M	Dec	4.9%	5.4%	0.1
01/12/22	CH	1-Yr Medium-Term Lending Facility Rate	D	15-Jan	3.0%	--	--
01/13/22	US	PPI Final Demand YoY	M	Dec	9.6%	9.8%	0.1
01/13/22	US	PPI Ex Food and Energy YoY	M	Dec	7.7%	8.0%	0.3
01/13/22	CH	Trade Balance	M	Dec	\$71.72b	\$73.40b	7.5
01/13/22	CH	Exports YoY	M	Dec	22.0%	20.0%	2.8
01/14/22	EC	Trade Balance SA	M	Nov	2.4b	1.5b	1.7
01/14/22	US	U. of Mich. Sentiment	M	Jan P	70.6	70.0	1.3
01/18/22	US	Empire Manufacturing	M	Jan	31.9	26.0	1.4
01/18/22	US	NAHB Housing Market Index	M	Jan	84	84	0.0

Source: Bloomberg



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