

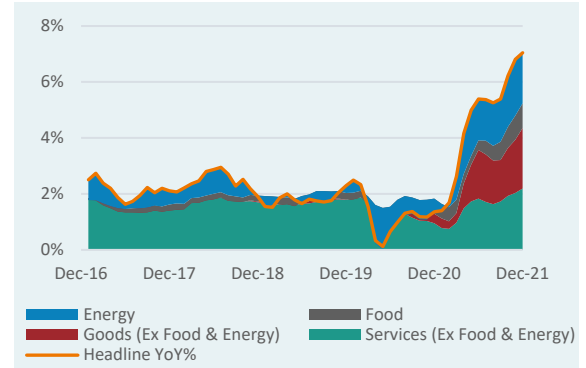
# Capital Markets Snapshot

January 10<sup>th</sup> to January 21<sup>st</sup>, 2022

## U.S. Economy

- Headline consumer price inflation rose 7.0% year-over-year in December, marking the fastest pace of price growth since 1982. Shelter costs, which make up nearly one-third of the total, rose 4.1% year-on-year, the fastest pace since February 2007.
- Building permits rose to an annualized level of 1.87M in December (exp. 1.70M), despite soaring materials prices, as U.S. officials doubled the tariffs on Canadian softwood lumber to 18%. Supply chain issues and labor shortages remain headwinds.
- The University of Michigan's Consumer Sentiment Index fell to the second lowest level in a decade, on inflation and omicron fears.

## CONSUMER PRICE INFLATION (YOY)

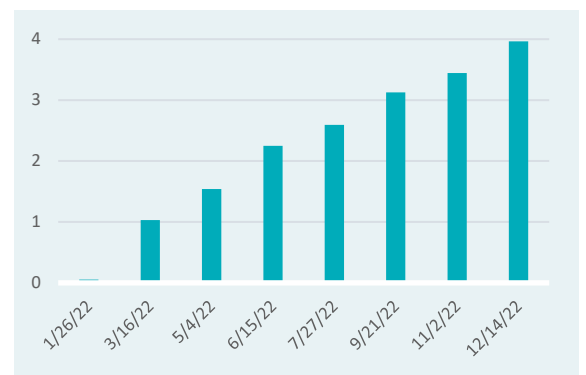


Source: Bloomberg, as of 12/31/21

## U.S. Markets

- Rising real interest rates continued to challenge valuations across the U.S. equity market, but particularly for smaller companies in the tech sector whose earnings are expected further in the future.
- Small-cap equities (Russell 2000 -8.8%) underperformed large-cap equities (S&P 500 -5.9%) in a down-period for the overall market.
- The VIX Index rose about 10 points to end the period at 28.9, its highest level since early December when the news about the omicron variant first swept across financial markets.
- Markets are now pricing in four 25 basis point rate hikes by the end of 2022, which are expected to begin in March.

## NUMBER OF FED RATE HIKE PRICED IN - 2022

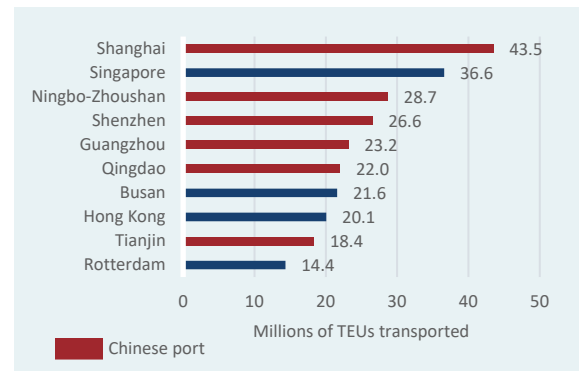


Source: Bloomberg, as of 1/21/22

## International Economy

- China's "zero-Covid" approach has resulted in targeted lockdowns in some of the largest port cities in the world, including Shanghai, Tianjin, and Shenzhen. If restrictions worsen or broaden, their effects on supply chains could be felt around the world.
- Surging energy prices led German producer prices to rise a record 24.2% year-over-year in December, marking the fastest rate of growth since the series began back in 1949.
- The Bank of Japan shifted its view on inflation risk for the first time since 2014, changing its price risk assumption from "skewed to the downside" to "generally balanced".

## BUSIEST CONTAINER PORTS BY 2020 TRAFFIC



Source: World Shipping Council, as of 2020

## International Markets

- Emerging market equities (MSCI EM +1.5%) managed to generate positive returns, while international developed (MSCI EAFE -1.9%) and U.S. (S&P 500 -5.9%) equities fell. Chinese (+4.4%) and Brazilian (+10.5%) equities led the way within the EM complex.
- The risk of a Russian incursion into Ukraine appeared to rise considerably, which weighed on sentiment, particularly in Europe. In what was a positive period for EM currencies (JPM EMCI +1.2%) relative to the dollar, the Russian ruble depreciated 2.7%.
- Strong demand and supply disruptions pushed Brent crude oil prices to reach \$89.17/barrel, their highest level since 2014.

## BRENT CRUDE OIL PRICE (\$/BARREL)



Source: Bloomberg, as of 1/21/22



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# Capital Markets Snapshot

## MARKET PERFORMANCE

### Equities

	Last Two Weeks 1/10/2022 - 1/21/2022		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	-5.94	15.82	-7.66	15.18	-7.66	15.18	-7.66	15.18
Russell 2000 TR USD	-8.79	19.41	-11.44	22.04	-11.44	22.04	-11.44	22.04
MSCI ACWI NR USD	-4.07	14.26	-5.53	12.69	-5.53	12.69	-5.53	12.69
MSCI EAFE NR USD	-1.91	16.28	-2.19	16.05	-2.19	16.05	-2.19	16.05
MSCI EM NR USD	1.51	16.82	1.03	14.56	1.03	14.56	1.03	14.56

### Fixed Income

Bloomberg US Treasury US TIPS TR USD	-0.22	7.00	-2.42	6.72	-2.42	6.72	-2.42	6.72
Bloomberg US Treasury TR USD	0.06	5.55	-1.54	5.91	-1.54	5.91	-1.54	5.91
Bloomberg Long Term US Treasury TR USD	0.81	14.74	-3.40	16.89	-3.40	16.89	-3.40	16.89
Bloomberg US Agg Bond TR USD	-0.24	5.28	-1.77	5.38	-1.77	5.38	-1.77	5.38
Bloomberg US Credit TR USD	-0.51	6.23	-2.38	6.53	-2.38	6.53	-2.38	6.53
Bloomberg High Yield Corporate TR USD	-0.61	3.72	-1.54	3.18	-1.54	3.18	-1.54	3.18
JPM EMBI Global Diversified TR USD	-1.05	7.63	-2.59	6.57	-2.59	6.57	-2.59	6.57

### Other

Bloomberg Commodity TR USD	4.03	16.49	6.25	13.78	6.25	13.78	6.25	13.78
Wilshire US REIT TR USD	-4.26	9.47	-7.43	11.03	-7.43	11.03	-7.43	11.03
MSCI Currency Factor Mix ER USD	0.07	2.68	0.43	2.44	0.43	2.44	0.43	2.44

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
01/10/22	EC	Unemployment Rate	M	Nov	7.2%	7.2%	0.0
01/11/22	US	NFIB Small Business Optimism	M	Dec	98.7	98.9	0.4
01/11/22	CH	PPI YoY	M	Dec	11.3%	10.3%	-3.0
01/11/22	CH	CPI YoY	M	Dec	1.7%	1.5%	-0.8
01/12/22	US	CPI YoY	M	Dec	7.0%	7.0%	-0.2
01/12/22	US	CPI Ex Food and Energy YoY	M	Dec	5.4%	5.5%	1.0
01/16/22	CH	1-Yr Medium-Term Lending Facility Rate	D	15-Jan	--	2.85%	--
01/13/22	US	PPI Final Demand YoY	M	Dec	9.8%	9.7%	-1.0
01/13/22	US	PPI Ex Food and Energy YoY	M	Dec	8.0%	8.3%	1.3
01/13/22	CH	Trade Balance	M	Dec	\$73.95b	\$94.46b	2.8
01/13/22	CH	Exports YoY	M	Dec	20.0%	20.9%	0.4
01/14/22	EC	Trade Balance SA	M	Nov	1.5b	-1.3b	-1.6
01/14/22	US	U. of Mich. Sentiment	M	Jan P	70.0	68.8	-0.9
01/18/22	US	Empire Manufacturing	M	Jan	25.0	-0.7	-7.8
01/18/22	US	NAHB Housing Market Index	M	Jan	84	83	-0.8

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
01/24/22	EC	Markit Eurozone Services PMI	M	Jan P	53.1	52.0	0.8
01/24/22	US	Markit US Services PMI	M	Jan P	57.6	55.4	1.2
01/25/22	GE	IFO Expectations	M	Jan	92.6	93.0	1.0
01/25/22	US	Conf. Board Consumer Confidence	M	Jan	115.8	111.1	1.8
01/27/22	US	GDP Annualized QoQ	Q	4Q A	2.3%	5.3%	0.7
01/28/22	US	Personal Income	M	Dec	0.4%	0.5%	0.2
01/28/22	US	Personal Spending	M	Dec	0.6%	-0.6%	0.3
01/28/22	US	PCE Core Deflator YoY	M	Dec	4.7%	4.8%	0.1
02/01/22	US	ISM Manufacturing	M	Jan	58.7	58.1	1.5
02/03/22	EC	PPI YoY	M	Dec	23.7%	--	--
02/03/22	US	Unit Labor Costs	Q	4Q P	9.6%	1.5%	1.7
02/03/22	US	ISM Services Index	M	Jan	62.0	60.7	1.9
02/04/22	US	Change in Nonfarm Payrolls	M	Jan	199k	213k	196.2
02/04/22	US	Unemployment Rate	M	Jan	3.9%	3.9%	0.1
02/04/22	US	Average Hourly Earnings YoY	M	Jan	4.7%	5.2%	0.1

Source: Bloomberg



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