Planning for wealth

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Market Insights - December 24, 2021

MARKETS JUMP HEADING INTO THE CHRISTMAS HOLIDAY AS FEARS OF OMICRON SUBSIDE AND 3Q GDP INCHES HIGHER

- The U.S. equity markets ended the holiday-shortened trading week with a merry 3-day rally, reversing a 3-day skid and ending the week with significant gains
- Both the tech-heavy NASDAQ (+3.2) and the smaller-cap Russell 2000 (+3.1%) ended the week with gains of more than 3%, with the S&P 500 (+2.3%) and DJIA (+1.7%) turning in respectable gains too
- Every single one of the 11 S&P 500 sectors ended the week green, led by Consumer discretionary (+3.8%) and Information Technology (+3.3%), with the Utilities sector (+0.2%) bringing up the rear
- Wall Street didn't really react to anything specific this week, other than maybe there was a feeling that the 3-day skid was possibly more than it should have been, causing investors to "buy the dip"
- The Treasury market was quiet this week with the 10-year Treasury rising 9 basis points to 1.49% and the 2-year rising 5 basis points to 0.69%
- Volatility, as measured by the VIX, trended decidedly downward, peaking Monday just shy of 26 and ending the week around 18
- WTI Crude oil rose about $1.60/barrel, ending the week just below $74/barrel

Weekly Market Update – December 23, 2021

	Close	Week	YTD
DJIA	35,951	1.7%	17.5%
S&P 500	4,726	2.3%	25.8%
NASDAQ	15,653	3.2%	21.5%
Russell 2000	2,241	3.1%	13.5%
MSCI EAFE	2,315	0.8%	7.8%
Bond Index*	2,356.07	-0.02%	-1.50%
10-Year Treasury	1.49%	0.09%	0.5%

**Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results*

Stocks Jump on the Holiday-Shortened Trading Week

U.S. stocks rebounded from the last week's losses, as Wall Street seemed eager to "buy the dip" as fears of the new omicron variant waned. Volatility peaked Monday late afternoon, but trended down all week as overall trading volumes were low heading into the Christmas holiday, with markets closed on Friday.

Growth names outpaced value names and the Consumer Discretionary and Information Technology sectors outperformed the defensive Utilities and Consumer Discretionary sectors. In many ways, it was the mirror-opposite from the prior week.

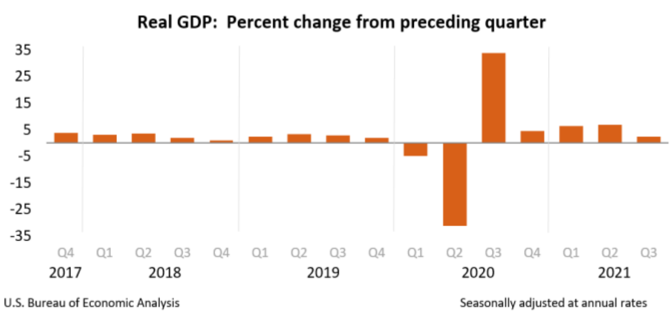
There was not anything specific that drove markets, but Wall Street did appear reassured when President Biden stated that there were no plans for additional lockdowns. In addition, Moderna announced that its booster shot was very effective at neutralizing the omicron variant and results from South Africa indicate that the variant appeared to be receding and that symptoms were generally less severe. In addition, the U.S. Food and Drug Administration granted emergency authorization to Pfizer's and Merck's pills for the treatment of COVID-19.

The week's economic data was mostly positive, generally leaning toward surpassing consensus expectations. Durable goods orders rose 2.5% in November, well above consensus and consumer sentiment also came in higher than expected. In addition, the 3Q U.S. GDP was adjusted slightly higher in the final reading.

The week's negative economic data was that new home sales came in lower than expected and the previous month's numbers were revised down. Plus, the country's current account deficit widened in the third quarter, more than experts predicted.

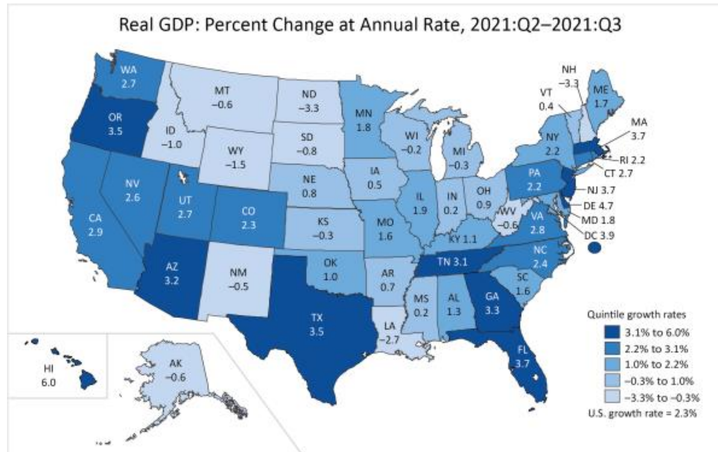
GDP Up 2.3% in Third Quarter

On Wednesday, the Bureau of Economic Analysis reported that real gross domestic product increased at an annual rate of 2.3% in the third quarter of 2021. In the second quarter, real GDP increased 6.7%.



It was the third and final estimate from the BEA. In the second estimate, the increase in real GDP was 2.1%. The update primarily reflects upward revisions to personal consumption expenditures (PCE) and private inventory investment that were partly offset by a downward revision to exports. Imports, which are a subtraction in the calculation of GDP, were revised down.

The BEA also reported that real gross domestic product increased in 37 states and the District of Columbia in the third quarter of 2021. The percent change in real GDP in the third quarter ranged from 6.0% in Hawaii to -3.3% in New Hampshire and North Dakota.



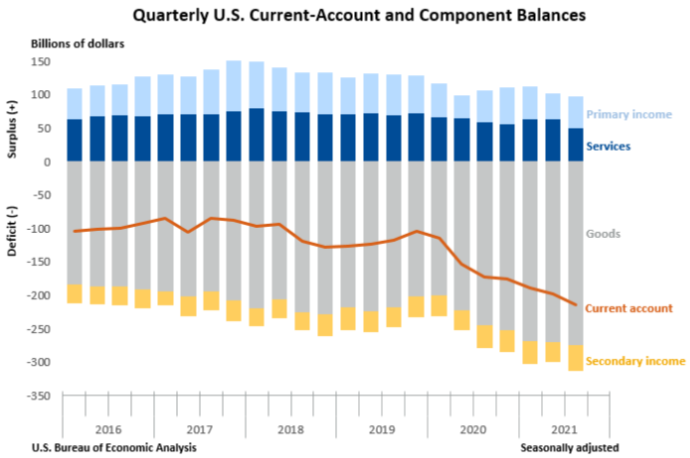
U.S. Bureau of Economic Analysis

Current Account Deficit Widens by $16.5 Billion, Up 8.3% from 2Q

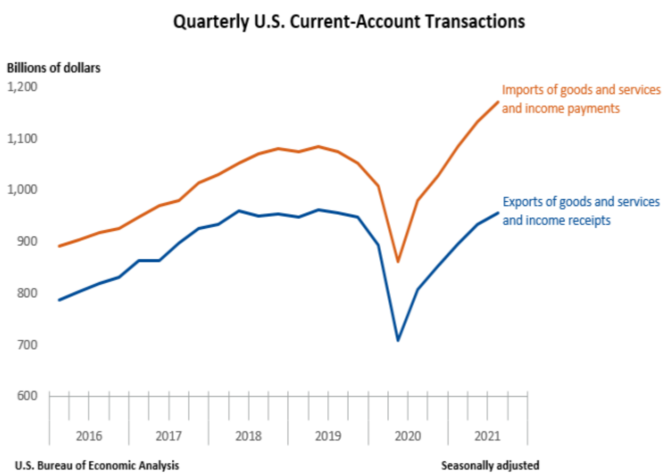
On Tuesday, the BEA reported that the U.S. current-account deficit widened by $16.5 billion – that's 8.3% – to $214.8 billion in the third quarter of 2021.

For comparison the second-quarter deficit was $198.3 billion.
Further, the third-quarter deficit was 3.7% of current-dollar gross domestic product, up from 3.5% in the second quarter.

From the BEA: "The $16.5 billion widening of the current-account deficit in the third quarter reflected a reduced surplus on services and expanded deficits on secondary income and on goods that were partly offset by an expanded surplus on primary income."



"Exports of goods and services to, and income received from, foreign residents increased $22.8 billion to $955.9 billion in the third quarter. Imports of goods and services from, and income paid to, foreign residents increased $39.3 billion to $1.17 trillion.



Trade in Goods

"Exports of goods increased $4.8 billion to $441.6 billion, mainly reflecting increases in industrial supplies and materials, mostly natural gas and petroleum and products, and in consumer goods, mostly medicinal, dental, and pharmaceutical products. A decrease in foods, feeds, and beverages, mostly corn and soybeans, partly offset these increases. Imports of goods increased $10.0 billion to $716.4 billion, primarily reflecting an increase in industrial supplies and materials, mostly petroleum and products and chemicals."

Trade in Services

"Exports of services decreased $0.1 billion to $190.8 billion, primarily reflecting decreases in charges for the use of intellectual property, mostly licenses for the use of outcomes of research and development (such as patents and trade secrets), and in telecommunications, computer, and information services, mostly computer services. An increase in other business services, mostly professional and management consulting services, partly offset these decreases. Imports of services increased $12.6 billion to $141.0 billion, mostly reflecting increases in travel, primarily other personal travel, and in transport, primarily sea freight and air passenger transport."

Sources: bea.gov; msci.com; fidelity.com;nasdaq.com; wsj.com; bea.gov; morningstar.com