



Weekly Market Commentary



THE WEEK IN REVIEW: Dec. 26 - Jan. 1

One more gift in Santa's bag

A “Santa Claus rally” pushed the S&P 500 to another record high last week. Waning fears over the omicron variant appeared to spur the increase, even as daily COVID cases hit their own record high. So far, it seems hospitalization rates remain contained, and the CDC reduced the recommended quarantine period for asymptomatic people from 10 days to five. There was also good economic news: Weekly jobless claims fell back to 198,000, around a 52-year low. And an index of manufacturing activity in the mid-Atlantic region showed accelerating growth.

Holiday sales were also a bright spot for markets. Data showed that year-over-year holiday sales rose 8.5% in December, their biggest gain in 17 years and 10.7% higher than 2019 levels. While retail stocks benefited from the news, other industries didn't fare quite as well last week. The travel sector was particularly glum, especially after the CDC recommended against cruise ship travel regardless of your vaccination status. If you were able to get on a plane last week, you were one of the lucky ones. An astonishing 6,521 flights were canceled between Dec. 24 and Dec. 29 due to lack of staff and bad weather.

What's ahead in 2022?

Overall, 2021 was a good year for markets, which climbed resolutely upward despite pandemic worries, political drama and economic uncertainty. What will 2022 hold? For one, the market is overdue for a correction, a drop between 10% and 20% from recent highs. The pandemic will most likely be with us for some time, and analysts expect economic growth to slow somewhat in the coming year. High inflation rates may also continue to linger into the first quarter.

The first part of 2022 probably won't look much different from the latter part of 2021. There's currently nothing new on the horizon – but we all know how quickly that can change. Our advice is to make sure you are positioned properly and allocated in alignment with your risk tolerance and goals. Rely on your financial advisor to answer your questions and help ease concerns when volatility strikes and markets dip. The best strategy may be to remain cautious and patient. There are still too many “what-ifs” and “wait-and-sees” to say for sure which direction markets will go, particularly in the first half of the year.



Coming this week

- After two light data weeks, we'll get a flurry of reports this week. The manufacturing index will be released on Tuesday, while factory orders and consumer credit information will be released on Thursday and Friday.
- The ADP employment report for December is scheduled for Wednesday. The forecast currently calls for 373,000 new jobs to be added during the month, well below November's number of 534,000.
- The latest Federal Reserve meeting minutes will be released on Wednesday.
- Congress reconvenes this week. It will be interesting to see which legislative agendas are taken up and which are left behind as the midterm election cycle begins.

Have a great week!

AE Wealth Management

Weekly Numbers

Index Performance Returns %					
	1 WK	YTD	1YR	3 YRS	5 YRS
S&P 500	0.85%	26.89%	26.89%	23.88%	16.31%
NASDAQ	-0.05%	21.39%	21.39%	33.10%	23.79%
DJIA	1.08%	18.73%	18.73%	15.92%	12.95%

Interest Rates:		
	12/31/2021	12/23/2021
UST 10-YR Government Bond Yield	1.52%	1.50%
Germany 10 YR	-0.140%	-0.247%
Japan 10 YR	0.069%	0.058%
30 YR Mortgage	3.27%	3.19%
Oil	\$74.68/ppb	\$73.33/ppb
Regular Gas	\$3.38/ppg	\$3.40/ppg

All data as of Dec. 31, 2021



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