

January 2022 Market Watch

Despite the strong end for stocks in 2021, U.S. markets had a rough start to the new year where the S&P 500 fell as much as -11.40% during the month, but recovered over half of that level by month-end, closing at -5.3%. U.S. equities declined as the market priced in an aggressive hiking cycle by the U.S. Federal Reserve, driven by the rapid improvement in the labor market and the realization that high inflation is not “transitory”. This equates to higher interest rates, which is a negative for equity valuations broadly, and growth companies in particular, which excelled in the low rate environment of the pandemic. The tech-heavy NASDAQ saw its worst month in years.

At the January FOMC meeting, Chairman Powell did not rule out hiking rates in successive meetings, which saw the market quickly price in the potential for four to five hikes in 2022 (from around three previously), and the possibility of a 50 bps hike in March, when bond repurchase ends.

All eyes are on US Omicron surge, which could continue to put pressure on global supply chains for longer with little easing in US and Chinese port congestion. Over a third of S&P 500 reported Q4 2021 results where beat rates lagged recent quarters. Global economic growth, rate hikes and inflation concerns remain in focus.

	Date	1 Week Ago		1 Month Ago		YTD	1 Year Ago	
	1/31/22	1/24/22	% chg*	12/31/21	% chg*	% chg*	1/31/21	% chg*
DJIA	35,131.9	34,364.5	2.2%	36,338.3	-3.3%	-3.3%	29,982.6	17.2%
S&P 500	4,515.6	4,410.1	2.4%	4,766.2	-5.3%	-5.3%	3,714.2	21.6%
NYSE Comp Index	16,659.8	16,414.0	1.5%	17,164.1	-2.9%	-2.9%	14,397.2	15.7%
NASDAQ Composite	14,239.9	13,855.1	2.8%	15,645.0	-9.0%	-9.0%	13,070.7	8.9%
Russell 2000	2,028.5	2,033.5	-0.2%	2,245.3	-9.7%	-9.7%	2,073.6	-2.2%
MSCI EM (Emerging Markets)	1,208.2	1,222.2	-1.1%	1,232.0	-1.9%	-1.9%	1,329.6	-9.1%
MSCI EAFE	2,222.5	2,218.6	0.2%	2,336.1	-4.9%	-4.9%	2,124.0	4.6%
Japan Nikkei 225	27,002.0	27,588.4	-2.1%	28,791.7	-6.2%	-6.2%	27,663.4	-2.4%
FTSE 100	7,464.4	7,297.2	2.3%	7,384.5	1.1%	1.1%	6,407.5	16.5%
SSE Comp Index	3,361.4	3,524.1	-4.6%	3,639.8	-7.6%	-7.6%	3,483.1	-3.5%

US Equity Sector Performance

	Jan	YTD	1 Yr Ret.
Consumer Discretionary	-9.7%	-9.7%	11.9%
Consumer Staples	-1.4%	-1.4%	23.4%
Energy	19.1%	19.1%	77.5%
Financials	0.1%	0.1%	37.4%
Health Care	-6.8%	-6.8%	16.0%
Industrials	-4.7%	-4.7%	20.6%
Information Tech	-6.9%	-6.9%	26.4%
Materials	-6.8%	-6.8%	21.5%
Communication Services	-6.2%	-6.2%	15.5%
Utilities	-3.3%	-3.3%	14.9%
Real Estate	-8.6%	-8.6%	32.2%

US Equity Style Performance

	Jan	YTD	1 Yr Ret.
Dow Jones Utilities	-2.7%	-2.7%	11.9%
DJ TRANS Avg.	-7.2%	-7.2%	27.9%
Russell 1000 Value	-2.3%	-2.3%	23.4%
Russell 1000 Growth	-8.6%	-8.6%	17.5%
Russell 2000 Value	-5.8%	-5.8%	14.8%
Russell 2000 Growth	-13.4%	-13.4%	-15.0%

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U.S. equity sectors closed lower in January, led by losses in Consumer Discretionary -9.7%, Real Estate -8.6%, Info Tech -6.9%, Healthcare and Materials both -6.8%. Energy was the only real gainer +19.1%, rallying alongside WTI crude, while Financials were flat +0.1%.

Both Developed International Equities (MSCI EAFE) -4.9% and Emerging Market (MSCI EM) -1.9% closed the month lower. China's supply chain issues could lead to further disruptions to production, as China is likely to reinforce its Covid Zero strategy through most of 2022 after data showed the country's Sinovac vaccine offered limited protection against the Omicron variant. China's economy slowed down further, with real GDP growth of 4.0% YoY. In the Eurozone, economic data was surprisingly resilient against the backdrop of rising Covid infections.

U.S. government yields backup was a big story in the month with levels rising across the board. The 2-Yr note rose to 1.3% (a level not seen since pre pandemic) and closed the month at 1.16%. The 10-Yr move higher to 1.78% along with the 30-Yr to 2.1%. No one specific factor behind the move, but that the Omicron variant is much milder and represents a tailwind.

The Bloomberg Commodity Index continued to rally and closed +8.8% along with WTI crude oil +17.2%. WTI crude moved above \$80/barrel and Brent above \$90/barrel, their highest levels since 2014 due to both resilient demand and multiple areas of supply concern in Turkey and Texas. Gold closed the year down -1.8%.

Bond Markets (%)

	1/31/22	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.19	0.05	0.06
US Benchmark Bond – 6 Mth	0.46	0.19	0.08
US Benchmark Bond – 2 Yr	1.16	0.73	0.12
US Benchmark Bond – 5 Yr	1.61	1.26	0.44
US Benchmark Bond – 10 Yr	1.78	1.51	1.09
US Benchmark Bond – 30 Yr	2.10	1.90	1.85

US Bond Sector Performance

	Jan	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-1.28%	-1.28%	-2.72%

Exchange Rates (per US dollar)

	1/31/22	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.272	1.263	1.277
Mexican Peso	20.649	20.465	20.224
Euro	0.892	0.879	0.823
British Pound	0.745	0.738	0.728
Swiss Franc	0.931	0.911	0.890
Chinese Yuan	6.365	6.373	6.461
Indian Rupee	74.623	74.336	72.960
Japanese Yen	115.225	115.155	104.695

Commodities (In US dollars)

	1/31/22	1 Mth Ago	1 Yr Ago
Gold	1,796.40	1,828.60	1,850.30
Crude Oil	88.15	75.21	52.20
US Dollar Index	96.54	95.59	90.57
Bloomberg Commodity Index	107.86	99.17	80.10

Interest Rates (%)

	1/31/22	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	3.25
Federal Funds Rate	0.09	0.09	0.09
Libor Rate 30 Day	0.11	0.10	0.12
Libor Rate 3 Months	0.31	0.21	0.20
30yr Fixed Mortgage	3.55	3.11	2.73

Economic Sentiment

	1/31/22	1 Yr Ago
Unemployment Rate	4.00%	6.40%
Average Single Family Home	375,800	341,300
Capacity Utilization	76.50%	75.00%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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