

December 2021

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 12/31/2021

Global Overview

Despite the spread of the highly contagious Omicron variant of Covid-19, the mutated virus's milder symptoms allowed most major economies to remain open and equity markets continued to rally, with many markets posting single digit returns in the month and double-digit gains for the year. Developed market equities outpaced the emerging markets with the S&P 500 Index up 4.5% and the EAFE Index up 5.1% during December and up 28.7% and 11.3% for the year, respectively. Although many emerging markets constituents had positive economic news and performance results, the MSCI Emerging Market Indexed lagged the developed markets primarily due to continued lockdowns and policy changes made by China (the largest index constituent) during the second half of 2021. The MSCI Emerging Market Index returned 1.9% in December and -2.5% for the year.

U.S. Markets & Economy

The U.S. equity market experienced multiple new highs as economic sensitive sectors including energy, real estate and financials continued to benefit from the economy remaining open while rising inflation seemed to outweigh COVID concerns. Real estate and energy sectors flipped from the worst performers in 2020 to the best in 2021. Although PPI rose to 9.6% in November from the previous year, suggesting the possibility of the high 6.8% CPI report in November could cause inflation to persist into 2022, business confidence remained steady at 58.7 from 58.3 in November. Additional economic data digested included the U.S. ISM Manufacturing PMI fell to 58.7 in December from 61.1 in November, as the market began to show signs of improving labor and supplier deliveries. Other positive economic data included the University of Michigan Consumer Sentiment increased to 70.6 in December from 67.4 in November. The S&P 500 Index reported a strong 4.5% return during the month and 28.7% for the last 12 months. With inflation concerns in the headlines, value outperformed growth as the Russell 2000 Value Index returned 4.1% in December (+28.3% for the year) versus the 0.4% return in December (+2.8% for the year) for the Russell 2000 Growth Index.

The fixed income markets' increased volatility continued into December as the Fed announced their unanimous decision to increase the asset purchase taper to a point that would end the program by March 2022. As a result, the market is pricing in the possibility of three rate hikes in 2022, which is a dramatic shift from September's outlook of three rate hikes by 2023. Consequently, the Bloomberg U.S. Aggregate Bond Index returned -0.3% during the month and -1.5% for the year. Only higher risk debt indices such as the ICE BofA High Yield Index and the S&P/LSTA Leveraged Loan Index were able to eke out positive returns of 1.9% and 0.6%, for December and 5.4% and 5.2% for the year, respectively.

International Markets & Economy

International markets rebounded strongly in December as the MSCI EAFE Index gained 5.1% in the month. Markets rebounded from a negative November as reports about the Omicron variant showed that symptoms were milder than past variants, which gave investors some confidence. The IHS Markit Composite PMI, which measures both the manufacturing and services sector, was 53.3 for the month indicating positive overall economic growth. Omicron did have some effect, however, as demand for exports shrunk and many respondents noted increased staffing issues. Economic news in Japan was positive for the month as both manufacturing and services PMIs increased. Also, Japan's government raised their GDP forecast for 2022 from 2.2% to 3.2%, which if achieved would be the fastest growth the country has seen since 2010.

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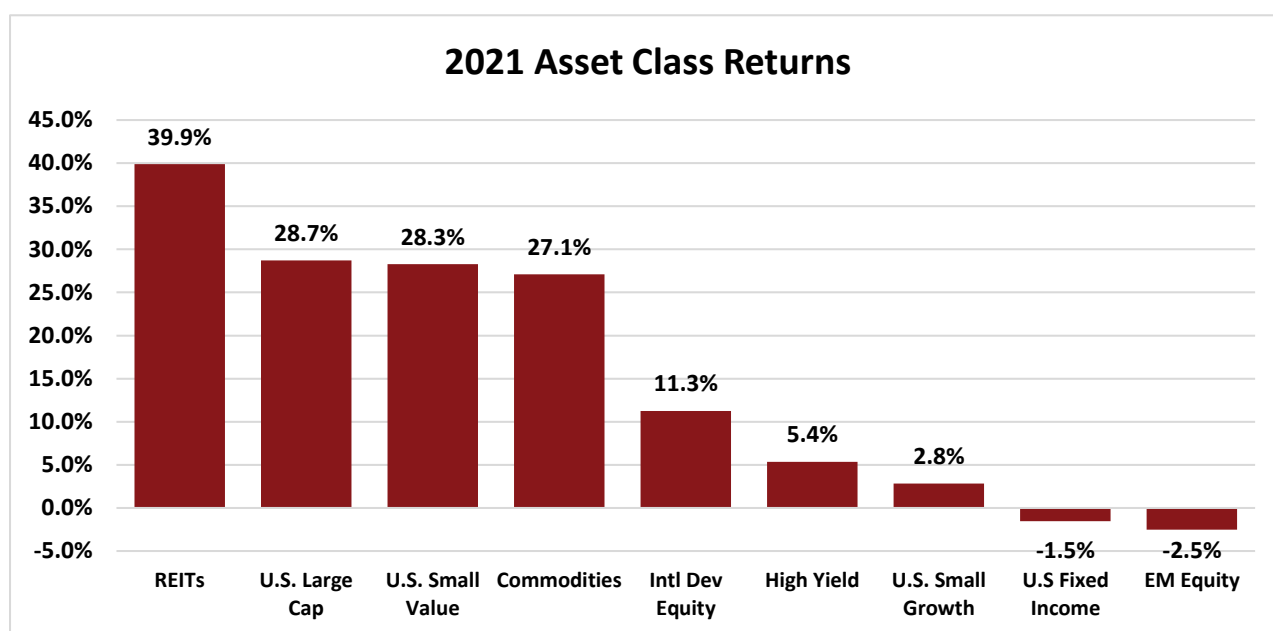
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The MSCI EM Index gained 1.8% during the month with mixed economic news across various countries. China's Caixin PMI index reached 50.9 in December which was the highest level in six months. On a more negative note, the People's Bank of China cut the reserve requirement ratio in an effort to counter a potential economic slowdown. Outside of China, many emerging market countries continued to raise interest rates.

In the News

In our Chart of the Month we take a look and recap how different asset classes performed during 2021. This was a strong year for U.S. investors with the S&P 500 returning 28.7% as markets continued their COVID-19 rebound and reached new highs. Leading the way was the FTSE NAREIT All Equity Index as REITs performed exceptionally well, with areas like office and retail REITs benefitting from the easing of COVID restrictions. One of the headlines during the year was the performance of meme stocks like GameStop and AMC which helped contribute to the significant performance dispersion between small cap value and small cap growth. One of the strongest themes of the year, especially in the later half, was higher inflation. Commodities were one of the beneficiaries of higher inflation as energy and metals prices increased with the Bloomberg Commodity Index returning 27.1% for the year. The Federal Reserve became more hawkish on interest rates which affected the bond markets as the Bloomberg Aggregate Index declined 1.5%. Slower vaccination rollouts put Europe and Japan a bit behind in the economic recovery cycle as the MSCI EAFE Index returned 11.3%. While year-end private equity returns are not available yet, 2021 was another strong year for the space. U.S. PE deal value totaled \$1.2 trillion in 2021, which is 64% higher than the previous annual record. Venture capital financings set a record in 2021 with \$621 billion in combined deals, more than double the \$294 billion recorded in 2020.

Chart of the Month



Source: Morningstar

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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	4.27	7.77	21.82	21.82	21.70	15.03	12.70
	Bloomberg US Agg Bond TR USD	(0.26)	0.01	(1.54)	(1.54)	4.79	3.57	2.90
	Russell 3000 TR USD	3.94	9.28	25.66	25.66	25.79	17.97	16.30
	DJ Industrial Average TR USD	5.53	7.87	20.95	20.95	18.49	15.51	14.21
	NASDAQ Composite PR USD	0.69	8.28	21.39	21.39	33.10	23.79	19.63
	MSCI EAFE NR USD	5.12	2.69	11.26	11.26	13.54	9.55	8.03
	FTSE Treasury Bill 3 Mon USD	0.00	0.01	0.05	0.05	0.96	1.11	0.60
Bloomberg Commodity TR USD	3.53	(1.56)	27.11	27.11	9.86	3.66	(2.85)	
Domestic Equities	S&P 500 TR USD	4.48	11.03	28.71	28.71	26.07	18.47	16.55
	S&P MidCap 400 TR	5.08	8.00	24.76	24.76	21.41	13.09	14.20
	S&P SmallCap 600 TR USD	4.53	5.64	26.82	26.82	20.11	12.42	14.50
	Russell 1000 TR USD	4.05	9.78	26.45	26.45	26.21	18.43	16.54
	Russell 1000 Growth TR USD	2.11	11.64	27.60	27.60	34.08	25.32	19.79
	Russell 1000 Value TR USD	6.31	7.77	25.16	25.16	17.64	11.16	12.97
	Russell Mid Cap TR USD	4.08	6.44	22.58	22.58	23.29	15.10	14.91
	Russell Mid Cap Growth TR USD	0.35	2.85	12.73	12.73	27.46	19.83	16.63
	Russell Mid Cap Value TR USD	6.28	8.54	28.34	28.34	19.62	11.22	13.44
	Russell 2000 TR USD	2.23	2.14	14.82	14.82	20.02	12.02	13.23
	Russell 2000 Growth TR USD	0.44	0.01	2.83	2.83	21.17	14.53	14.14
Russell 2000 Value TR USD	4.08	4.36	28.27	28.27	17.99	9.07	12.03	
International Equities	MSCI ACWI Ex USA NR USD	4.13	1.82	7.82	7.82	13.18	9.61	7.28
	MSCI EAFE NR USD	5.12	2.69	11.26	11.26	13.54	9.55	8.03
	MSCI EAFE Growth NR USD	4.32	4.09	11.25	11.25	18.95	13.59	10.08
	MSCI EAFE Value NR USD	5.96	1.17	10.89	10.89	7.82	5.34	5.81
	MSCI Japan NR USD	1.89	(3.96)	1.71	1.71	11.68	8.51	8.34
	MSCI AC Asia Ex Japan NR USD	1.37	(1.23)	(4.72)	(4.72)	12.07	11.30	8.02
	MSCI Europe NR USD	6.60	5.66	16.30	16.30	14.90	10.14	8.18
	MSCI United Kingdom NR USD	7.30	5.62	18.50	18.50	8.70	6.16	5.06
	MSCI EAFE Small Cap NR USD	4.36	0.07	10.10	10.10	15.62	11.04	10.80
	MSCI EM NR USD	1.88	(1.31)	(2.54)	(2.54)	10.94	9.87	5.49
MSCI China NR USD	1.89	(1.84)	(1.46)	(1.46)	12.08	9.90	7.99	
Fixed Income	Bloomberg US Govt/Credit TR USD	(0.32)	0.18	(1.75)	(1.75)	5.50	3.99	3.13
	Bloomberg US Govt/Credit Long TR USD	(0.82)	2.15	(2.52)	(2.52)	10.62	7.39	5.72
	Bloomberg US Govt/Credit Interm TR USD	(0.13)	(0.57)	(1.44)	(1.44)	3.86	2.91	2.38
	ICE BofA US High Yield TR USD	1.88	0.66	5.36	5.36	8.57	6.10	6.72
	Credit Suisse HY USD	1.93	0.63	5.49	5.49	8.25	5.80	6.47
	S&P/LSTA Leveraged Loan TR	0.64	0.75	5.20	5.20	5.63	4.27	4.69
	FTSE WGBI NonUS USD	1.89	(1.84)	(1.46)	(1.46)	12.08	9.90	7.99
	Bloomberg Gbl Agg Ex USD TR USD	(0.07)	(1.18)	(7.05)	(7.05)	2.46	3.07	0.82
REITs	FTSE Nareit All REITs TR	9.18	15.25	39.88	39.88	19.03	12.06	12.03
	Wilshire US REIT TR USD	1.91	10.39	31.51	40.58	11.30	7.63	10.58

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested

net dividends

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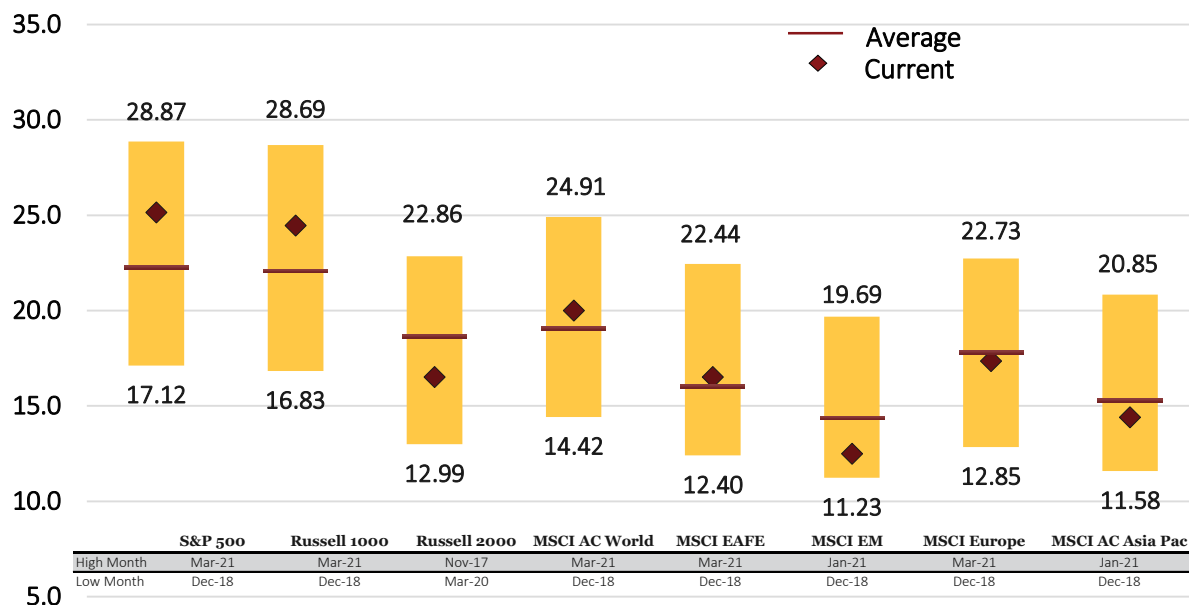
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Current Trailing P/E vs. Trailing 5-Year High, Low, Average



Source: Morningstar

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2021 ¹	2022 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	2.30	5.60	3.70	3.90	1.51	-	-	5.50
China	0.20	8.10	5.10	5.00	2.78	6.37	6.52	1.20
Japan	-0.90	1.80	3.40	2.80	0.07	115.17	103.31	0.50
United Kingdom	1.10	6.90	4.70	4.20	0.97	1.35	1.36	4.00
Euro Area	2.20	5.20	4.30	7.20	0.31	1.13	1.23	2.60
Germany	1.70	2.90	4.10	5.20	-0.18	1.13	1.23	3.30
France	3.00	6.80	4.20	8.10	0.19	1.13	1.23	1.70
Italy	2.60	6.30	4.60	9.20	1.19	1.13	1.23	1.50
Canada	1.30	4.80	3.90	5.90	1.43	1.28	1.28	3.60
India	12.70	9.40	8.10	6.90	6.45	75.39	73.62	4.50
Mexico	-0.40	5.90	3.30	3.70	7.56	20.51	19.93	5.70
Brazil	-0.10	5.00	1.40	12.10	10.31	5.57	5.18	7.60

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2021 & 2022 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

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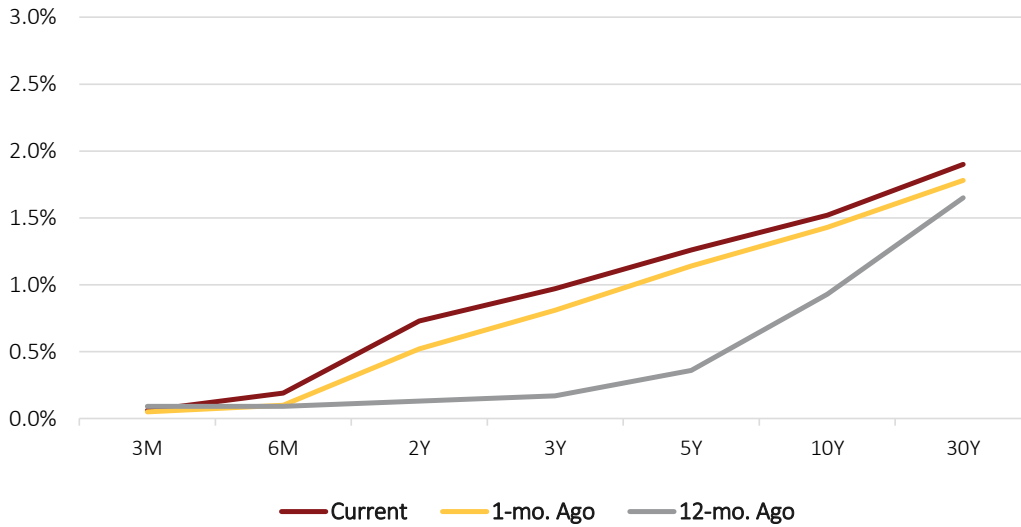
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U.S. Treasury Yield Curves

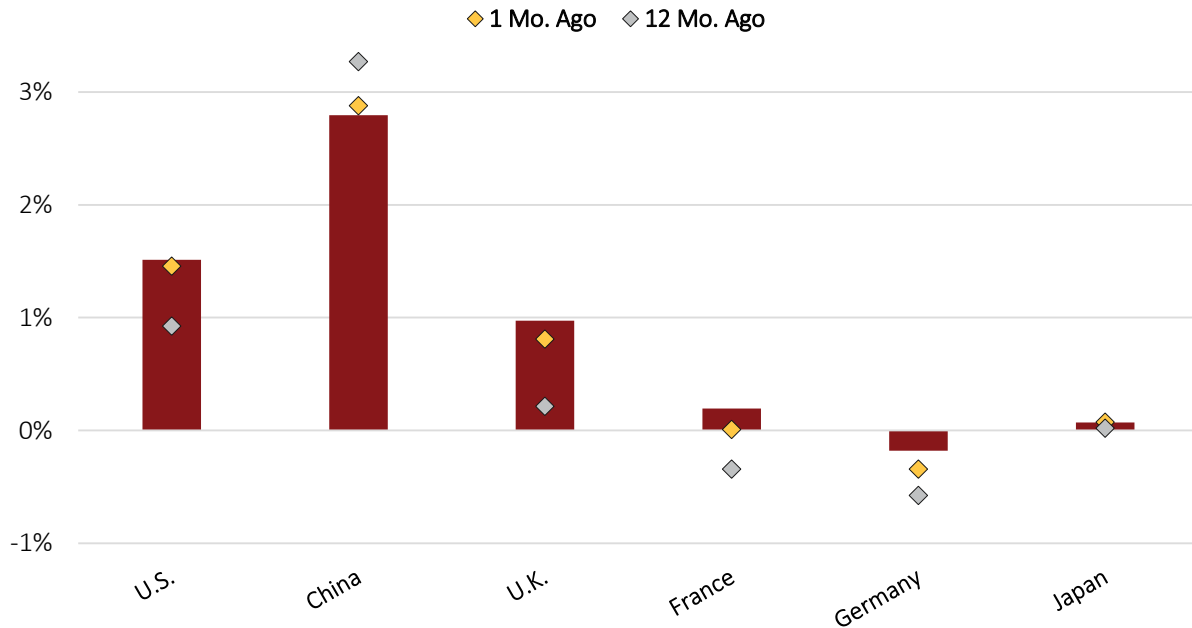
as of 12/31/2021



Source: Federal Reserve Bank

10-Year Sovereign Yields

as of 12/31/2021 (most recently available)



Source: Trading Economics

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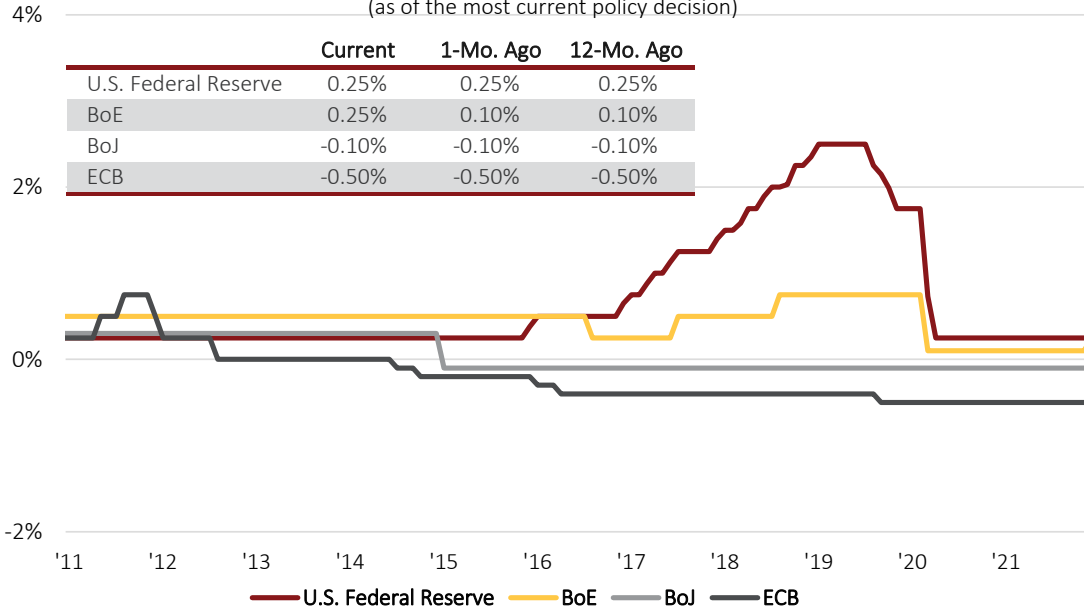
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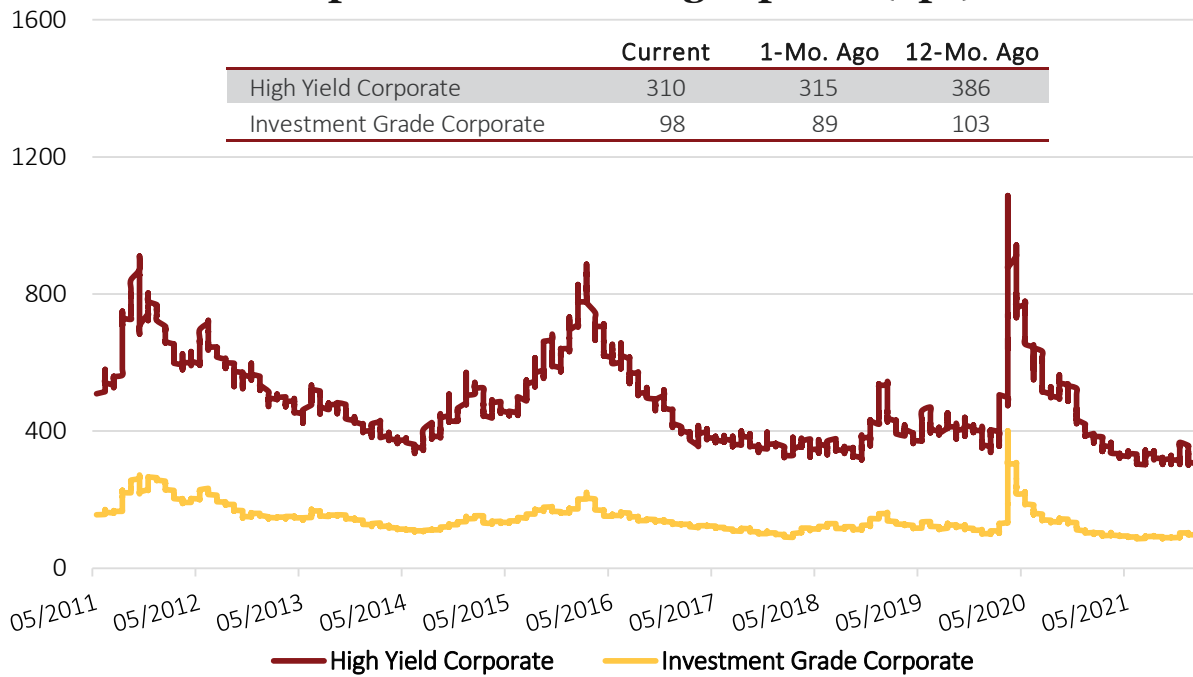
Central Bank Policy Rates

(as of the most current policy decision)



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics

Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank