BECKER WEALTH MANAGEMENT, LLC

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S&P down amid policy decisions and Covid concerns.

Markets took a flurry of monetary policy decisions and a continuation of Covid headlines.

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Somewhat as expected with defensive sectors utilities, staples, healthcare, and REITs leading the way and higher valuation and cyclical areas underperforming. The S&P 500 finished down 1.94% while international markets were down approximately 3%. In sympathy with the de-risking tone, we saw a bid in the USD and a flattening of the yield curve leaving the 10-year U.S. Treasury down near 1.41% to close the week. The economic calendar remained fairly encouraging with economic activity surveys and housing market data remaining positive.

Market Anecdotes

- A highly anticipated Federal Open Market Committee meeting delivered a judicious hawkish tone as expected. Markets took the 2x increased pace of taper and commensurate earlier potential for rate hikes in stride. A move toward a June liftoff with March as a distinct possibility is now the Fed base case.
- Markets receiving such a notable hawkish pivot in stride supports the Fed's decision to prioritize inflation containment over the remaining few steps of labor market recovery. A detailed look into the inflation data clearly seems to support the newfound inflation fighting spirits.
- Other central bank policy announcements last week include a Bank of England 'chicken little' hike of 0.15% (as expected), a Norges Bank 25bps hike (as expected), and the European Central Bank standing pat.
- Strategas made note that, for now, sales growth across small caps is increasing at a faster rate than costs, translating to persistently better earnings growth while valuations remain compelling.
- The Senate voted last week to lift the debt ceiling past midterm elections, eliminating that market risk for the time being. Also passed was a $768b defense spending bill. The tenuous Build Back Better Act has been delayed to next year.
- The second year of a Presidential cycle typically brings change of control in the legislature, increased equity market volatility, and a neutral Fed. Extenuating that trend, Biden is facing a certain fiscal drag, a hawkish Fed, and very low approval ratings.
- Massive twin deficits and decelerating U.S. growth both factor largely into the weak U.S. dollar thesis with the former generally leading by two years and the latter resulting in strength initially but weakness subsequently as the economy and Fed operate at cooler temperatures.
- The renewed surge of Covid cases continues to grab headlines but markets remain unconvinced, based on current information, that it will dislodge the global economic recovery underway.
- A generational surge in aggregate global debt, with an extraordinary amount in negative yielding territory is worth noting as debt levels simply tend to pull growth forward.
- Strategas notes that the funnel of fiscal stimulus and extended unemployment benefits having faded away, the savings rate has fallen back in line with averages over the past ten years.

Economic Release Highlights

- November Month over Month headline Retail Sales missed expectations (0.3% vs 0.8%) and both sub readings, ex-vehicles (0.3% v 0.9%) and ex-vehicles & gas (0.2% v 0.8%), fell short as well.
- December's U.S. flash Project Management Institute (Consumption, Manufacturing, and Service) registered 56.9, 57.8, 57.5 which remained solidly in expansionary territory but came in slightly under consensus estimates.
- December's Non-U.S. flash PMIs (Consumption, Manufacturing, and Service) for Japan registered 51.8, 54.2, 51.1 and the Eurozone at 53.4, 58.0, 53.3.
- November Industrial Production of 0.5% and Manufacturing Output of 0.7% were both generally in line with forecasts.
- The November NFIB Small Business Optimism Index remained relatively soft but in line with consensus expectations at 98.4 versus 98.3.
- The December Housing Market Index came in right at consensus of 84 while November Starts of 1.679mm and Permits of 1.712mm both exceeded forecasts.

WEEK ENDING 12/17/21

INSIGHT

MARKET ANALYSIS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr
Dow Jones	35365	(1.67)	(1.34)	2.73	17.71	18.88
NASDAQ	15170	(2.94)	(4.67)	0.99	18.45	19.61
S&P 500	4621	(1.91)	(1.33)	4.59	24.73	25.91
Russell 1000 Growth		(2.99)	(3.05)	3.57	23.52	24.66
Russell 1000 Value		(0.56)	(1.31)	3.17	21.52	22.45
Russell 2000		(1.68)	(8.43)	(2.54)	11.11	10.99
Russell 3000		(1.85)	(2.64)	3.00	21.81	22.76
MSCI EAFE		(0.46)	(3.01)	(2.44)	8.99	9.36
MSCI Emg Mkts		(1.75)	(5.34)	(4.52)	(3.64)	(2.09)

Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr
US Aggregate	1.76	(0.01)	(0.05)	(0.05)	(0.38)	(0.38)
High Yield	4.30	(0.03)	(0.07)	(0.12)	(0.82)	(0.88)
Municipal	1.71	(0.03)	(0.05)	(0.08)	(0.20)	(0.22)

Commodities	Current	9/30/21	6/30/21	3/31/21
Oil (WTI)	71.19	75.22	73.52	59.19
Gold	1779.80	1779.80	1763.20	1691.10

Currencies	Current	9/30/21	6/30/21	3/31/21
USD/Euro ($/€)	1.13	1.16	1.19	1.17
USD/GBP ($/£)	1.33	1.35	1.38	1.38
Yen/USD (¥/$)	113.36	111.50	111.05	110.61

Treasury Rates	Current	9/30/21	6/30/21	3/31/21
3 Month	0.05	0.04	0.05	0.03
2 Year	0.66	0.28	0.25	0.16
5 Year	1.18	0.98	0.87	0.92
10 Year	1.41	1.52	1.45	1.74
30 Year	1.82	2.08	2.06	2.41

Style Returns

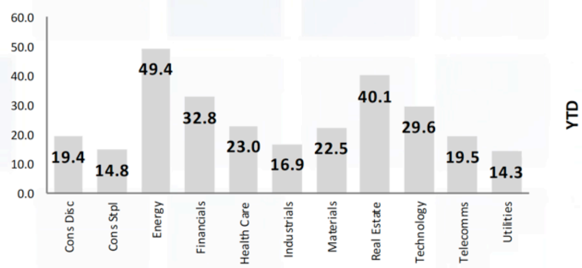
MTD

	V	B	G
L	3.22	0.87	-1.15
M	2.40	0.47	-2.83
S	0.39	-1.07	-2.48

YTD

	V	B	G
L	21.52	22.59	23.52
M	23.66	18.32	9.16
S	23.72	11.11	-0.16

S&P 500 Sector Returns



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