

US Economy and Credit Markets			
Yields and Weekly Changes:			
3 Mo. T-Bill:	0.091 (6.1 bps)	Bond Buyer 40 Yield:	3.48 (3 bps)
6 Mo. T-Bill:	0.231 (5.3 bps)	Crude Oil Futures:	78.90 (3.69)
1 Yr. T-Bill:	0.409 (3.3 bps)	Gold Spot:	1,796.55 (-32.65)
2 Yr. T-Note:	0.862 (5.1 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	1.152 (19.5 bps)	U.S. High Yield:	5.12 (20 bps)
5 Yr. T-Note:	1.499 (23.6 bps)	BB:	4.11 (22 bps)
10 Yr. T-Note:	1.762 (25.2 bps)	B:	5.56 (16 bps)
30 Yr. T-Bond:	2.116 (21.3 bps)		

Yields again rose at nearly every point along the US Treasury curve last week as the Federal Reserve released its Minutes of the Federal Open Market Committee, December 14-15, 2021 and the market found the tone to indicate a preference for tightening monetary conditions. Participants noted that: “the current economic outlook was much stronger, with higher inflation and a tighter labor market than at the beginning of the previous normalization episode.” The minutes also formally phased out the use of the word “transitory” when describing the inflationary conditions and instead suggest describing inflation as “elevated.” The Committee decided to reduce the monthly pace of asset purchases by \$20 billion (to \$40 billion) for Treasury securities and \$10 billion (to \$20 billion) for agency Mortgage-Backed Securities. The target federal funds rate remained unchanged at 0 to ¼ percent. Last Thursday’s December ISM Non-Manufacturing Index reading recognized a decline to 62.0 which was well short of expectations but still solidly expansionary. Friday’s Nonfarm Payroll report saw an increase of nearly 200,000 in December, but expectations were for 450,000. Taking these into account, the unemployment rate dropped to 3.9% in December. Perhaps most interesting, is that the U.S. job market has more than 10 million openings and the quit rate was 3% which was the highest reading since the year 2000. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Monday: November final Wholesale Inventories MoM (1.2%, unch.); Wednesday: January 7 MBA Mortgage Applications (N/A, -5.6%), December CPI MoM (0.4%, 0.8%); Thursday: January 8 Initial Jobless Claims (205k, 207k) and December Final PPI Demand MoM (0.4%, 0.8%); Friday: December MoM Retail Sales Advance (0.0%, 0.3%) and January preliminary University of Michigan Sentiment (70.0, 70.6).

US Equities			
Weekly Index Performance:		Market Indicators:	
DJIA:	36,231.66 (-0.25%)	Strong Sectors:	Energy, Financials, Industrials
S&P 500:	4,677.03 (-1.83%)	Weak Sectors:	Real Estate, Info Tech, Health Care
S&P Midcap:	2,793.14 (-1.70%)	NYSE Advance/Decline:	1,489 / 2,084
S&P Smallcap:	1,384.44 (-1.22%)	NYSE New Highs/New Lows:	301 / 276
NASDAQ Comp:	14,935.90 (-4.52%)	AAll Bulls/Bears:	32.8% / 33.3%
Russell 2000:	2,179.81 (-2.91%)		

The S&P 500 Index posted a -1.83% return last week, the first week of 2022. Uncertainty regarding inflation, near term monetary policy, supply chain issues, and Covid-19 had investors re-evaluating their equity exposures as Treasury yields rose, putting growth stocks on the losing end of the stick. The S&P 500 Growth Index declined 4.47% last week while the S&P 500 Value Index pushed higher with a 1.10% return. Sectors leading the slide included real estate, information technology, and health care, which all declined over 4.6%. Managed health care company **Humana Inc.** was the worst performer in the S&P 500 Index last week, returning -21.71%. The stock declined 19.37% on Thursday after the company announced a drastic cut to its previous 2022 net membership growth estimates for its Medicare Advantage products. Other poor performing health care names included **Bio-Techne Corp**, **Align Technology Inc.**, **West Pharmaceutical Services Inc.**, and **IDEXX Laboratories Inc.**, all declining over 16%. The energy and financials sectors showed a completely different reaction to the market environment as the S&P 500 Energy Index and the S&P 500 Financials Index returned 10.61% and 5.45%, respectively. **Hess Corp**, **Schlumberger NV**, and **Occidental Petroleum Corp** led the energy names in the index while the best performing financials were **Regions Financials Corp**, **M&T Bank Corp**, and **Citizens Financial Group Inc.**, with all six stocks gaining more than 14%. Media company **Discovery Inc.** posted the best performance in the S&P 500 Index returning 28.12%. The stock jumped on Friday with Bank of America analyst upgrading it to a buy, noting the company’s potential once the \$43 billion merger with AT&T’s entertainment and streaming asset WarnerMedia is complete. Earnings announcements expected this week include **JPMorgan Chase & Company**, **Wells Fargo & Company**, **BlackRock Inc.**, and **Citigroup Inc.**, among others.

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