

Open-End Net Fund Flows (\$)	11/21	10/21	YTD (Nov)
Equity	-34.51B	-20.65B	-364.32B
Taxable Bond	11.71B	12.02B	315.50B
Municipal Bond	4.88B	1.79B	81.36B
Hybrid	-1.47B	-1.83B	-5.13B
Taxable Money Market	66.14B	12.12B	304.40B

Key Interest Rates	12/31/21	6/30/21	12/31/20
Federal Funds Target Rate	0.25%	0.25%	0.25%
ICE LIBOR (3-Month)	0.21%	0.15%	0.24%
2-Year T-Note	0.73%	0.25%	0.12%
10-Year T-Note	1.51%	1.47%	0.91%
Bond Buyer 40	3.45%	3.41%	3.46%

Commodities/U.S. Dollar	12/21	YTD	12 Mo.
U.S. Dollar Index (DXY)	-0.33%	6.37%	6.37%
Refinitiv/CC CRB Excess Ret.	6.01%	38.48%	38.48%
Crude Oil/WTI (per Barrel)	13.64%	55.01%	55.01%
Natural Gas (per million BTUs)	-18.38%	46.85%	46.85%
Gold Bullion (Ounce)	3.10%	-3.51%	-3.51%

Total Return Performance

U.S. Stock Indices	12/21	YTD	12 Mo.
S&P 500	4.47%	28.68%	28.68%
DJIA	5.53%	20.95%	20.95%
NASDAQ 100	1.19%	27.51%	27.51%
S&P MidCap 400	5.07%	24.73%	24.73%
Russell 2000	2.23%	14.78%	14.78%
Russell 3000	3.93%	25.64%	25.64%

U.S. Styles/Market Caps	12/21	YTD	12 Mo.
S&P 500 Growth	2.47%	32.00%	32.00%
S&P 500 Value	7.03%	24.86%	24.86%
S&P MidCap 400 Growth	4.11%	18.89%	18.89%
S&P MidCap 400 Value	5.90%	30.61%	30.61%
Russell 2000 Growth	0.44%	2.82%	2.82%
Russell 2000 Value	4.08%	28.21%	28.21%

Foreign Stock Indices (USD)	12/21	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	5.08%	12.62%	12.62%
MSCI Emerging Markets NET	1.88%	-2.54%	-2.54%
MSCI Europe NET	6.60%	16.30%	16.30%
MSCI BRIC NET	-0.99%	-11.25%	-11.25%
MSCI EM Latin America NET	5.94%	-8.09%	-8.09%
Nikkei 225	1.74%	-4.42%	-4.42%

Bloomberg Fixed Income Ind.	12/21	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.26%	-1.72%	-1.72%
GNMA 30 Year	-0.09%	-1.46%	-1.46%
Municipal Bond (22+)	0.22%	3.17%	3.17%
U.S. Aggregate	-0.26%	-1.54%	-1.54%
Intermediate Corporate	0.15%	-1.00%	-1.00%
U.S. Corporate High Yield	1.87%	5.28%	5.28%
Global Aggregate	-0.14%	-4.71%	-4.71%
EM Hard Currency Aggregate	1.06%	-2.57%	-2.57%

Sources: Bloomberg and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

Suffice it to say that 2021 was a pleasant surprise with respect to how markets performed, particularly equities, real estate and commodities. Returns were strong despite the headwinds from the ongoing COVID-19 pandemic, supply-chain bottlenecks and surging inflation. It was risk-on for investors in 2021, and businesses, too. Refinitiv reported that global mergers & acquisitions (M&A) activity jumped 64% year-over-year to a record \$5.8 trillion in 2021. The U.S. accounted for \$2.5 trillion of M&A activity. Heading into 2022, we expect all eyes to remain on the Federal Reserve ("Fed"). The Fed has noted its intention to end its bond buying program early in 2022 and has acknowledged that it could hike the federal funds rate three times during the year. Will that finally send bond yields higher? We'll see.

Stock Market

The S&P 500 Index closed December at 4,766.18, 0.56% below its all-time closing high of 4,793.06 on 12/29/21, according to Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 2.36% and 4.39%, respectively, below their record closing highs as of month-end. A Bloomberg survey of 19 equity strategists found that their average 2022 year-end price target for the S&P 500 Index was 4,950 as of 12/16/21, according to its own release. The highest and lowest estimates were 5,330 and 4,400, respectively. The S&P 500 Index ("index") posted a total return of 4.47% in December. Ten of the 11 major sectors that comprise the index were up on a total return basis. The top-performer was Consumer Staples, up 10.29%, while the worst showing came from Consumer Discretionary, down 0.25%. In 2021, the S&P 500 Index posted a total return of 28.68%. All 11 major sectors were up on a total return basis. The index's top performer was Energy, up 54.39%, while the worst showing came from Utilities, up 17.67%. How strong has the stock market been? Data from Bespoke Investment Group indicates that the S&P 500 Index achieved 70 record closing highs in 2021, the most since it tallied 77 (all-time high) in 1995, according to Bloomberg. Dow Jones Market Data indicates that the S&P 500 Index outperformed the Dow Jones Industrial Average by 8.16 percentage points and the Nasdaq Composite Index by 5.50 percentage points on a price-only basis (dividends not included) in 2021, according to MarketWatch. That is the widest margin of outperformance by the S&P 500 Index over the other two indices in the same calendar year since 1997. As we have noted many times in recent years, we believe that when the major stock indices are trading at or near their record highs in maturing bull markets, corporate earnings need to continue to grow to drive the market higher. Bloomberg's consensus year-over-year earnings growth rate estimates for the S&P 500 Index for 2022 and 2023 were 8.74% and 9.97%, respectively, as of 12/31/21. These projections, while positive, are more typical than Bloomberg's 2021 growth estimate of 47.26%, which reflects a robust rebound from the COVID-induced -12.44% earnings growth rate posted in 2020.

Bond Market

The yield on the benchmark 10-year Treasury note (T-note) closed trading on 12/31/21 at 1.51%, up six basis points (bps) from its 1.45% close on 11/30/21, according to Bloomberg. The 1.51% yield stood 52 bps below its 2.03% average for the 10-year period ended 12/31/21. Its yield rose 59 basis points in 2021. That half-point rise was enough of a headwind to push the returns of taxable investment-grade bonds into negative territory (see Bloomberg Fixed Income Indices table). As we previously noted, it was risk-on for investors in 2021. The top-performing fixed-income bond category we track was high yield corporates. The Bloomberg U.S. Corporate High Yield Index posted a total return of 5.28% for the year. Investors were willing to accept more risk to garner a higher return. The good news is that the default rate on speculative-grade (high yield) debt is low. Moody's reported that its global speculative-grade default rate stood at 2.0% in November. Moody's puts the historical average default rate at 4.1%. Its baseline scenario sees the default rate declining to 1.7% by June 2022.

Takeaway

We have been prepping investors for rising interest rates, bond yields and inflation for the better part of the last decade. We may finally be on the cusp of it happening. While inflation is already here, higher short-term interest rates are not expected to be triggered by the Fed until later this year, though such projections are always subject to change. The potential for higher yields on intermediate and longer maturity bonds could become more elevated as the Fed approaches the end of its tapering process around the close of Q1'22, or in response to even greater inflationary pressures. The U.S. and global economies have yet to fully reopen due to the ongoing COVID-19 pandemic. Stay tuned!

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	4793.06	12/29/2021	1277.06	1/3/2012	4766.18	-0.56%	28.68%	1.27%
S&P 500 Growth	3423.28	12/27/2021	686.02	1/3/2012	3377.17	-1.35%	32.00%	0.64%
S&P 500 Value	1550.39	12/29/2021	572.94	6/4/2012	1548.48	-0.12%	24.86%	1.97%
S&P MidCap 400	2910.70	11/16/2021	885.52	1/4/2012	2842.00	-2.36%	24.73%	1.38%
S&P MidCap 400 Growth	1427.19	11/16/2021	400.74	1/4/2012	1385.67	-2.91%	18.89%	0.93%
S&P MidCap 400 Value	908.15	11/15/2021	304.28	6/4/2012	889.22	-2.08%	30.61%	1.84%
S&P 100	2212.57	12/27/2021	580.53	1/6/2012	2194.58	-0.81%	29.36%	1.25%
DJIA	36488.63	12/29/2021	12101.46	6/4/2012	36338.30	-0.41%	20.95%	1.73%
NASDAQ 100	16573.34	11/19/2021	2321.96	1/3/2012	16320.08	-1.53%	27.51%	0.62%
Russell 2000	2442.74	11/8/2021	737.24	6/4/2012	2245.31	-8.08%	14.78%	1.15%
Russell 2000 Growth	1709.62	2/9/2021	423.22	6/1/2012	1490.61	-12.81%	2.82%	0.48%
Russell 2000 Value	2643.45	11/8/2021	972.37	6/4/2012	2490.38	-5.79%	28.21%	1.83%
Russell 3000	2803.74	12/27/2021	753.31	1/4/2012	2788.14	-0.56%	25.64%	1.24%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	3452.12	6/4/2012	7784.99	-1.91%	12.62%	2.63%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	608.27	-13.01%	-2.54%	2.42%
Ibovespa/Brazil (USD)	39318.75	3/2/2012	9077.09	1/21/2016	18784.70	-52.22%	-17.98%	8.28%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	1595.76	-16.87%	21.73%	5.75%
S&P BSE 500/India (USD)	335.49	10/18/2021	95.89	9/3/2013	319.63	-4.73%	29.08%	1.14%
Shanghai Composite/China (USD)	832.07	6/12/2015	314.68	12/3/2012	572.64	-31.18%	9.93%	1.98%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	2.50	-14.75%	-4.79%	1.29%
Hang Seng (USD)	4241.01	1/26/2018	2343.90	6/4/2012	3000.66	-29.25%	-12.33%	2.54%
MSCI Euro (USD)	1705.00	9/6/2021	814.62	6/1/2012	1655.32	-2.91%	15.96%	2.28%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	311.47	1/3/2012	1610.76	-3.74%	24.43%	0.54%
S&P 500 Consumer Staples	804.60	12/31/2021	329.84	1/31/2012	804.60	0.00%	18.63%	2.36%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	422.74	-42.65%	54.39%	4.33%
S&P 500 Utilities	363.71	12/31/2021	171.80	11/15/2012	363.71	0.00%	17.67%	2.91%
S&P 500 Financials	675.21	10/26/2021	179.12	1/4/2012	650.04	-3.73%	34.87%	1.73%
S&P 500 Banks	453.25	10/22/2021	134.10	1/3/2012	418.20	-7.73%	35.44%	2.21%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	441.16	1/4/2012	980.08	0.00%	41.27%	2.56%
S&P 500 Health Care	1650.43	12/30/2021	405.21	1/4/2012	1643.92	-0.39%	26.13%	1.40%
S&P 500 Pharmaceuticals	963.70	12/16/2021	330.20	2/10/2012	956.47	-0.75%	25.75%	2.31%
NYSE Arca Biotechnology	6319.77	2/8/2021	1098.89	1/4/2012	5518.45	-12.68%	-3.52%	0.38%
S&P 500 Information Technology	3107.46	12/27/2021	416.83	1/3/2012	3055.45	-1.67%	34.52%	0.74%
Philadelphia Semiconductor	4039.51	12/27/2021	351.45	7/17/2012	3946.17	-2.31%	42.85%	1.02%
S&P 500 Communication Services	288.46	9/1/2021	123.74	1/27/2012	267.48	-7.27%	21.57%	0.81%
S&P 500 Industrials	905.34	11/9/2021	288.15	6/4/2012	894.96	-1.15%	21.10%	1.36%
S&P 500 Materials	569.63	12/31/2021	206.38	5/18/2012	569.63	0.00%	27.28%	1.66%
Philadelphia Gold & Silver	202.74	2/2/2012	38.84	1/19/2016	132.45	-34.67%	-6.62%	1.80%
Refinitiv/CC CRB Excess Return	325.91	2/24/2012	106.29	4/21/2020	232.37	-28.70%	38.48%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	159.42	12/31/2011	316.56	-0.97%	2.46%	4.11%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	272.53	12/31/2011	521.87	-0.05%	5.35%	4.92%

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