

Market in Review

Equity Markets:

Once again, Mega-Cap and Tech stocks lagged their counterparts. The NASDAQ was essentially flat, down 0.1%; while the S&P 500 was up 0.9% to close out the final trading week of the year. T. Rowe Price Traders noted trading volume was less than half of recent weeks. It appears many investors sat out the final week of trading. The S&P's return of just under 26.9% for 2021 is the 6th highest annual return since 1990, according to FactSet.

Fixed Income Markets:

The yield curve has flattened as short-term rates have risen on the heels of Omicron. The 10-yr Treasury finished the week at 1.51%, with the 2-yr at 0.734%, narrowing the 2s/10s spread to 0.778%. 2021 was a tough year for fixed income investors. Starting the year off in a historically low yield environment, many expected to see a large rise in yields. Rates did work their way slightly higher toward year-end, and the US Aggregate Bond Index was down ~1.7% for the year.

Economic:

The economic calendar was very light to end the year with no major numbers being released. This will change as we kick off 2022 with many important economic readings.

Looking Ahead

Equity Markets:

Another year of the pandemic is behind us, and the markets will look to build on the strength of 2021. Important economic data, corporate earnings/guidance and specifics on the game plan from the Fed should be major factors influencing the markets. A similar theme should continue to be watched – the COVID variant Omicron. It appears the market has braced for the widespread, but less severe, Omicron and is thus not likely to have a major impact. However, continued downward pressure in the markets related to COVID cannot be ruled out quite yet. After months of little volatility, the end of 2021 was the opposite. There were large daily moves in both directions, and we believe volatility is likely to persist.

Fixed Income Markets:

The minutes from the Fed's December meeting will be released this week. This will give market participants the ability to read through the fine details behind the decision to accelerate the taper on their asset purchase program. We will also see the full discussion regarding the likely rate hikes to happen in 2022. The minutes allow investors to dissect the Fed's new stance, and assess the likelihood of their new policy going as planned. Later in the week, members of the Fed will be speaking. With monetary policy in the headlines for weeks, and to likely be a major factor in the markets going forward, hearing from the decision-makers themselves will always garner attention.

Economic:

Important economic numbers will start the year off. We will have the readings on Manufacturing and Service Sectors activity. November's Trade Balance, a lagging but important number, will be announced next week. On Friday, December's Non-Farm Payroll will be released, which many see as the headline report for the week.

Important Disclosures:

Investment Advisory Services offered through Krilogy®, an SEC Registered Investment Advisor. Please review all prospectuses and Krilogy's Form ADV 2A carefully prior to investing. This is neither an offer to sell nor a solicitation of an offer to buy the securities described herein. An offering is made only by a prospectus to individuals who meet minimum suitability requirements.

All expressions of opinion are subject to change. This information is distributed for educational purposes only, and it is not to be construed as an offer, solicitation, recommendation, or endorsement of any particular security, products, or services. Diversification does not eliminate the risk of market loss. Investments involve risk and unless otherwise stated, are not guaranteed. Investors should understand the risks involved of owning investments, including interest rate risk, credit risk and market risk. Investment risks include loss of principal and fluctuating value. There is no guarantee an investing strategy will be successful. Past performance is not a guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio. The S&P data is provided by Standard & Poor's Index Services Group.

Services and products offered through Krilogy® are not insured and may lose value. Be sure to first consult with a qualified financial advisor and/or tax professional before implementing any strategy discussed herein.