

December 2021 Flash Report

Overview: Domestic Equity markets were impressive in 2021 where the S&P 500 gained 28.7% in the year despite the Omicron outbreak, supply and labor shortages and the resurgence of inflation. Overseas markets were more muted with EAFE rising only 11.8% while the Emerging markets fell by 2.2%.
Federal Reserve: The Federal Reserve began to shift its focus by tapering its pandemic-era stimulus more aggressively as prices increased significantly buoyed by strong consumer demand and supply constraints. They also signaled a policy shift that could result in higher interest rates for 2022.
Employment: Initial claims for unemployment benefits ended 2021 near pre-pandemic levels after an improving labor market resulted in claims falling roughly fourfold over the course of the year. Job openings also ended the year near record highs as the demand for workers remains high.

Equities: Domestic – Equities closed out an impressive year with the S&P 500 gaining 4.5% in December. The Russell 1000 Value index rose by 6.3% led by Real Estate, Consumer Staples, Healthcare and Utilities. For the year, the Russell Growth index earned 27.6% while Value increased by 25.2%.

The **R2000** earned 2.2% in the month and 14.8% for the year, trailing larger companies by a considerable margin. The Small Growth index rose by 0.4% while Value gained 4.1% in the month. YTD, the Russell Value gained 28.3%.

International – EAFE markets earned 5.1% in December. The Dollar weakened in the month, adding 0.8% to the results. However, EAFE's 11.8% gain for the year reflected a loss of 7.5% due to a stronger Dollar. France(+20%) and Canada(+27%) led the international markets while Japan(+2.0%) and Hong Kong (-3.9%) detracted from results for the year.

Emerging Mkts – Emerging markets gained 1.9% in December ending a difficult year, down 2.2%. Currency accounted for 2% of the loss. China declined 3.2% in the month resulting in a 21.6% loss YTD. In contrast, India had an excellent year, gaining 27%. Higher oil prices bolstered producing countries such as Russia (+20%) and the Middle eastern markets. Latin America, excluding Argentina (+21%) experienced significant losses, falling 7.7% for the year.

Fixed Income: Rates moved higher in December as the Fed signaled it will address inflation by tapering its stimulus program & maybe raise rates in 2022.

90 Day T-bill yield fell slightly to 0.03%. The **10 Year Treasury** yield rose by 7bps to 1.51% while the **30 Year Treasury** yield closed at 1.90%, 11bps higher. The 10 Year rate has risen 60bps in 2021 while the 30 Year increased by 26bps.

Municipal yields were relatively unchanged in December. The **1 Year Municipal** yield remained at 0.19%. The **30 Year Municipal** yield fell by 1bp to 1.54%; 36bps or 19% discount versus the **30 Year Treasury**, presenting an attractive after-tax yield for taxable investors.

International: **German** rates were less negative by 10bps to a (0.7%) yield for the **2 Year Bund** and 20bps to a negative (0.2%) yield for the **10 Year**. The **UK 10 Year Gilt** yield rose by 20bps to 1.0%. The **Japanese 10 Year Gov't** bond yield was higher by 1bp to 0.06% in December. The **2 Year** Yield became less negative by 3bps to close at (0.10%).

High Yield bonds gained 1.9% in December, closing with an average yield of 4.9%. The Aggregate Bond Index fell by 0.3% in the month as longer rates moved higher, reflecting an approximate yield of 1.8%.

Commodities: WTI Crude Oil gained **\$8.9/barrel** to **\$75.4/barrel** in December. Oil prices rose to the highest level since late November on hopes that the Omicron coronavirus variant will have a limited impact on global demand in 2022 even as surging cases caused flight cancellations.

Gold prices gained **\$57/oz** to close at **\$1830/oz** but still registered the steepest annual drop since 2015 as investor appetite for the traditional safe-haven asset sagged. Gold generally trades inversely to the dollar and interest rates and has been hampered by the strength of the currency in 2021.

	1 Month	3 Months	YTD	1 Year	3 Years	5 Years
Domestic Equities						
Dow Jones	5.5%	7.9%	21.0%	21.0%	18.5%	15.5%
S&P 500	4.5%	11.0%	28.7%	28.7%	26.1%	18.5%
Russell LG Value	6.3%	7.8%	25.2%	25.2%	17.6%	11.2%
Russell LG Growth	2.1%	11.6%	27.6%	27.6%	34.1%	25.3%
Russell 2000	2.2%	2.1%	14.8%	14.8%	20.0%	12.0%
NASDAQ	0.9%	8.7%	22.4%	22.4%	34.4%	25.0%
MLP Index	3.6%	0.6%	40.2%	40.2%	2.1%	-2.7%
REIT Index	9.6%	16.2%	41.3%	41.3%	19.9%	12.5%
International Equities						
EAFE	5.1%	2.7%	11.8%	11.8%	14.1%	10.1%
EAFE Small Companies	4.4%	0.1%	10.5%	10.5%	16.1%	11.5%
Emerging Markets	1.9%	-1.2%	-2.2%	-2.2%	11.3%	10.3%
China	-3.2%	-6.1%	-21.6%	-21.6%	7.9%	9.5%
Fixed Income						
US Agg	-0.3%	0.0%	-1.5%	-1.5%	4.8%	3.6%
US High Yield	1.9%	0.7%	5.3%	5.3%	8.8%	6.3%
Municipal Bonds	0.2%	0.7%	1.5%	1.5%	4.7%	4.2%
Currencies						
EURO	0.8%	-1.7%	-7.0%	-7.0%	-0.2%	1.5%
British Pound	2.2%	0.5%	-0.9%	-0.9%	2.0%	1.9%
Japanese Yen	-1.7%	-3.1%	-10.4%	-10.4%	-1.6%	0.3%
Commodities						
Bloomberg Commodity	3.5%	-1.6%	27.1%	27.1%	9.9%	3.7%
S&P GSCI Crude Oil	14.0%	2.8%	62.3%	62.3%	-4.8%	-6.5%
Gold	2.9%	4.0%	-4.3%	-4.3%	11.0%	8.4%

Harpwell Advisors Periodic Table of Returns

December 31, 2021

2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
China 23.1%	NASDAQ 40.1%	REITs 28.0%	EAFE SC 9.9%	R2000 21.3%	China 54.3%	Municipals 1.3%	NASDAQ 36.7%	NASDAQ 44.9%	Oil 62.3%
EAFE SC 20.4%	R2000 38.8%	NASDAQ 14.8%	NASDAQ 7.0%	Alerian 18.3%	Emerging 37.8%	Aggregate 0.0%	R1000G 36.4%	R1000G 38.5%	REITs 41.3%
REITs 19.7%	R1000G 33.5%	S&P500 13.7%	R1000G 5.7%	R1000V 17.3%	EAFE SC 33.5%	R1000G -1.5%	Oil 34.1%	China 29.7%	Alerian 40.2%
Emerging 18.6%	R1000 33.1%	R1000V 13.5%	Municipals 3.3%	High Yield 17.1%	R1000G 30.2%	High Yield -2.1%	S&P500 31.5%	R1000 21.0%	S&P500 28.7%
EAFE 17.9%	R1000V 32.5%	R1000 13.2%	REITs 2.8%	DJIA 16.5%	NASDAQ 29.6%	Gold -2.8%	R1000 31.4%	Gold 21.0%	R1000G 27.6%
R1000V 17.5%	S&P500 32.4%	R1000G 13.1%	S&P500 1.4%	R1000 12.1%	DJIA 28.1%	NASDAQ -2.8%	REITs 28.7%	R2000 20.0%	Commodities 27.1%
NASDAQ 17.5%	DJIA 29.7%	DJIA 10.00%	R1000 0.9%	S&P500 12.0%	EAFE 25.6%	60/40 -2.9%	R1000V 26.5%	Emerging 18.7%	R1000 26.5%
R1000 16.4%	EAFE SC 29.7%	60/40 10.0%	Aggregate 0.6%	Commodities 11.8%	S&P500 21.8%	DJIA -3.5%	R2000 25.5%	S&P500 18.4%	R1000V 25.2%
R2000 16.4%	Alerian 27.6%	Municipals 9.1%	60/40 0.5%	Emerging 11.6%	R1000 21.7%	REITs -4.0%	EAFE SC 25.5%	60/40 16.4%	NASDAQ 22.4%
S&P500 16.0%	EAFE 23.3%	China 8.3%	DJIA 0.2%	NASDAQ 8.9%	R2000 14.7%	S&P500 -4.4%	DJIA 25.3%	EAFE SC 12.8%	DJIA 21.0%
High Yield 15.8%	60/40 18.1%	Aggregate 6.0%	EAFE -0.4%	60/40 8.8%	60/40 13.9%	R1000 -4.8%	China 23.7%	DJIA 9.7%	R2000 14.8%
R1000G 15.3%	High Yield 7.4%	R2000 4.9%	R1000V -3.8%	REITs 8.6%	R1000V 13.7%	R1000V -8.3%	EAFE 22.7%	EAFE 8.3%	60/40 14.2%
60/40 11.5%	Oil 6.0%	Alerian 4.8%	R2000 -4.4%	Oil 8.0%	Gold 12.8%	R2000 -11.0%	60/40 21.8%	Aggregate 7.5%	EAFE 11.8%
DJIA 10.2%	China 4.0%	High Yield 2.5%	High Yield -4.5%	Gold 7.8%	REITs 8.7%	Commodities -11.3%	Emerging 18.9%	High Yield 7.1%	EAFE SC 10.5%
Municipals 6.8%	REITs 2.9%	Gold -1.8%	China -7.6%	R1000G 7.1%	High Yield 7.5%	Alerian -12.4%	Gold 18.0%	Municipals 5.2%	High Yield 5.3%
Gold 6.1%	Aggregate -2.0%	Emerging -1.8%	Gold -10.9%	Aggregate 2.7%	Municipals 5.5%	EAFE -13.4%	High Yield 14.3%	R1000V 2.8%	Municipals 1.5%
Alerian 4.8%	Emerging -2.3%	EAFE -4.5%	Emerging -14.6%	EAFE SC 2.6%	Oil 4.1%	Emerging -14.2%	Aggregate 8.7%	Commodities -3.1%	Aggregate -1.5%
Aggregate 4.2%	Municipals -2.6%	EAFE SC -4.6%	Commodities -24.7%	EAFE 1.5%	Aggregate 3.5%	EAFE SC -17.6%	Commodities 7.7%	REITs -5.1%	Emerging -2.2%
Commodities -1.1%	Commodities -9.5%	Commodities -17.0%	Alerian -32.6%	China 1.1%	Commodities 1.7%	China -18.8%	Municipals 7.5%	Alerian -28.7%	Gold -4.3%
Oil -11.5%	Gold -28.7%	Oil -42.6%	Oil -45.3%	Municipals 0.3%	Alerian -6.5%	Oil -20.5%	Alerian 6.6%	Oil -60.3%	China -21.6%