



THE WEEK IN REVIEW

U.S. stocks opened the new year on a high note until minutes from the Federal Open Market Committee's (FOMC) December meeting were released on Wednesday afternoon. A more hawkish tone from most policymakers on the timing of interest rate hikes weighed on market sentiment. The S&P 500 set a new closing high on Monday of 4796.56, but ended the week down 1.9%. Rising West Texas Intermediate (WTI) crude oil prices, which briefly surpassed \$80 per barrel, propelled the energy sector (10.6%) to the strongest weekly return of all S&P 500 groups. Rising bond yields supported the S&P 500 financials sector, which climbed 5.4% on the week. The technology (-4.7%) and healthcare (-4.7%) sectors were the worst performing S&P 500 groups this week. Yields on 10-year U.S. Treasury bond and 5-year note both rose by more than 0.20% over the last five days and were near 1.77% and 1.51%, respectively, late in today's session.

Minutes from the FOMC's December policy-setting meeting indicated most members have adopted a less dovish tone and are at least open to considering a faster pace of policy accommodation removal than several months ago. The minutes included notes of a conversation between policymakers of the appropriate timing for reducing the Federal Reserve's balance sheet, which would be a logical third step after ending balance sheet expansion and raising the policy rate off the zero bound.

The U.S. economy added fewer jobs than expected in December amid a surge in COVID-19 infections driven by the omicron variant. The Labor Department reported that American employers added 199,000 jobs in the final month of the year, which was well below the median estimate of 450,000 from a recent Bloomberg survey of economists. Payrolls in October and November were upwardly revised by 102,000 and 39,000, respectively. The unemployment rate dropped more than expected to 3.9% and average hourly earnings climbed 0.6% in December and 4.7% on a year-over-year basis compared to estimates of 4.2%. The overall labor force participation rate was unchanged at 61.9%.

American manufacturing expanded in December at the slowest pace in almost a year as factories dealt with continued labor and material shortages. According to the Institute for Supply Management (ISM), its index of U.S. manufacturing activity declined to 58.7% in December compared to 61.1% in November. The ISM said its non-manufacturing activity index fell to 62.0 last month from 69.1 in November. For both ISM indexes, readings above 50 indicate expansionary activity.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
ISM Manufacturing	58.7	61.1	▼
JOLTS Job Openings (Millions)	10.56	10.63	▼
Non-Farm Payrolls (Thousands)	199	379	▼
Unemployment Rate	3.9%	4.7%	▼
Average Hourly Earnings (Y/Y)	4.7%	4.5%	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	36231.66	-0.29%	-0.29%	16.72%
NASDAQ	14935.90	-4.53%	-4.53%	14.30%
S&P 500	4677.03	-1.87%	-1.87%	22.96%
MSCI EAFE	2323.20	-0.55%	-0.55%	5.95%
Bbg Barclays Aggregate US	2325.35	-1.26%	-1.26%	-1.96%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.09%	0.06%	0.08%
10-Year Treasury	1.77%	1.47%	1.08%

REPORTS DUE NEXT WEEK	LATEST
NFIB Small Business Optimism	98.4
Consumer Price Index (Y/Y)	6.8%
Producer Price Index (Y/Y)	9.6%
Retail Sales (M/M)	0.3%
U. of Mich. Consumer Sentiment	70.6

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.