Weekly Market Commentary
January 24, 2022

The Markets

When is a barometer not a barometer?

It's widely recognized that people do not make perfect financial decisions. In fact, many investors rely on mental shortcuts when asked to make complex decisions. That may be why there are theories that correlate stock market performance to football, hemlines and sales of headache remedies.

For example, last week several articles about the U.S. stock market used the adage, "As goes January, so goes the year." The saying describes the January Barometer, which holds that the performance of the Standard & Poor's 500 Index in January has predictive value. If stocks gain in January, then the Index may gain over the full year. If stocks decline in January, then the Index may suffer losses over the full year.

According to Jeffrey Hirsch and Christopher Mistal of the Stock Trader's Almanac, the January Barometer has been 84.5 percent accurate since 1950. Of course, the January Barometer was invented in 1972, and when you evaluate its performance since then:

"The January Barometer, in fact, fails real-time tests at the 95 percent confidence level that statisticians often use when determining whether a pattern is genuine. Since 1972 its track record is indistinguishable from a random pattern," wrote Mark Hulbert in *MarketWatch*.

You don't have to look far to find flaws in the pattern.

In 2021, the Standard & Poor's (S&P) 500 Index fell during the month of January and gained 26.8 percent over the full year. The same thing happened in 2020. The S&P 500 declined in January and finished the year with a gain of more than 16 percent. Perhaps this phenomenon will one day be known as the "Pandemic Exception."

The real takeaway from the past two years isn't that the January Barometer is flawed, it's that the U.S. economy, companies and financial markets have proven to be quite resilient.

Last week, major U.S. stock indices moved lower on uncertainty about inflation, the pandemic and Federal Reserve policy, reported Mark DeCambre of *MarketWatch*. The Dow Jones Industrial Average declined 4.6 percent. The S&P 500 was down 5.7 percent, and the Nasdaq Composite dropped 7.6 percent, reported Ben Levisohn of *Barron's*.

Data as of 1/21/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-5.7%	-7.7%	14.1%	18.7%	14.2%	12.8%
Dow Jones Global ex-U.S. Index	-2.1	-1.8	-0.8	8.4	6.3	4.2
10-year Treasury Note (yield only)	1.8	N/A	1.1	2.7	2.4	2.1

Gold (per ounce)	0.8	1.0	-1.3	12.8	8.7	0.9
Bloomberg Commodity Index	1.8	6.2	31.2	9.6	3.5	-2.9

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHICH COUNTRY IS THE MOST INNOVATIVE? The silver lining of the pandemic may be found in innovation, which has flourished as companies, economies and countries have adapted to difficult circumstances.

The Global Innovation Index (GII) tracks 80 indicators that inform innovation. The indicators are grouped into seven categories:

- **Institutions**: Political, regulatory and business environments.
- **Human capital and research**: Education and research and development.
- **Infrastructure**: Information and communication technologies, general infrastructure and ecological sustainability.
- **Market sophistication**: Credit, investment, trade, diversification and market scale.
- **Business sophistication**: Knowledge workers, innovation linkages and knowledge absorption.
- **Knowledge and technology outputs:** Knowledge creation, impact and diffusion.
- **Creative outputs**: Intangible assets, creative goods and services, and online creativity.

In 2021, the top-three innovative countries by income group were:

High-income countries

No. 1. **Switzerland**, with strength in knowledge and technology outputs, infrastructure and creative outputs.
No. 2. **Sweden**, with strength in business sophistication, human capital and research, and knowledge and technology outputs.
No. 3. **United States**, with strength in knowledge and technology outputs and market and business sophistication

Upper-middle income countries

No. 1. **China**, with strength in knowledge and technology outputs and business sophistication.
No. 2. **Bulgaria**, with strength in knowledge and technology and creative outputs.
No. 3. **Malaysia**, with strength in knowledge and technology outputs and market sophistication.

Lower-middle income countries

No. 1. **Vietnam**, with strength in market sophistication and creative outputs.
No. 2. **India**, with strength in knowledge and technology outputs and market sophistication.
No. 3. **Ukraine**, with strength in knowledge and technology outputs and human capital and research.

Low-income countries

No. 1. **Rwanda**, with strength in institutions and business sophistication.
No. 2. **Tajikistan**, with strength in knowledge and technology outputs and market sophistication.
No. 3. **Malawi**, with strength in knowledge and technology outputs and market sophistication.

Switzerland, Sweden, the United States, the United Kingdom and South Korea were the most innovative countries in the world, overall. China was the only middle-income economy among the top 30 most innovative economies in the world.

Weekly Focus – Think About It

"If you have urgent current expenses to cover, then future priorities like college and retirement fall off your radar because they are simply less pressing. Scarcity of attention prevents us from seeing what's really important. The psychology of scarcity engrosses us in only our present needs."

—Sendhil Mullainathan, University of Chicago professor and author

Best regards,

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* You cannot invest directly in an index.
* Stock investing involves risk including loss of principal.
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