

Weekly Market Commentary January 31, 2022

The Markets

Last week, the January stock market decline was interrupted by a Friday afternoon rally.

“The S&P 500 rose 2.4 percent, its biggest one-day jump since June 2020, while the technology-heavy Nasdaq composite rose 3.1 percent. Friday’s gain snapped a three-day streak of losses and left the S&P 500 up 0.8 percent for the week, its first weekly gain this year,” reported Coral Murphy Marcos of *The New York Times*.

The change in direction may have reflected:

- **Confidence in the resilience of the U.S. economy.** The U.S. economy grew 6.9 percent in the fourth quarter of 2021, despite the spread of the Omicron variant. Over the full year, the economy expanded by 5.7 percent. It was the strongest quarterly growth since 1972 and the strongest annual growth since 1984, reported the Bureau of Economic Analysis.
- **Strong corporate profits.** One-third of the companies in the Standard & Poor’s 500 Index have shared how well they did during the fourth quarter. So far, profits were up about 24 percent for the quarter and more than 45 percent for the full year, as measured by the blended earnings growth rate. Above-average earnings growth reflects easy comparisons to weaker earnings in 2020, as well as strong earnings growth in 2021, reported to John Butters of FactSet.
- **A buy-the-dip impulse.** After three consecutive weeks of declines, the S&P 500 is down about 7 percent for the year. Some investors may have identified buying opportunities created as the market repriced in anticipation of rising interest rates.

It’s difficult to know which direction markets will go next; however, an asset manager cited by Nicholas Jasinski of *Barron’s* characterized the January drop as:

“...a ‘garden variety technical correction,’ as opposed to a more pernicious cyclical downturn or systemic problem facing the market. Stocks aren’t falling because analysts are lowering profit forecasts en masse, or because economists are predicting a recession on the horizon. Instead, the correction has taken place because of how richly the market is valued.”

Major U.S. stock indices were flat or up for the week, according to Al Root of *Barron’s*. The yield on 10-year U.S. Treasuries rose during the week before subsiding.

Data as of 1/28/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	0.8%	-7.0%	17.0%	18.8%	14.2%	12.9%
Dow Jones Global ex-U.S. Index	-3.6	-5.3	-1.6	7.0	5.4	3.9
10-year Treasury Note (yield only)	1.8	N/A	1.1	2.7	2.5	1.8
Gold (per ounce)	-2.7	-1.8	-3.5	11.2	8.4	0.3

Bloomberg Commodity Index	1.7	8.1	34.0	10.3	4.3	-3.0
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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.

WHAT DO YOU KNOW ABOUT THE SPACE ECONOMY? Space exploration is making a comeback. Bill Nye, the Science Guy, and Ms. Frizzle of Magic School Bus fame both have series featuring outer space. Venture capital firms have begun to spend more than ever before on space companies. They invested \$17.1 billion in 2021, up from \$9.1 billion in 2020, reported *Space Investment Quarterly*. And the *Bureau of Economic Analysis* has begun developing statistics to measure the contributions of space-related industries to the U.S. economy.

See what you know about the space economy by taking this brief quiz.

1. At the end of 2021, how many active satellites were in orbit around the Earth?
 - a. 100 to 500
 - b. 500 to 5,000
 - c. 5,000 to 10,000
 - d. More than 10,000

2. In 2019, a European spacecraft had to perform an evasive maneuver to avoid a collision with to a private company's satellite. As the space economy grows and space gets more crowded, the world may need:
 - a. Space traffic awareness
 - b. A regulatory framework defining space rights of way
 - c. Cooperation between multiple nations
 - d. All of the above

3. Which country has an ambitious five-year plan for spaceflight and exploration?
 - a. United States
 - b. Russia
 - c. China
 - d. Sweden

4. Several companies are using satellite technology to search for solutions to climate issues. These companies are:
 - a. Monitoring global emissions
 - b. Improving agricultural crop growth
 - c. Identifying targets for conservation and reforestation investment
 - d. All of the above

Weekly Focus – Think About It

“The Earth is the cradle of humanity, but mankind cannot stay in the cradle forever.”

—Konstantin Tsiolkovsky, scientist

Answers: 1) c; 2) d; 3) c; 4) d

Best regards,

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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- * You cannot invest directly in an index.
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