

Weekly Market Commentary February 7, 2022

The Markets

A rosy view through the rearview mirror.

To say that economists did not have great expectations for the January employment report might be understating their position. It was widely believed that the spread of the COVID-19 Omicron variant would translate into a dismal jobs report. It didn't.

"After some estimates called for U.S. payrolls to decline by as much as 400,000, the labor market shockingly added that many jobs in January – and then some," reported Olivia Rockeman of *Bloomberg*.

The United States added 467,000 jobs in January, and the numbers for November and December were adjusted upward, too, by more than 700,000, reported the Bureau of Labor Statistics.

The U.S. unemployment rate ticked up to 4.0 percent as labor force participation rate – the number of people working or actively looking for jobs increased. The change in participation reflected updated population estimates in the household survey based on U.S. Census data that boosted the population of 35- to 64-year-olds and reduced the number of people age 65 and older.

The jobless rate among those seeking employment was 3.4 percent for White people, 3.6 percent for Asian people, 4.9 percent for Hispanic people, and 6.9 percent for Black people. Teenagers had the highest unemployment rate at 10.9 percent.

Signs of the economy's strength during the fourth quarter also showed in company earnings reports. Earnings reflect a company's profitability. With 56 percent of the companies in the Standard & Poor's 500 Index reporting fourth quarter earnings so far, "The index is reporting earnings growth of more than 25% for the fourth straight quarter [of 2021] and earnings growth of more than 45% for the full year," reported John Butters of FactSet.

The jobs and earnings reports paint a picture of robust economic growth in the United States, despite supply chain issues and pandemic variants. Robust economic growth often is accompanied by rising demand for goods and that can push inflation higher, reported *Investopedia*. In 2021, U.S. inflation rose 7 percent, which is well above the 2 percent target set by the Federal Reserve (Fed), reported Christopher Rugaber of AP News.

Last week's jobs report likely reinforced the Fed's commitment to pursue less accommodative monetary policy in 2022. Fed rate increases make borrowing more expensive, which cools economic growth and brings inflation into line.

Major U.S. stock indices moved higher last week, according to Ben Levisohn of *Barron's*. The yield on 10-year U.S. Treasuries finished the week higher.

Data as of 2/4/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.6%	-5.6%	16.2%	18.2%	14.4%	12.8%
Dow Jones Global ex-U.S. Index	2.2	-3.2	-0.6	7.2	5.8	3.8
10-year Treasury Note (yield only)	1.9	N/A	1.1	2.7	2.4	1.9
Gold (per ounce)	0.9	-0.9	1.1	11.2	8.0	0.5
Bloomberg Commodity Index	2.3	10.5	33.7	10.6	4.5	-2.8

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.

THE DOLLARS AND CENTS OF THE OLYMPIC GAMES. Last week, China won the first gold medal of the Beijing Games with a victory in the mixed short track speedskating relay, beating the Italian team by half a skate blade. The U.S. women's hockey team outscored Finland, Russia and Switzerland, and a 21-year-old Swede took home gold in men's moguls.

In many countries, athletes who take home a medal in the winter Olympics receive financial bonuses and other rewards, reported *The Economist* and Brett Knight of *Forbes*. For example,

- Hong Kong promises a \$642,000 bonus for a gold medal. (It hasn't won one yet.)
- Turkey will reward a gold medalist with \$380,000. (It also has yet to win gold.)
- In Italy, a gold medal is worth a bonus of \$214,000.
- Spaniards who take home the gold receive \$112,000.
- German Olympic medalists were rewarded with a lifetime supply of free beer in the 2016 games.
- South Korean medalists are rewarded with an exemption from national military service.
- Slovaks who win individual gold medals receive \$56,000, while those who compete on teams receive \$17,000 each.
- U.S. athletes receive \$37,500 for a gold medal, \$22,500 for silver, and \$15,000 for bronze. (U.S. athletes also receive financial support through training grants, healthcare benefits and endorsements.)

The rewards for Olympic medal winners are reasonably clear. However, the rewards for cities that host Olympic games are less so. James McBride and Melissa Manno of the Council on Foreign Relations reported:

“A growing number of economists argue that the benefits of hosting the games are at best exaggerated and at worst nonexistent, leaving many host countries with large debts and maintenance liabilities. Instead, many argue, Olympic committees should reform the bidding and selection process to incentivize realistic budget planning, increase transparency, and promote sustainable investments that serve the public interest.”

Before the Tokyo Olympics, the event cost was estimated at \$7 billion. Recent estimates of the actual cost are around \$28 billion.

That's a significant cost overrun.

Weekly Focus – Think About It

“I am very proud of my mom and consider her the most courageous woman I know. With perseverance, sacrifice, and hard work, she raised a family of Olympic athletes and gave us the tools and the spirit to succeed. That is something that my brothers and I will always be thankful for.”

—Diana López, Olympic medalist

Best regards,

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- * 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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