

## U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 4.47% in December, rebounding from November's negative return.
- ▶ Within the S&P, 10 of the 11 sectors posted positive returns. The Consumer Staples sector was the best performer of the month, returning 10.29%. Real Estate was the second-best sector, returning 10.23%. Consumer Discretionary was the worst performing sector posting a negative return of -0.25%.
- ▶ By market capitalization, small-caps (Russell 2000) returned 2.23%, large-caps (Russell 1000 Index) returned 4.04%, and mid-caps (Russell Mid Cap Index) returned 4.08%. Value stocks outperformed growth stocks across all capitalizations.

## Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 4.13%. Developed markets, represented by the MSCI EAFE Index, returned 5.12%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned 1.88% in December.
- ▶ Within the ACWI ex-U.S. Index, 10 of the 11 sectors posted positive returns. Consumer Staples was the best performing sector, returning 5.90%, the second-best performer was Materials, returning 5.86%. Telecom was the worst performer by far, returning -0.64%.
- ▶ Non-U.S. returns were positive. The UK performed the best, returning 7.30%, while EM Asia lagged for the month, returning 1.51%.

## Fixed Income

- ▶ In December, the U.S. Treasury yield curve steepened slightly, with rates rising on the longer end of the curve, while rates on the shorter end remained anchored by the fed funds rate. The 10- and 30-year treasuries rates rose six and 11 basis points (bps), respectively, leading to the broad treasury index returning -0.60%. Credit spreads generally continued to tighten.
- ▶ The Bloomberg Barclays U.S. Aggregate Index (Aggregate) lost -0.26% in December. Within the investment-grade (IG) credit spectrum, AAA-rated bonds returned -0.31%, AA-rated bonds returned -0.39%, A-rated bonds returned -0.19%, and BBB-rated bonds returned 0.11%.
- ▶ Yields generally increased across the yield curve during December.

## Alternatives and Other Asset Classes

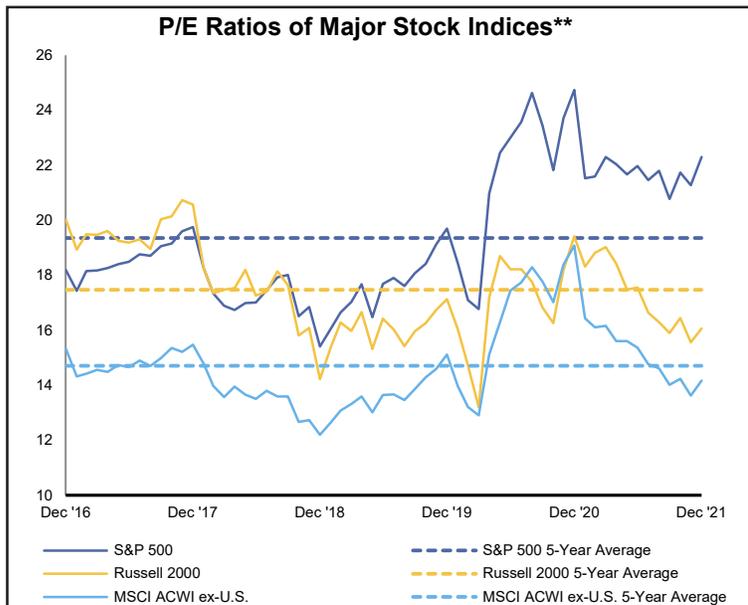
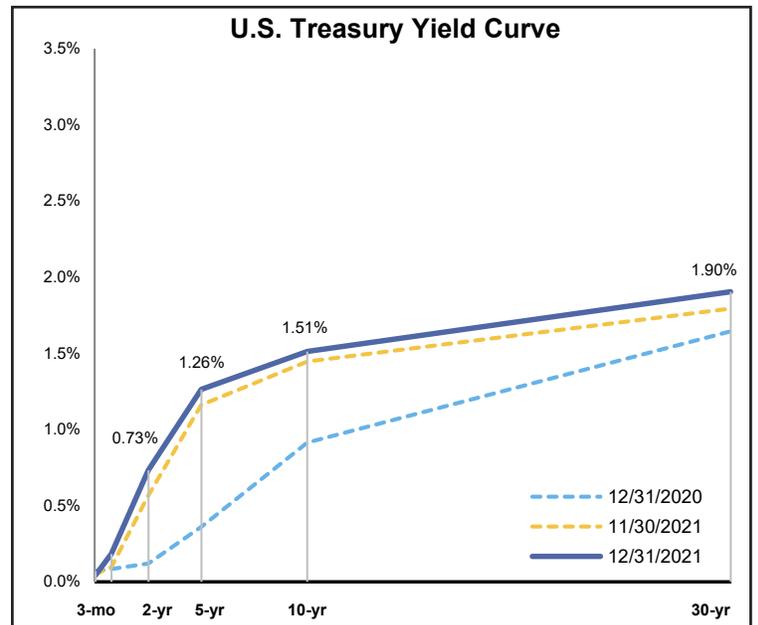
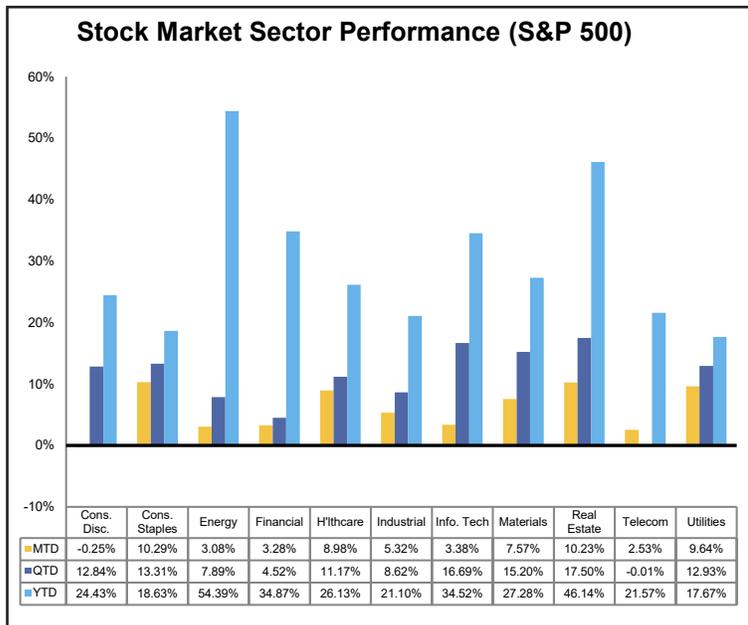
- ▶ Real estate investment trusts (REITs) represented by the FTSE NAREIT Index rose 8.83%. Performance was positive across all of the nine real estate sectors. Industrial did the best, returning 11.43%. The worst performing sector of the month was Data Centers, returning 4.40%.
- ▶ The active contract for West Texas Intermediate (WTI) crude fell to \$75.21/barrel in December from \$83.57/barrel at the end of November.

## Items to Watch

- ▶ Omicron remains top of mind as the U.S. surpassed one million new COVID-19 cases, the highest one-day tally of new cases anywhere in the world. The two-week trend saw a 246.6% increase in cases, with the expected peak still yet to come. This wave of infections has caused another round of disruptions, with January 5 marking the eleventh straight day of more than 1,000 flight cancellations as airlines and other businesses see staffing shortages due to infections. Hospitalization rates in many COVID-19 hotspots have exceeded the peak of last winter's surge, however they remain a much smaller proportion of cases, supporting preliminary data that this variant may be less severe than previous strains.
- ▶ Earlier and faster rate increases may be coming soon. The Federal Reserve's December policy meeting ended with the policymakers signaling three rate increases for 2022 as well as three in the following year. Concerns of rising inflation and a tight labor market continue to pressure the market.
- ▶ The labor market continues its steady march towards maximum employment. The twelfth consecutive month of job growth in December lowered the unemployment rate to 3.9%, which is the best level since February 2020. While many of those seeking jobs have found employment, businesses seeking workers have struggled as the labor force participation rate remained unchanged at 61.9%. The size of the civilian labor force as whole remains smaller, short more than two million workers when compared with pre-pandemic levels.
- ▶ The world's largest trade agreement, RCEP (Regional Comprehensive Economic Partnership), came into effect on January 1. The free trade agreement among 15 Asia-Pacific nations, including China, makes up approximately 30% of the global economy. This mega-trade agreement is expected to help buffer the impact of COVID-19 on growth and trade, facilitating logistics and distribution in the region.

| Total Return of Major Indices |        |        |        |        |
|-------------------------------|--------|--------|--------|--------|
| Domestic Equity               | MTD    | QTD    | YTD    | 1 YR   |
| S&P 500                       | 4.47%  | 11.02% | 28.68% | 28.68% |
| Russell 3000                  | 3.93%  | 9.27%  | 25.64% | 25.64% |
| Russell 2000                  | 2.23%  | 2.12%  | 14.78% | 14.78% |
| Russell 1000                  | 4.04%  | 9.77%  | 26.43% | 26.43% |
| International Equity          | MTD    | QTD    | YTD    | 1 YR   |
| MSCI ACWI ex-U.S.             | 4.13%  | 1.82%  | 7.82%  | 7.82%  |
| MSCI EAFE                     | 5.12%  | 2.69%  | 11.26% | 11.26% |
| MSCI Emerging Markets         | 1.88%  | -1.31% | -2.54% | -2.54% |
| Fixed Income                  | MTD    | QTD    | YTD    | 1 YR   |
| Bloomberg Barclays U.S. Agg   | -0.26% | 0.01%  | -1.54% | -1.54% |
| Bloomberg Barclays Global Agg | -0.14% | -0.67% | -4.71% | -4.71% |
| Bloomberg Barclays U.S. HY    | 1.87%  | 0.71%  | 5.28%  | 5.28%  |
| Alternatives                  | MTD    | QTD    | YTD    | 1 YR   |
| FTSE NAREIT Equity            | 8.83%  | 16.31% | 43.24% | 43.24% |
| Bloomberg Commodity           | 3.52%  | -1.58% | 27.05% | 27.05% |

| Economic Indicators                        |           |                |
|--|-----------|----------------|
| Domestic                                   | Current   | Previous Month |
| Unemployment Rate (%)                      | 3.9%      | 4.2%           |
| Initial Jobless Claims (4 week average)    | 204.5 K   | 199.8 K        |
| CB Leading Economic Indicators             | 1.1       | 0.9            |
| Capacity Utilization                       | 76.8%     | 76.5%          |
| GDP (annual growth rate)                   | 2.3%      | 6.7%           |
| University of Michigan Consumer Confidence | 70.6      | 67.4           |
| New Home Starts                            | 744 K     | 662 K          |
| Existing Home Sales                        | 6.5 MM    | 6.3 MM         |
| Retail Sales (YoY)                         | 19.5%     | 17.5%          |
| U.S. Durable Goods (MoM)                   | 2.6%      | 0.1%           |
| Consumer Price Index (YoY)                 | 6.8%      | 6.2%           |
| Producer Price Index (MoM)                 | 1.2%      | 1.3%           |
| Developed International*                   | 9/30/2021 | 6/30/2021      |
| Market GDP (annual rate)                   | 3.6%      | 11.9%          |
| Market Unemployment                        | 6.4%      | 6.8%           |



Source: Bloomberg. Data as of December 31, 2021, unless otherwise noted.  
 \*Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2021 due to release dates of numerous countries.  
 \*\*P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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