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**Market Review**

Source: FactSet financial data and analytics

Equity markets bounced back in December as investors gained confidence that Omicron was unlikely to derail economic growth[[1]](#endnote-1). International developed equities led the way returning 5.1% helped by a weaker US dollar, followed by US equities and emerging markets, returning 4.5% and 1.9%, respectively. US equites returned 28.7% in 2021 as the S&P 500 hit 70 new all-time highs during the year, which is just second to 1995’s 77 new all-time high record[[2]](#endnote-2). US dividend equities, were notable as they outperformed the S&P in December and the full year 2021, returning 7.3% and 32.2% for the month and year respectively.

All but one of the S&P 500 sectors was positive for the month of December. Real Estate and Consumer Staples sectors had the largest gains in December and were up 10.2% and 10.3% respectively. The big winner of 2021 was Energy which was up 54.6%, followed by Real Estate which gained 46.2%; both sectors benefited from the reopening trade as COVID restrictions loosened throughout 2021.

The bond markets were relatively flat in December and down for the year. Multiple COVID waves, rising inflation and the Fed signaling it may consider three rate hikes in 2022[[3]](#endnote-3) put added pressure on the fixed income markets and can be attributed to the year’s lackluster performance. Lower quality bonds such as corporate high yield continued its winning streak in December, returning 1.9% for the month and 5.3% for the year as investors sought yield.

The commodity index returned 3.5% in December as inflation remains a major theme. Within the broad commodity complex, the big winner for the year was energy, returning 52.1% for the year. Gold returned 2.9% December but was unable to reverse its slump for the year despite inflation fears. US REITs had another spectacular month returning 9.6% in December, capping of a great year that returned 41.3% in 2021.

Relative to a globally balanced (60/40) equity/bond index, allocations to global equities, US REITs, gold and commodities helped while global bonds hurt for the month.

Source: FactSet financial data and analytics

DEFINITIONS

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| **Asset Class** | **Index** | **Definition** |
| US Equity | S&P 500 | measures the performance of 500 leading companies in the U.S. Constituents generally have a market-cap above $5 billion and represent approximately 80% of the investable market.  |
| Global Equity | MSCI ACWI  | measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe.  |
| International Developed Equity | MSCI EAFE | measures the equity performance of countries considered to represent developed markets, excluding the U.S. and Canada. |
| Emerging Markets (EM) Equity | MSCI Emerging Markets | measures the equity market performance of countries considered to represent emerging markets.  |
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| US Equity | Nasdaq 100 | measures companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology.  |
| Sector – Real Estate  | S&P 500 Sector Real Estate | measures the performance of companies from the following industries: real estate management & development and REITS, excluding mortgage REITS. |
| Sector–Energy | S&P 500 Sector Energy  | measures the performance of companies involved in the development and production of crude oil, natural gas and provide drilling and other energy-related services. |
| Sector - Consumer Staples | S&P 500 Sector Consumer Staples | measures the performance of companies involved in the development and production of consumer products including food and drug retailing, beverages, food products, tobacco, household products and personal products. |
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| US Dividend Equity | MSCI USA High Dividend Yield | measures the performance of stocks selected from the MSCI USA Index, excluding REITS, with higher-than-average dividend yields that are both sustainable and persistent. |
| US Fixed Income | Bloomberg US Aggregate | measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors. |
| US Long Treasuries | Bloomberg US Treasury Long | measures the performance of long-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value. |
| Natural Resources  | S&P Global Natural Resources  | measures the performance of 90 of the largest publicly traded companies in natural resources and commodities business that meet specific investable requirements, offering investors diversified and investable equity exposure across three primary commodity-related sectors: agribusiness, energy, and metals and mining. |
| US High Yield | Bloomberg Barclays US Corporate High Yield | measures the performance of USD-denominated, non-investment-grade, fixed-rate taxable corporate bonds. "High-yield" securities have the middle rating from Moody's, Fitch or S&P of Ba1/BB+/BB+ or below. Index excludes emerging market debt. |
| Silver | Bloomberg Silver Sub-index | is designed to measure the performance of silver as represented by the price of COMEX silver futures contracts.  |
| Commodities | Bloomberg Commodity  | measures the performance of a broadly diversified exposure to physical commodities via futures contracts.  |
| GoldGlobal EquityGlobal Fixed Income | Bloomberg Sub GoldMSCI ACWIBarclays Global Aggregate | measures the performance of futures contract on Gold and is quoted in USD.measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe.measures the performance of global, investment-grade debt from 24 local currency markets. This benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. |
| US REIT | FTSE NAREIT All Equity REITs  | measures the performance of a comprehensive family of REIT indexes that spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors. |
| US Dollar | US Dollar Index | measures the value of the US dollar relative to the value of a 'basket' of currencies of the majority of the U.S.'s most significant trading partners. Factors the exchange rates of six major world currencies: euro, Japanese yen, Canadian dollar, British pound, Swedish krona and Swiss franc.  |

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1. [Risk-on rally resumes as Omicron fears recede | Reuters](https://www.reuters.com/markets/europe/global-markets-wrapup-3-2021-12-23/) [↑](#endnote-ref-1)
2. [S&P 500 Notches 70 All-Time Highs In Biden’s First Year (forbes.com)](https://www.forbes.com/sites/chuckjones/2021/12/31/sp-500-notches-70-all-time-highs-in-bidens-first-year/?sh=3271937de9d3) [↑](#endnote-ref-2)
3. [Fed signals three rate hikes in the cards in 2022 as inflation fight begins | Reuters](https://www.reuters.com/markets/us/fed-prepares-stiffen-inflation-response-post-transitory-world-2021-12-15/) [↑](#endnote-ref-3)