

Weekly Market Commentary January 3rd, 2022

How Did The Numbers Stack Up For 2021?

Stock Market Return

- 2021 was the sixth-best year for U.S. equities since 1990, becoming the ninth year during that time frame with a return above 25%. The S&P 500 closed 70 days at record highs, not quite beating the record set in 1995 (77 days). 2021 was the best year of three years of consecutive double-digit gains, raising the average annual return since 2019 to 26%.
- Looking ahead: Investors should prepare for positive, but more muted gains in the coming year. A slight contraction in the price-to-earnings multiple (valuation) from current elevated levels; positive but slower earnings growth, as profit margins recede from record highs amid rising labor and input costs; and a steady dividend yield support our outlook for an upper single-digit return for the S&P 500 in 2022.
- You should remember (read the chart below) that when the television talks about the 'markets', you should be asking the question... 'which market?'. The U.S. Stock Market has dominated the past several years, but all asset classes tend to move in cycles. This means, be patient if you have an overall balanced portfolio with international stocks, bonds, and other asset classes as you likely did not outperform the S&P 500.

Largest Pullback

- 2021 was rather drama-free, joining an elite club of years without a pullback larger than 5%. Looking at the largest intra-year stock market drawdowns, only '95, '17, and '93 had smaller pullbacks. Despite renewed pandemic challenges and inflation concerns, equities largely looked past these risks as the "buy the dip" mentality produced short and shallow selloffs.
- Looking ahead: The three years with the smallest intra-year market pulldowns were typically followed by years with larger market drawdowns (average 12% in the year following), but positively, none were followed by a bear market. There's a better chance than not that the stock market will experience a 10% correction in 2022. But with fundamentals remaining firmly in the favorable territory, and a correction will be temporary and can be treated as a buying or rebalancing opportunity.

Best and Worst Performing Asset Classes

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	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Top 2 Asset Classes	U.S. Bonds 8%	Int'l Small-caps 20%	U.S. Small-caps 39%	U.S. Large-caps 14%	Int'l Small-caps 10%	U.S. Small-caps 21%	Em. Mkt Equities 37%	Cash 2%	U.S. Large-caps 32%	U.S. Small-caps 20%	U.S. Large-caps 29%
	U.S. High-Yield Bonds 5%	Int'l High-yield Bonds 20%	U.S. Mid-caps 35%	U.S. Mid-caps 13%	U.S. Large-caps 1%	U.S. High-Yield Bonds 17%	Int'l Small-caps 33%	U.S. Bonds 0%	U.S. Mid-caps 31%	U.S. Large-caps 18%	Commodities 27%
Bottom 2 Asset Classes	Int'l Small-caps -16%	Commodities 0%	Em. Mkt Equities -3%	Int'l Small-caps -5%	Em. Mkt Equities -15%	Int'l Large-caps 1%	U.S. Bonds 4%	Em. Mkt Equities -15%	Int'l Bonds 5%	Cash 1%	Em. Mkt Equities -3%
	Em. Mkt Equities -18%	Cash 0%	Int'l Bonds -3%	Commodities -33%	Commodities -33%	Cash 0%	Cash 1%	Int'l Small-caps -18%	Cash 2%	Commodities -24%	Int'l Bonds -7%

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	36,338	1.08%
S&P 500 Index	4,766	.85%
NASDAQ	15,645	-.05%
MSCI EAFE	2,335	1.70%
10-yr Treasury Yield	1.51%	1.34%
Gold	\$1,829	1.16%
Bonds	\$114.08	-.10%

Source: Reuters/Wall Street Journal

What's Your Financial New Year's Resolution?

It is that time of the year when you might make a new year's resolution. Will it be exercise? Will it be a new diet? Or will it have something to do with improving your family finances? Making resolutions (or goals) can be a very difficult process because it often makes you face some of your own realities like it or not. When you decide to set goals that are realistic, one system that has worked well over the years is called the S-M-A-R-T goal-setting system. Here is how it works:

S is for Specific- Be very specific about what you are trying to accomplish. Don't tell yourself you want to pay down debt. Instead, give yourself a specific goal such as paying off \$10,000 of debt.

M is for Measurable- Have a way to track your progress. In the last example, make a chart for paying off \$833 a month and cross it off each month when you hit the goal.

A is for Attainable- Goal setting is often 90% mental. If your mind can believe the goal is possible, the rest of you will follow.

R is for Realistic- If you have \$50,000 of debt and make \$50,000 of income, you probably aren't going to pay it all off in one year as a goal. Make sure you are pragmatic in your goal-setting process.

T is for Time-bound- This is extremely crucial in the goal and resolution setting process. Don't say you will lose 15 pounds. Set a specific goal such as losing 15 pounds by the end of March 2022 as an example.

Here are 8 your smart money moves realistic financial resolutions you can pick to start off your new year with a bang!

1) Get A Virtual Online Budget/Spending Plan – Many financial advisors have online account aggregation software through programs such as eMoney, but you can also use online software programs like www.mint.com or Quicken.

2) Be able to explain just 'ONE' mutual fund in your 401(k)- It's amazing the number of college graduates and MBA's who can't a) name one fund in their 401(k) and b) if they can name the fund, they don't know what the investment owns. It's time to get educated and empowered around your finances. Learn how your 401(k) really works.

3) Make a savings goal- Whether it's 10% of your salary or \$10,000, pick a realistic number that you can save. If you put away the maximum in your 401(k) last year, remember to change your payroll contributions to max out here in 2022.

4) Do A Net Worth Statement- How do you know where are going if you don't know where you are at? Figure out your net worth as a starting point as this is a great year-to-year baseline for setting goals.

5) Shop Your Bills- We are in a 'no read' society today with online bill pay. What would happen if you treated your family as a business and called every vendor to see where you could save money?

6) Implement The Rule Of 1/3rds- So to not have your lifestyle outstrip the growth of your income, a great resolution is to 'save' one-third of every bonus and pay raise you get.

7) Stop writing checks- Haven't you noticed the big banks still want \$50 for a refill on your checks? Vow to not write one check this year. Bet you can do it and you can save time and money.

8) Get a will done—if you don't have a will, it's likely your state has one for you. Thus, having one gives you a lot more control. Besides, now you may have been married, divorced, have kids, live in a different state, etc. all of which may have changed your scenario to update a will or get it done for the first time.

Making smart money moves can be the key to success or failure in your overall financial plan. Pick just one or two financial resolutions and write that goal down somewhere you can track it, inspect it, and make it visible. You'll be well on your way to more financial success in 2022.

Earnings Highlights This Week

(source: CNBC)

None this week- earnings season coming next week!

News and Notes:

Time To Start The New Year With A Budget Cleanse?

1. Where do you start here in 2022 if you keep asking this question..."Where does all my money go?"

- Like diet and exercise, starting a budget can be overwhelming so check out The 21 Day Budget Cleanse – www.budgetcleanse.com
- The "B" word can be an ugly word, so the 21 Day Budget Cleanse is like a diet detox for your family finances.
- There are 21 money categories in most budgets done in bite-size nuggets, tackle one day at a time, minimize spending, and maximize value from your vendors.

2. Go To The Grocery Store....Less

- The average person goes over 14x per month (lunch, dinner, online)
- Average time spent in Grocery Store is 43 minutes source:timeinstitute.org
- Make a list before you go to the grocery store, don't go hungry, and download the app of your favorite grocery store for coupons.

3. Curb Your Amazon Habit

- Almost 50% of Amazon Prime members make purchases weekly and 10% make purchases DAILY! Never use the buy now button!
- Use Amazon Household to share your prime benefits- you can put up to 2 adults and 4 teens/children on the same account.
- Use a price history tracker to shop for the best deal. Camel Camel Camel (dot com) is a good one.

4. Stop Wasting Money

- Get rid of subscriptions, apps, memberships you don't use.
- Use an online coupon extension such as Honey or RetailMeNot to get discounts while you a shopping- always ask for a coupon.
- Make dining out something special vs. something expected (skip the wine, split an entrée).

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