

December
2021



Another Record

The US stock market continues to surprise, closing out 2021 with another strong quarter. The S&P500 rebounded from a rough September and moved steadily upward until late November, when concerns about the COVID-19 Omicron variant led to a brief decline. December rallied back to end the year just shy of an all-time high. 2021 marks the third year in a row of strong US stock market gains.

International markets once again trailed the US. Global equities experienced a similar rise in October and November before the Omicron scare sell-off. December's recovery was just enough to move international stocks into positive territory, finishing out the quarter with a gain of 2.69%.

After a very strong 2020, fixed income investments struggled throughout 2021. The early rise in interest rates hurt bond prices during the first quarter, but thankfully stabilized soon after. Fourth quarter saw relatively little movement, as rates oscillated within a small range and ended up nearly unchanged. As we look to 2022, it is encouraging to note that very rarely are there two consecutive calendar years of negative bond returns. In fact, we have not seen that occur since the 1950s.

The overall theme of the quarter was one of generally improving economic fundamentals, driven by the continued wave of consumer demand. The most recent data shows consumer confidence is up, personal spending increased for the ninth consecutive month, and durable goods orders rose more than anticipated. Given the continued labor market recovery and labor shortages in some areas, personal income growth will likely continue as well.

Fears of inflation continue to persist but should moderate as the global supply chain begins to catch up. The Federal Reserve has started to shift its policy; reducing its monthly bond purchases, and setting the stage for potential rate increases in 2022. Those moves should aid in combating inflation, should we see further increases. Medical and policy risks remain the other areas to watch as we move into the new year.

The Infrastructure Investment and Jobs Act was signed into law in mid-November, bringing with it a massive investment into the country's infrastructure. Those funds will make their way to communities and businesses over the next few years as wide-ranging projects addressing roads, lead pipes, broadband, and more are undertaken.

We hope you had a wonderful time over the holidays and wish you a happy, healthy, and prosperous 2022.

As always, [please let us know](#) of any questions or concerns.

The PWM Team

Market Update

Market index returns for the fourth quarter and year of 2021:

	Q4	YTD
DOW	+7.87%	+20.95%
NASDAQ	+8.45%	+22.18%
S&P 500	+11.03%	+28.71%
MSCI EAFE	+2.69%	+11.26%
Barclays Agg	+0.01%	-1.54%

Late in the Year Again

The all-time closing high for the S&P 500 was set on 12/29/21. The S&P 500 has set its closing high for the calendar year during December in 13 of the last 19 years, including each of the last three years.


Up & Down

The nation's personal savings rate has now returned to pre-pandemic levels. The rate was 7.5% in November 2019, rose to 33.8(!) in April 2020, and has returned to 7.5% as of Sept 2021.

Deceptive Volatility

As the stock market increases, point movements in the indexes, such as the DOW, represent smaller percentage movements than they once did. Despite the appearance of "high" volatility this year, 2021 actually had less volatility than we've experienced on average over the last two decades.

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Statements regarding stock market returns refer to the S&P 500 index and bond index returns refer to Barclays Aggregate Index.

S&P 500: The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization US stocks.

The Barclays US Aggregate Index covers the dollar-denominated investment-grade fixed-rate taxable bond market

The Morgan Stanley Capital International Europe, Australia, Far East (MSCI EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australia and the Far East.

DJIA- A price-weighted average of 30 actively traded blue-chip stocks, primarily industrials including stocks that trade on the New York Stock Exchange
Nasdaq- A market-capitalization weighted index of the more than 3,000 common equities listed on the Nasdaq stock exchange.