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Good Morning,

2021 is in the books and stock investors enjoyed solid returns for the third year in row. Bonds struggled as rising interest rates pushed prices down. Balanced portfolios performed well as rising stocks offset the small drop in bonds. Of course, the type of stock owned mattered as energy, real estate, financials, and technology led the way. Larger companies generally outperformed smaller, and growth stocks outperform value. Many analysts believe stocks ended the year fully valued (expensive) and anticipate 2022 will have more muted returns for stock investors. Already in 2022, we have seen many of last year's high-flyers selling off sharply, and the tech heavy NASDAQ index is down 4% this week.

We believe investors should temper their expectations for 2022. It is clear the Fed is ramping up their efforts to rein in inflation with multiple interest rate increases anticipated this year. The release of the December Fed meeting minutes on Wednesday afternoon sent stocks tumbling hard as Fed members also discussed winding down their balance sheet. Remember that rising interest rates make stocks jittery. What we really need is for the pandemic to ease (rather than its current trend of acceleration) so that the employment market can begin to normalize. That is when we'll see the supply chain issues dissipate and inflation slow down.

With so much conflict and identity politics filling the news, it's nice when we can find something that pushes all those struggles aside and unites folks of different backgrounds. Thank goodness for the great outdoors, Netflix, cooking shows, and sports. Whatever your passion is, it's important to look away from the headlines occasionally and to stop taking everything so seriously. We're going to be ok – as long as the Bills win. If they lose, I take back what I just wrote. Yes, I have issues.....

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week!

Wade

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