# Weekly Update

## Central Banks Shift, Stocks Slide

December 17, 2021

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### The Economy

- U.S. equities tumbled during the week ending December 17 amid concerns about the rapid-spreading omicron variant and the specter of higher interest rates. The Federal Reserve signaled that rates would increase during the New Year. Central banks across the globe are prioritizing the battle against elevated and sustained inflation by tightening monetary policy.
- Producer prices jumped by 0.8% in November, according to the Department of Labor, a signal that inflation may further escalate. Costs for businesses surged by 9.6% on an annual basis as the U.S. economy strengthened amid easing lockdown restrictions and climbing demand for goods and services. Supply-chain disruptions and materials shortages also boosted prices.
- U.S. retail sales (which include purchases at stores, restaurants and online) increased by an underwhelming 0.3% in November. Spending fell short of expectations during the popular holiday shopping month due to red-hot inflation. U.S. consumer prices have expanded at the fastest pace in approximately 40 years. Supply-chain disruptions, which have caused goods shortages, further increased prices.
- A jump in fuel and food prices along with shortages in key materials caused total-import prices to accelerate by 0.7% in November and 11.7% for the year. Export prices grew by 1.0% during the month on rising agricultural and nonagricultural costs.
- The outlook for single-family homes improved in December, according to the National Association of Home Builders/Wells Fargo Housing Market Index, propelled by robust demand and improved supply. In the coming months, inflating material prices may present headwinds.
- U.S. industrial production advanced by 0.5% in November. The technology-processing chip shortage combined with hurricane-related disruptions in the oil patch softened manufacturing output during previous months. In the same period, capacity utilization (which reflects the operating limits of U.S. factories, mines and utilities) advanced to 76.8% (a reading of less than 100% indicates that a company is producing less-than-full potential).
- U.S. manufacturing activity (which accounts for approximately 12% of the country's economy) inched lower from 58.3 in November to 57.8 in December, as measured by Markit's manufacturing purchasing managers' index (PMI). Momentum in the sector has waned on supply-chain disruptions and a shortage of factory workers.
- The rate of initial jobless claims increased to 206,000, up from the lowest level since 1969 during the week ending December 11. The report points to a tight labor market.
- Mortgage-purchase applications widened by 1.0% for the week ending December 10, while refinancing applications tumbled by 6.0%. The average interest rate on a 30-year fixed-rate mortgage increased to 3.12% from 3.10% in the prior week.

### Stocks

- Global equities closed lower for the week. Developed markets led emerging markets.
- U.S. equities were in negative territory. Utilities and consumer staples were the top performers, while information technology and energy lagged. Value stocks led growth stocks and small caps beat large caps.

### Bonds

- The 10-year Treasury bond yield decreased to 1.41%.
- Global bond markets were in positive territory this week.
- Global corporate bonds led, followed by high-yield bonds and global government bonds.

| The Numbers as of December 17, 2021 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | -0.7% | 14.6% | 15.4% | 740.9 |
| MSCI EAFE ($) | 0.5% | 7.1% | 7.4% | 2300.4 |
| MSCI Emerging Mkts ($) | -1.2% | -5.2% | -3.9% | 1223.9 |
| **US & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | -1.7% | 15.5% | 16.7% | 35365.3 |
| S&P 500 ($) | -1.8% | 23.2% | 24.3% | 4626.1 |
| NASDAQ ($) | -2.9% | 17.7% | 18.8% | 15169.7 |
| S&P/ TSX Composite (C$) | -0.4% | 19.3% | 17.8% | 20800.7 |
| **UK & European Equities** | | | | |
| FTSE All-Share (£) | -0.4% | 12.4% | 11.5% | 4130.9 |
| MSCI Europe ex UK (€) | 0.2% | 19.0% | 19.6% | 1705.8 |
| **Asian Equities** | | | | |
| Topix (¥) | 0.5% | 10.0% | 10.7% | 1984.5 |
| Hong Kong Hang Seng ($) | -3.3% | -14.8% | -13.1% | 23192.6 |
| MSCI Asia Pac. Ex-Japan ($) | -1.5% | -5.9% | -4.4% | 623.3 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | -0.1% | -13.4% | -14.8% | 2123.2 |
| Mexican Bolsa (peso) | 2.3% | 18.9% | 18.2% | 52413.0 |
| Brazilian Bovespa (real) | -0.5% | -9.9% | -9.4% | 107237.7 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | -1.1% | 46.0% | 46.5% | 70.9 |
| Gold Spot Price | 1.2% | -4.7% | -4.4% | 1804.9 |
| **Global Bond Indices ($)** | | | | |
| Barclays Global Aggregate ($) | 0.1% | -4.4% | -4.2% | 534.3 |
| JPMorgan Emerging Mkt Bond | 0.0% | -1.5% | -1.1% | 919.6 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -8 | 49 | 47 | 1.41% |
| UK Gilt | 2 | 56 | 47 | 0.76% |
| German Bund | -3 | 19 | 19 | -0.38% |
| Japan Govt Bond | -1 | 3 | 4 | 0.05% |
| Canada Govt Bond | -14 | 65 | 58 | 1.32% |
| **Currency Returns**** | | | | |
| US$ per euro | -0.7% | -8.0% | -8.4% | 1.124 |
| Yen per US$ | 0.3% | 10.2% | 10.3% | 113.75 |
| US$ per £ | -0.3% | -3.2% | -2.6% | 1.324 |
| C$ per US$ | 1.4% | 1.3% | 1.4% | 1.290 |

**Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.**

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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