PATHSTONE
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Market Flash Report

January 2022

Key Takeaways

- Markets dipped in January as the Omicron variant and the news of increasing interest rates stirred uncertainty in investors. Equities, real estate, and fixed income fell while commodities and natural resources rose.
- Value has been outperforming growth in U.S. equities and large cap outperformed small cap across U.S. and Global equities.
- U.S., U.K., and France all reported single-day record of Covid cases driven by Omicron in mid-January causing increased volatility in equity markets.
- Minutes from the December FOMC meeting showed that officials are fully on board with plans to more swiftly scale back the asset purchase program to give the central bank greater flexibility to raise interest rates this year. During a meeting in January, the Fed signaled it will begin raising rates in March to fight widespread inflation.
- U.S. inflation rose at its fastest pace in nearly 40 years to 7.1% YoY. However, month-over-month inflation slowed to 0.5% from 0.8% in the previous period. Inflation worries drove U.S. Consumer Sentiment to settle near 10-year lows.
- The labor department reported 290,000 initial jobless claims on a seasonally adjusted basis for the week of January 15th, which was the highest since October 2020. However, jobless claims dropped from that 3-month high by the end of the month.
- Oil prices topped $90 for first time since 2014 on rising Ukraine tensions.
- U.S. warns of fragile chip supply as inventory falls to just five days, impacting sales of new cars, computers, and other electronics.
- U.S. goods trade deficit surpassed $100bn for first time.

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Index Performance (as of 1/31/2022)

	January	3 Month	One-Year
Equity			
U.S. Large Cap	-5.17%	-1.61%	23.29%
U.S. Small Cap	-9.63%	-11.46%	-1.21%
Developed Non-U.S.	-4.82%	-4.58%	7.52%
Emerging Market	-1.89%	-4.06%	-6.94%
Real Assets			
Real Estate	-5.01%	-1.51%	17.65%
Commodities	8.78%	4.38%	34.73%
Natural Resource Equities	10.48%	9.68%	52.67%
Fixed Income			
Core Plus			
U.S. High Yield Debt	-2.73%	-1.87%	2.06%
Emerging Market Debt	-0.01%	-1.23%	-7.76%
Core Bonds			
U.S. Aggregate Bonds	-2.22%	-1.77%	-2.07%
U.S. Treasuries	-2.15%	-2.12%	-2.97%
U.S. Municipal Bonds	-1.89%	-1.65%	-3.25%
	Current	Prior Month	One-Year Ago
Month-End Values/Yield			
CBOE Volatility Index	24.83	17.22	30.09
10-Year Treasury Yield	1.79%	1.52%	1.11%

Sources: Bloomberg, Morningstar, treasury.gov. S&P Dow Jones Indices.

You cannot invest directly in an index; therefore, performance returns do not reflect any management fees. Returns of the indices include the reinvestment of all dividends and income, as reported by the commercial databases involved. Returns over one year have been annualized.

Disclosures

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U.S. Large Cap Equity is represented by the S&P 500 Index, with dividends reinvested. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the S&P Global Property Index. Commodities are represented by the Bloomberg Commodity Index. Natural Resource Equities are represented by the S&P North American Natural Resources Index. U.S. High Yield Debt is represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the JPM GMI-EM Global Diversified Index. U.S. Aggregate Bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Bloomberg Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Bloomberg Barclays Municipal 1-10yr Index.