

A STRONG FINISH TO 2021

Markets finished the year strong in December. The S&P 500, an index of the 500 largest companies in America by market value, rose 4.5% and the technology-heavy NASDAQ Index was up 0.7% during the month.

For the year, the S&P 500 Index advanced over 28% and reached 70 new record highs—a feat that hasn't happened in over 25 years. Stocks were broadly higher across sectors and company size. All 11 S&P Sectors had positive returns in 2021 and small-, mid- and large-cap stocks, regardless of value or growth orientation, gained as well.

Although December finished on a strong note, the market was choppy throughout the month. Early in the month, investors worried about increasing coronavirus cases driven by the Omicron variant. As the month unfolded, investors shrugged off the negative news with strong corporate earnings and reports about a healthy holiday shopping season. In addition, the employment recovery in the U.S. continued. In November, the unemployment rate dropped to 4.2% and the average number of weekly jobless benefits claims over the past four weeks fell to under 200,000 - the lowest since October 1969!

In 2021, homeowners, in general, were rewarded with significant gains due to a limited supply of homes on the market, high consumer demand and low mortgage rates. In October's housing report, home prices nationally surged 18.4% from a year earlier.



On the cautionary side, inflation continues to erode consumers' purchasing power. In November 2021, the annual inflation rate in the U.S. increased to 6.8%, which is the largest 12-month increase since June of 1982. Two of the largest relative increases include energy prices, which rose 33.3% over the last year, and food prices, which increased 6.1%.

While 2021 was an exceptional year in the market and returns were significantly higher than the S&P 500's average annual return of 10%, no one can accurately predict market returns or volatility in 2022 and beyond. The key is to have a diversified portfolio and to remain invested.

As we begin 2022, all of us at Jemma Financial would like to wish you a happy, healthy and prosperous New Year and we look forward to working with you throughout the year.



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