January 2022

CHOPPY START TO JANUARY MARKET

In January, volatility returned to the market after a relatively calm 2021. The S&P 500, an index of the 500 largest companies in America by market value, declined 5.2%, the largest one month decline since March 2020. The technology-heavy NASDAQ Index, which includes many headline growth stocks like Apple, Netflix and Tesla, fell about 9% for the month.

The market's choppy start to the year was brought on by an investor shift from faster-growing companies to more value-oriented ones, persistent high inflation and the Federal Reserve's anticipated interest rate hikes. Accordingly, the market is pricing in 3 to 4 rate increases throughout 2022, with the first rate hike occurring in March.

U.S. inflation rose at an annual rate of 7% in December, which continues to be the highest level in nearly 40 years. Prices for cars and trucks, furniture and other durable goods, such as refrigerators and washer and dryers, continued to rise sharply. In fact, used car and truck prices rose over 37% as compared to a year ago, and gasoline is up about $1 a gallon from the start of 2021. Inflation in 2022 is still expected to decline as supply chain problems correct and inventories of consumer items increase.

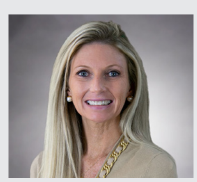
Job growth slowed at the end of 2021 with 199,000 jobs created in the month of December. The unemployment rate dropped to 3.9%, which is the lowest it's been since the beginning of the pandemic. To counter inflation and labor shortages, wages rose 4.5% in 2021, up from 2.6% the year before.

As the economy recovers from the pandemic, U.S. GDP experienced strong growth in 2021. In the fourth quarter, GDP rose at a nearly 7% annual rate bringing the overall growth for 2021 to 5.7%, which is the strongest since 1984.

A negative market in January doesn't necessarily lead to negative performance for the year. In fact, the past 10 times that the S&P 500 declined in January, the Index was positive in 9 of those times over the next 11 months and the market's average gain was 13.1%. We encourage investors to remember that volatility is normal and part of the long-term investment process.

It's important to put market volatility into perspective and view it as a potentially attractive time to invest by taking advantage of lower stock prices. Dollar cost averaging through an automatic investing plan is an effective strategy that helps you do this. Purchasing shares on a regular basis, regardless of the market's direction, can remove any short-term emotionally fueled decisions.

As always, Jemma Financial is here to help you accomplish your financial goals.



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