

December 2021 Market Watch

It proved to be a strong year for stocks in 2021, with U.S. markets ending the year on a positive note with strong gains. To recap the year, recoveries were surprisingly rapid in most countries despite new COVID variants causing concerns. The new Omicron variant caused a major spike in new-case rate although data shows that Omicron cases are milder and require fewer hospitalizations. In the U.S., extra unemployment benefits, a pause on evictions and federal student loan bills, an expanded child tax credit, near-zero interest rates, and stimulus payments provided the economy with relief measures. However, shutdowns put a halt to production while supply chain and labor disruptions continued to fuel price inflation. Yet consumer spending bolstered strong corporate profits — even in the face of higher prices and supply chain delays. Slower global economic growth is still an effect of the pandemic.

The Federal Reserve announced in December tapering would accelerate (\$30B per month, up from previous \$15B - in line with projections) despite previous uncertainty caused by Omicron. In addition, there will likely be three rate hikes in 2022 and three in 2023.

Supply chain and labor shortages, rate hikes, inflation concerns, and COVID waves remain in focus in the new year.

	Date	1 Week Ago		1 Month Ago		YTD	1 Year Ago	
	12/31/21	12/24/21	% chg*	11/30/21	% chg*	% chg*	12/31/20	% chg*
DJIA	36,338.3	35,950.6	1.1%	34,483.7	5.4%	18.7%	30,606.5	18.7%
S&P 500	4,766.2	4,725.8	0.9%	4,567.0	4.4%	26.9%	3,756.1	26.9%
NYSE Comp Index	17,164.1	16,963.4	1.2%	16,319.0	5.2%	18.2%	14,524.8	18.2%
NASDAQ Composite	15,645.0	15,653.4	-0.1%	15,537.7	0.7%	21.4%	12,888.3	21.4%
Russell 2000	2,245.3	2,241.6	0.2%	2,198.9	2.1%	13.7%	1,974.9	13.7%
MSCI EM (Emerging Markets)	1,232.0	1,219.6	1.0%	1,212.4	1.6%	-4.6%	1,291.3	-4.6%
MSCI EAFE	2,336.1	2,314.8	0.9%	2,223.7	5.1%	8.8%	2,147.5	8.8%
Japan Nikkei 225	28,791.7	28,782.6	0.0%	27,821.8	3.5%	4.9%	27,444.2	4.9%
FTSE 100	7,384.5	7,372.1	0.2%	7,059.5	4.6%	14.3%	6,460.5	14.3%
SSE Comp Index	3,639.8	3,618.1	0.6%	3,563.9	2.1%	4.8%	3,473.1	4.8%

US Equity Sector Performance

	Dec	YTD	1 Yr Ret.
Consumer Discretionary	-0.3%	24.4%	24.4%
Consumer Staples	10.3%	18.6%	18.6%
Energy	3.1%	54.6%	54.6%
Financials	3.3%	35.0%	35.0%
Health Care	9.0%	26.1%	26.1%
Industrials	5.3%	21.1%	21.1%
Information Tech	3.4%	34.5%	34.5%
Materials	7.6%	27.3%	27.3%
Communication Services	2.5%	21.6%	21.6%
Utilities	9.6%	17.7%	17.7%
Real Estate	10.1%	45.4%	45.4%

US Equity Style Performance

	Dec	YTD	1 Yr Ret.
Dow Jones Utilities	9.8%	13.4%	13.4%
DJ TRANS Avg.	4.1%	33.2%	33.2%
Russell 1000 Value	6.3%	25.2%	25.2%
Russell 1000 Growth	2.1%	27.6%	27.6%
Russell 2000 Value	4.1%	28.3%	28.3%
Russell 2000 Growth	0.4%	2.8%	2.8%

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U.S. equity sectors closed higher in December, led by gains in Consumer Staples +10.3%, Real Estate +10.1%, Utilities +9.6%, and Healthcare +9.0%. Consumer Discretionary -0.3% was the only losing sector. All sectors ended the year with positive double-digit returns.

Both Developed International Equities (MSCI EAFE) +5.1% and Emerging Market (MSCI EM) +1.6% closed the month higher. However, EM ended the year -4.6%. COVID infections surged to record levels over Christmas in Europe, leading to tightened measures to prevent spread during New Year's celebrations and renewed work from home mandates. Positive PMI manufacturing data and comments from China about their struggling property sector boosted sentiment despite a challenging year.

U.S. government yields ended the year with gains across the board, despite multi-month lows early in December due to worries about tighter monetary policy and Omicron weighing on expectations for economic growth. The 2-Yr note rose to 0.73%, 10-Yr move higher to 1.51% along with the 30-Yr to 1.90% in the month.

The Bloomberg Commodity Index closed +3.5% higher and WTI crude oil closed +13.6% this month at \$75.21, ending the year +55% higher. Oil prices remained volatile as the market processed impacts of Omicron. OPEC's December meeting ended with an agreement to move forward with January production increase. Gold closed the year -3.5%.

Bond Markets (%)

	12/31/21	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.05	0.05	0.08
US Benchmark Bond – 6 Mth	0.19	0.10	0.09
US Benchmark Bond – 2 Yr	0.73	0.52	0.12
US Benchmark Bond – 5 Yr	1.26	1.15	0.36
US Benchmark Bond – 10 Yr	1.51	1.44	0.92
US Benchmark Bond – 30 Yr	1.90	1.78	1.65

US Bond Sector Performance

	Dec	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.26%	-1.69%	-1.69%

Exchange Rates (per US dollar)

	12/31/21	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.263	1.283	1.274
Mexican Peso	20.465	21.490	19.926
Euro	0.879	0.888	0.817
British Pound	0.738	0.756	0.732
Swiss Franc	0.911	0.925	0.884
Chinese Yuan	6.373	6.371	6.540
Indian Rupee	74.336	75.153	73.068
Japanese Yen	115.155	113.545	103.245

Commodities (In US dollars)

	12/31/21	1 Mth Ago	1 Yr Ago
Gold	1,828.60	1,776.50	1,895.10
Crude Oil	75.21	66.18	48.52
US Dollar Index	95.59	96.01	89.89
Bloomberg Commodity Index	99.17	95.80	78.05

Interest Rates (%)

	12/31/21	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	3.25
Federal Funds Rate	0.09	0.09	0.09
Libor Rate 30 Day	0.10	0.09	0.14
Libor Rate 3 Months	0.21	0.17	0.24
30yr Fixed Mortgage	3.11	3.11	2.66

Economic Sentiment

	12/31/21	1 Yr Ago
Unemployment Rate	4.20%	6.70%
Average Single Family Home	378,700	345,400
Capacity Utilization	76.80%	74.11%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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