



Market Commentary December 27, 2021

Dear Investors:

Investors were feeling bullish.

Last week, the Standard & Poor's 500 (S&P 500) Index closed at a record high for the 68th time this year. That's the second-highest number of record closes in a single year. The highest number occurred during 1995, when the S&P 500 had 77 record highs, reported *Reuters*. That was the year the Dow Jones Industrial Average passed 4,000 for the first time and then rose above 5,000, reported Wayne Duggan of *Benzinga*.

"The market deserves to celebrate. [COVID] brought death and dislocation, but we tend to pay too little heed to what didn't happen. If vaccines hadn't changed the pandemic's trajectory, the U.S. would have suffered nearly 1.1 million additional deaths and 10 million more hospitalizations – according to an epidemiological model by the Commonwealth Fund cited this past week in the *Journal of the American Medical Association*," reported Bill Alpert of *Barron's*.

That may be the case, but investors were likely focused on expectations for consumer sentiment, economic growth and corporate earnings.

The Conference Board reported that the consumer outlook for income, business and labor market conditions improved significantly in December, rising from 90.2 to 96.9. A growing share of survey respondents plan to buy houses, cars and major appliances during the next six months. The number of people planning vacations increased, too, reported Lucia Mutikani of *Reuters*.

Consumer optimism could bode well for economic growth, which was robust in 2021, up 6.3 percent in the first quarter of the year, 6.7 percent in the second quarter, and 2.3 percent in the third quarter. The U.S. Bureau of Economic Analysis reported, "From the second quarter to the third quarter, spending for goods turned down (led by motor vehicles and parts) and services decelerated (led by food services and accommodations)."

Despite the July to September slowdown in GDP, corporate earnings remained unusually strong. Earnings are a measure of companies' profitability, Analysts estimated that the corporate earnings growth rate for 2021 is 45.1 percent, year-over-year. That's well above the trailing 10-year average annual earnings growth rate of 5 percent, reported John Butters of *FactSet*.

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All sectors of the S&P 500 Index are expected to have had positive year-over-year earnings growth in 2021. Energy, Industrials, Materials, Consumer Discretionary and Financials sectors have experienced the strongest growth.

We hope the New Year is filled with good health and prosperity.

Data as of 12/23/21	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	2.3%	25.8%	28.1%	26.2%	15.9%	14.1%
Dow Jones Global ex-U.S. Index	1.3	4.7	6.7	11.1	7.3	5.0
10-year Treasury Note (yield only)	1.5	N/A	1.0	2.8	2.6	2.0
Gold (per ounce)	-0.1	-4.4	-3.7	12.7	9.8	1.2
Bloomberg Commodity Index	2.6	26.7	28.4	8.6	2.8	-3.5

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

BEEPLE, THE EVER GIVEN AND BILLIONAIRES IN SPACE...

If you had to describe 2021 with a single word, what would you choose? Innovative? Frustrating? Too much? Something saltier? It certainly wasn't an easy year but, in many ways, it was better than the preceding one. As we say goodbye to 2021, let's not forget:

- **Beauty is in the eye of the beholder.** Non-fungible tokens were among the manias that gripped the global community during 2021. Consider the case of Beeple, a digital artist from Wisconsin who is also known as Mike Winkelmann. Before 2021, the highest price commanded by a Beeple print was \$100, reported Jacob Kastrenakes of *The Verge*. Then his collage, *The First 5000 Days*, became the first digital artwork offered for sale by a prestigious auction house. It sold for more than \$69 million.

Commenting on a picture in the collage, the visionary digital artist said, "It's a picture of my Uncle Jim, who I nicknamed Uber Jay. I probably would have spent more time on this, had I known it would eventually be part of a piece auctioned by Christie's!"

- **Misadventures of the Ever Given.** Global trade was disrupted last March when one of the world's largest cargo ships became wedged in the Suez Canal, blocking all of the ships trying to access the canal for six days. After it was freed, the ship was impounded for three months while reparations were negotiated, reported the BBC.

Its predicament briefly transformed international shipping into a spectator sport. Azmi Haroun of *The Insider* reported, "Social media users were quick to find deeper meaning in the 'Big Engine That Couldn't.'"

- **Billionaires in Space.** Jeff Bezos and Richard Branson journeyed into space along with various guests, courtesy of their respective space programs. Elon Musk's private spaceflight company shuttled NASA astronauts to the International Space Station (ISS). Japanese entrepreneur (and former drummer in a punk rock band) Yusaku Maezawa become the first billionaire on the ISS. He journeyed by Russian rocket, reported the BBC.

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In 2016, Musk explained his focus on space travel. “History is going to bifurcate along two directions. One path is we stay on Earth forever, and then there will be some eventual extinction event...The alternative is to become a spacefaring civilization and a multi-planet species, which I hope you would agree is the right way to go.”

By the way, Dictionary.com chose ‘Allyship’ as its word of the year. The Oxford Languages chose ‘Vax,’ and Australia’s Macquarie Dictionary chose ‘Strollout’ (in recognition of the country’s slow vaccine rollout).

Weekly Focus – Think About It

“Be at war with your vices, at peace with your neighbors, and let every new year find you a better [person].”

—Benjamin Franklin, writer

Best regards,



John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

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