

December 2021 Market Update

U.S. stocks gained 3.8% to finish 2021 up 25.7%. International stocks had a good month as well, up 3.6% to finish up 9.0%. Bonds lagged, down 0.4% for the month and down 1.8% for the year. Real estate was the stellar performer, up 9.7% to close the year up 40.5%. Five-year performance has been phenomenal: \$100 invested five years ago is now worth \$228 in U.S. stocks, \$160 in international stocks, \$119 in bonds, and \$170 in real estate.

The FOMC expanded its hawkish pivot in December: they released a new dot plot increasing rate hikes from 1 to 3 in 2022; they removed the word “transitory” from their inflation description; and they increased tapering from \$15 billion/mo to \$30 billion/mo. Two-year Treasury yields rose from 0.52% to 0.73%.

CPI was up 0.8% in November to 6.8% annual. PPI is up 9.6% year-over-year.

Omicron cases have multiplied dramatically as the U.S. moved from 86K new cases a day to 400K by the end of December. Hospitalizations, however, have not increase as dramatically, indicating that omicron is not as deadly as other variants.

Table 1: Benchmark Index Performance as of December 31, 2021

Benchmark Index	1 Mo	3 Mo	YTD	5 Yr Ann
U.S. Stocks	3.8%	9.1%	25.7%	18.0%
International Stocks	3.6%	2.0%	9.0%	9.9%
U.S. Bonds	-0.4%	-0.1%	-1.8%	3.5%
U.S. Real Estate	9.7%	15.0%	40.5%	11.2%

Table 2: Vanguard Asset Allocation Benchmarks as of December 31, 2021

Vanguard Fund: % Stock/% Bond mix	1 Mo	3 Mo	YTD	5 Yr Ann
LifeStrategy Growth Fund: 80/20	3.1%	5.0%	14.4%	12.5%
LifeStrategy Moderate Growth Fund: 60/40	2.1%	3.7%	10.1%	10.3%
LifeStrategy Conservative Growth Fund: 40/60	1.3%	2.5%	6.0%	8.0%

Chart 1: Year-to-Date Market Index Performance as of December 31, 2021

