

January 2022 Market Update

All asset classes posted losses in January. U.S. stocks dropped 6.1%, international stocks lost 2.9%, bonds were down 2.0%, and real estate plunged 8.4%.

The market's poor performance was largely due to expectations that the Fed will increase rates faster than previously communicated. The FOMC's January 26th meeting all but guaranteed a rate hike in March and left open the possibility of a 50 bp hike. The bond market sold off with the 2-year Treasury rising from 0.73% to 1.18% and the 10-year Treasury increasing from 1.52% to 1.79%.

The omicron variant became the dominant variant by far with daily cases exceeding prior records by huge margins. Fortunately the omicron variant has proven to be less deadly so hospitalizations and deaths are similar to early peaks. Case numbers are beginning to slow after a peak in late January.

Table 1: Benchmark Index Performance as of January 31, 2022

Benchmark Index	1 Mo	3 Mo	12 Mo	5 Yr Ann
U.S. Stocks	-6.1%	-3.9%	18.5%	16.1%
International Stocks	-2.8%	-3.6%	5.6%	8.4%
U.S. Bonds	-2.0%	-2.1%	-3.0%	3.0%
U.S. Real Estate	-8.4%	-1.7%	28.6%	9.3%

Table 2: Vanguard Asset Allocation Benchmarks as of January 31, 2022

Vanguard Fund: % Stock/% Bond mix	1 Mo	3 Mo	12 Mo	5 Yr Ann
LifeStrategy Growth Fund: 80/20	-4.2%	-3.3%	9.9%	11.1%
LifeStrategy Moderate Growth Fund: 60/40	-3.6%	-2.9%	6.5%	9.1%
LifeStrategy Conservative Growth Fund: 40/60	-3.1%	-2.5%	3.3%	7.2%

Chart 1: 3-Month Market Index Performance as of January 31, 2022

