

OBSERVATIONS

- The tech heavy NASDAQ 100 has gotten off to a rocky start having now declined -4.3% year to date — nearly one third of the index is now in correction territory (declines in excess of -10%) as of 14-Jan.¹
- Rising interest rates hit the mortgage market as conventional 30-Yr mortgage rates reach nearly 3.45%, the highest level since March-2020.¹
- U.S. headline inflation in December hit the highest year-over-year (YoY) rate since 1982 reaching +7.0%. Core-CPI—which removes volatile energy and food prices—was up +5.5% YoY, the largest increase in core-inflation since 1991.² While both headline and core inflation readings were largely within expectations, new and used vehicles saw the largest YoY price increases, gaining +11.8% and +37.3% respectively.
- Lumber prices are also surging again, and prices are back over \$1,000 per 1,000 board feet—up from about \$500 a year ago—as strong demand for new homebuilding continues across the U.S.³
- Overall, U.S. producer prices eased slightly in December, but remain +9.7% higher on a YoY basis. Core PPI—which excludes food and energy categories—increased +6.9% YoY.⁴
- Meanwhile in China, December's inflation data remained muted as headline CPI fell to +1.5% YoY compared to +2.5% YoY figure from November.⁵ Chinese producer-prices also softened in December from November.
- Retail sales declined -1.9% from November to December of last year, the largest month-over-month decline since February 2021. Notably for 2021, retail sales grew by +14.1% from 2020 to a new record of \$886.7 billion in retail consumption.⁶

EXPECTATIONS

- Last week held two nomination hearings by the Senate Banking Committee. The first was to appoint current Federal Reserve Chair Jerome Powell to a second term, and the second was to appoint current Federal Reserve Governor Lael Brainard to the position of Vice Chair for the Fed, both are expected to receive bipartisan support through the Senate confirmation process.
- Earnings season kicked off last week with big banks reporting Q4 results. This week will see 38 S&P 500 companies report Q4 results — current expectations are that S&P 500 earnings growth in Q4 2021 will be over +20% higher than Q4 of 2020.⁷

ONE MORE THOUGHT⁸: *Unemployment Claims Hit a Record Low Adjusted for the Size of the U.S. Workforce*

In December 2021, weekly initial unemployment claims averaged 199,750 for the month, which was the lowest monthly average of weekly initial claims going back to October 1969. The U.S. began tracking weekly initial claims in 1967 and the lowest monthly average for initial claims ever recorded was in November 1968 at 183,400 weekly initial claims. However, back in 1968 and 1969 the US population was only about 222 million and the U.S. workforce—all the people employed plus all the unemployed individuals looking for work—was under 77 million individuals. As a percent of the total workforce, the claims recorded in November 1968 and October of 1969 represented approximately, 0.23% and 0.24% of the total workforce. Fast-forward to today, and the U.S. population

¹ Bloomberg LP

² <https://www.bls.gov/news.release/cpi.nr0.htm>

³ <https://www.cmegroup.com/markets/agriculture/lumber-and-softs/random-length-lumber.html#>

⁴ <https://www.bls.gov/news.release/ppi.nr0.htm>

⁵ Goldman Sachs Economic Research "China: CPI and PPI inflation declined in December" 12-Jan-2022

⁶ <https://nrf.com/media-center/press-releases/nrf-says-2021-holiday-sales-grew-141-percent-record-8867-billion>

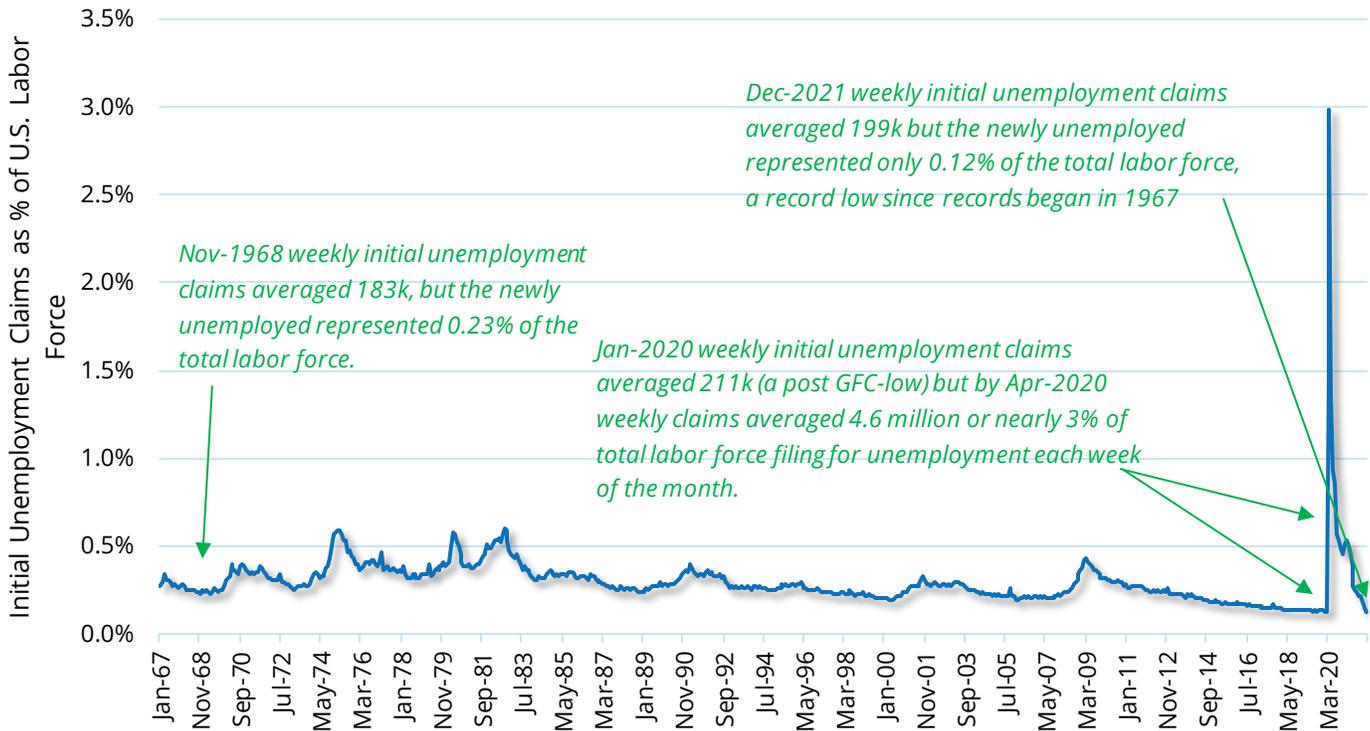
⁷ Factset Earnings Insight, as of 13-Jan-2022

⁸ St. Louis Federal Reserve - Initial Claims, Number, Monthly, Seasonally Adjusted

is almost 333 million and the total U.S. workforce is over 162 million workers. This means that last December's monthly average of 199,750 weekly claims as a percentage of the entire workforce was a **record low of 0.12%**. This figure is also below the pre-pandemic low 211,250 average weekly claims recorded of in January 2020 (which represented the lowest number of average weekly claims recorded since the Great Financial Crisis) and represented about 0.13% of the total workforce. See the "Chart of the Week" below for more detail. These low initial unemployment claim numbers coupled with recent jobs report indicating an unemployment rate of 3.9% for December and record high job openings suggests the U.S. labor market is strong and the few workers losing their jobs involuntarily have numerous options to rejoin the ranks of the gainfully employed.

CHART OF THE WEEK

Record Low Initial Unemployment Claims



Source: Clearstead St. Louis Federal Reserve - Initial Claims, Number, Monthly, Seasonally Adjusted & Civilian Labor Force Level, Thousands of Persons, Monthly, Seasonally Adjusted; data as of 12/31/2021, GFC=Great Financial Crisis

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