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In this week's recap: Fed tightens money policy.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, December 20, 2021

THE WEEK ON WALL STREET

Stock prices retreated last week as global central banks joined the Federal Reserve in taking steps to tighten monetary policy.

The Dow Jones Industrial Average fell 1.68%, while the Standard & Poor's 500 dropped 1.94%. The Nasdaq Composite index tumbled 2.95% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, managed a gain of 0.47%. ^{1,2,3}

FROM UNCERTAIN TO UNSETTLED

Stocks weakened ahead of Wednesday's Federal Open Market Committee (FOMC) meeting as investors weighed how aggressive the Fed might be in reversing its easy-money policies. Investor sentiment was further dented by disappointing economic data. Retail sales fell short of expectations and a year-over-year jump of 9.6% in producer prices reflected price pressures that may translate into higher future consumer prices. It was the highest percentage increase since records started in 2010. ⁴

The market initially responded well to the FOMC announcement on Wednesday afternoon, but became unsettled into Thursday and Friday over a tighter monetary policy and Omicron concerns.

A NEW FED NARRATIVE

After the FOMC meeting, the Fed announced a plan to quicken the tapering of its monthly bond purchases. It plans to double the rate from \$15 billion a month (announced in November) to \$30 billion a month, effectively putting an end to asset purchases by March 2022. The Fed also signaled that as many as three rate hikes may be coming in 2022.⁵

The Fed cited elevated inflation and an improved labor market as justification for the pivot from its pandemic-related, easy-money policies. Reflecting the persistence of higher-than-anticipated inflation, the Fed raised its previous inflation estimates for this year and 2022.⁶

FINAL NOTE

Our weekly market commentary will not be published next week. We want to take this opportunity to wish you and your family a wonderful holiday season and a very happy and prosperous new year!

TIP OF THE WEEK



Ward off impulse buying with a 30-day list. If you feel like you have to have something, put it on your 30-day list. See if you still have the urge to buy it after 30 days; chances are, you won't.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Index of Leading Economic Indicators. FOMC (Federal Open Market Committee) Announcement.

Wednesday: GDP (Gross Domestic Product). Consumer Confidence. Existing Home Sales.

Thursday: Durable Goods Orders. Jobless Claims. New Home Sales. Consumer Sentiment.

Source: Econoday, December 17, 2021

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Micron Technology, Inc. (MU), Nike, Inc. (NKE).

Tuesday: General Mills, Inc. (GIS).

Wednesday: Cintas Corporation (CTAS), Paychex, Inc. (PAYX).

Source: Zacks, December 17, 2021

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“Keep your thoughts free from hate, and you need have no fear from those who hate you.”

GEORGE WASHINGTON CARVER

Market Index	Close	Week	Y-T-D
DJIA	35,365.44	-1.68%	+15.55%
NASDAQ	15,169.68	-2.95%	+17.70%
MSCI-EAFE	2,300.38	+0.47%	+7.12%
S&P 500	4,620.64	-1.94%	+23.02%



Treasury	Close	Week	Y-T-D
10-Year Note	1.41%	-0.07	+0.48%

Sources: The Wall Street Journal, December 17, 2021; Treasury.gov, December 17, 2021
 Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ
 Composite Index is measured from the close of trading on Friday, December 10, to Friday, December 17, close.
 Weekly performance for the MSCI-EAFE is measured from Friday, December 10, open to Thursday, December 16, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



Tim hands a friend \$63 using six bills, none of which are dollar bills. How is he able to do this?

LAST WEEK'S RIDDLE: I never ask you questions, yet you answer me all the time. What am I?

ANSWER: A phone.

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CITATIONS:

1. The Wall Street Journal, December 17, 2021
2. The Wall Street Journal, December 17, 2021
3. The Wall Street Journal, December 17, 2021
4. The Wall Street Journal, December 14, 2021
5. The Wall Street Journal, December 15, 2021
6. The Wall Street Journal, December 15, 2021



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