DECEMBER 31, 2021
ECONOMIC UPDATE

LANDMARK WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

Investment markets continued their run in 2021, with the majority of asset classes having strong positive returns. Real Estate was the best performing asset class, up 12.4% for the quarter and 31.4% for the entire year. US Equities posted the next strongest performance with Large Cap returning 28.7%, Small Cap 26.8%, and Mid Cap 24.8%. Emerging Markets and Fixed Income had negative performance for the year, falling 2.5% and 1.5%, respectively. After a solid start to the year Emerging Markets subsequently lost momentum in the 3rd and 4th quarters. Rising interest rates resulted in a difficult 1st quarter for Fixed Income, but total bond returns improved as interest from higher yields helped offset price declines.

Entering 2022, markets will weigh Federal Reserve policy in the face of higher inflation, labor market and supply chain challenges, and higher valuations against further economic growth, a resilient US consumer and the potential for additional fiscal spending programs.

Asset Class	2021 Returns
Real Estate	31.4%
US Large Cap	28.7%
US Small Cap	26.8%
US Mid Cap	24.8%
Developed International	11.3%
Infrastructure	11.0%
Equity Alternatives	4.2%
Multisector Bonds	2.4%
US Core Bonds	-1.5%
Emerging Markets	-2.5%

FEDERAL RESERVE

In an expected move, the Fed accelerated its plans for the tapering of monthly asset purchases. The Fed is expected to stop its emergency monthly asset purchase program by the end of the 1st quarter of 2022. The next step in pulling back their pandemic era stimulus programs will be to gradually raise interest rates and scaling back their balance sheet. Currently, three - four 0.25% interest rate hikes are expected in 2022. The Fed reiterated that they are balancing the need for economic stimulus against managing inflationary pressures. They still view a large part of the inflationary pressures as resulting from supply-chain issues and expect these to normalize over time.

EMPLOYMENT

Continued job market improvement was seen in the 4th quarter. The unemployment rate fell to 3.9%, and monthly job gains, including 199,000 through mid-December, helped fuel growth. Entering 2022, labor market shortages will be closely watched to see whether they prove temporary or are a result of an evolving employment landscape. Early in 2022, job growth could be muted due to the Omicron variant, before picking up momentum as we head later into the year.

US ECONOMY

Stronger than expected economic activity has led many analysts to project 2021 annual growth in the range of 5.5% - 6.5%. Similar to the job market, higher COVID cases in the winter months may result in weaker than expected activity early in 2022. Despite this, annual growth is forecasted to be above 3.0% in 2022 and between 2.5% - 3.0% in 2023, both of which are above the historical rate of growth for the US.

2022 IN FOCUS

- Although the American Jobs Plan (infrastructure) was signed into law in mid-November, discussions on the American Families Plan (social programs) ultimately stalled. Debate will continue early in 2022, although enough support for the plan in its current form does not exist.
- Mid-term elections in November will shed light on public sentiment for the current Democratic regimen, with control of Congress by either party at stake.

A mature mid-cycle economy as this presents challenges and opportunities. Market volatility is expected to pick up, although opportunities for growth remain. Federal Reserve policy versus inflation and the ongoing COVID crisis will be weighed against further fiscal programs, a strong US consumer and continued above trend US economic growth. We are closely watching the current environment for opportunities for our clients.