

Fourth Quarter 2021

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Markets ended generally higher over a volatile quarter, concluding a strong year for equities. Both the broader market (Russell 3000) and the S&P 500 finished higher despite concerns about rising inflation.

Developed international markets (MSCI EAFE) were modestly up as the recovery abroad continued and the market reacted favorably to the milder impact of the Omicron variant. Emerging Markets (MSCI EM) fell, making it one of the worst-performing asset classes for the quarter, as the dollar generally strengthened and the continued sell-off in China impacted the market. The broad fixed income market (Bloomberg US Aggregate Bond Index) rose slightly in the quarter but fell 1.54% for the year amid inflation concerns and an announcement that the Federal Reserve will soon slow the pace of its bond-buying stimulus program.

Index	4Q 2021
S&P 500 Index	11.03%
Russell 3000 Index	9.28%
MSCI EAFE Index ND	2.69%
MSCI EM (Emerging Markets) Index ND	-1.31%
Bloomberg US Aggregate Bond Index	0.01%

The unemployment rate fell to 3.9%. Real GDP rose 2.3% annualized in the third quarter after rising 6.7% in the second. Inflation picked up as the Consumer Price Index rose by 7% for the 12 months ended December 31, 2021.

	US Equity			Non-US Equity			US Fixed Income		
	Growth	Blend	Value	ACWI ex. US	EAFE	EM	High Yield	Agg	Gov't
Large	11.64	9.78	7.77	2.12	3.18	-1.33	0.61	-0.69	-0.25
Mid	2.85	6.44	8.54	0.61	0.98	-1.23	0.65	-0.51	-0.58
Small	0.01	2.14	4.36	0.62	0.07	1.33	1.53	2.15	3.05

Three month returns ending 12/31/21. US Equity indexes are Russell 1000, 1000 Value and 1000 Growth; MidCap, MidCap Value and MidCap Growth; and 2000, 2000 Value and 2000 Growth. Non-US Equity Indexes are MSCI All Country World Index (ACWI) ex. US Large, Mid and Small Caps; MSCI EAFE Large, Mid and Small Caps, and MSCI Emerging Markets (EM) Large, Mid and Small Caps. US Fixed Income indexes are Bloomberg Capital (BB) High Yield 1-5 Yr, Intermediate and Long duration; BB US Agg 1-5 Yr, Intern and 10+ Yr; and BB US Gov't Short, Intermediate and Long Durations.

High volatility continued over the quarter as investors reacted to news about increasing Omicron cases, growing inflation pressures, and rising interest rates. Unlike the prior quarter, however, these concerns were largely shaken off, driving domestic stock values higher. International equity also rose as investors were undeterred from buying quality stocks despite virus concerns. The US dollar strengthened against most major currencies, creating headwinds for emerging markets. Risks continue to exist around the uncertainty of the pandemic timeline and rising cases of the Omicron variant as the economy continues to reopen. China's slowing economy and regulatory crackdowns have also impacted the broader market. Taken all together, a focus on long-term goals and objectives continues to be a prudent course, balancing downside risk at current valuations with the potential for upside performance.

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