

In focus

Global equities crossed the finish line in 2021 with an impressive surge, ending the year within a percentage point of all-time highs. The S&P 500 saw a total return of 28.7% in 2021. Below, we highlight our expectations for the year ahead, as laid out in our *2022 Annual Outlook – Positive yet realistic*.

- **The Economy** – The economic trajectory since early 2020 has been determined by the COVID-19 outbreak and subsequent recovery through stimulus programs and vaccinations. We think 2022 will shift from a stimulus-led recovery to a business-led expansion. Strong consumers and a rebound in business spending support our optimistic view. Known headwinds, such as tighter policy from the Federal Reserve (Fed), geopolitical tensions, and potential policy shifts from Europe’s three largest economies (Germany, France, and Italy) could keep growth in check.
- **Equities** – Equities powered through the 2020 earnings recession as multiples expanded on the heels of massive stimulus and optimism about growth prospects. This was validated in 2021 by 45% growth in S&P 500 earnings. This sets the stage for 2022, in which we expect modest price gains driven by earnings growth while valuations remain range bound. The trend for equities remains higher, but our view is this will be checked by deeper, more frequent drawdowns than we saw in 2021.
- **Fixed Income** – In 2022, we anticipate a wide range of potential outcomes as inflation remains at 30-year highs and the Fed has clearly telegraphed their intention to tighten policy. Overall, we expect an upward yield bias in 2022, though with greater volatility as the Fed tapers its monthly asset purchases.

Investment and insurance products – Are not FDIC or any other government agency insured | are not bank guaranteed | may lose value

A look back

- Global equities edged higher to close out 2021, finishing just shy of record highs. Investors’ concerns about the omicron variant have seemingly eased heading into the new year.
- 10-year Treasury yields remain in their recent trading range, holding at 1.51%. Upward rate pressure from a tighter Fed will likely be tempered by periodic flights to quality due to increasing bouts of equity volatility.
- The omicron variant is expected to have a more muted economic impact from prior strains, but surging new cases should not be underestimated.

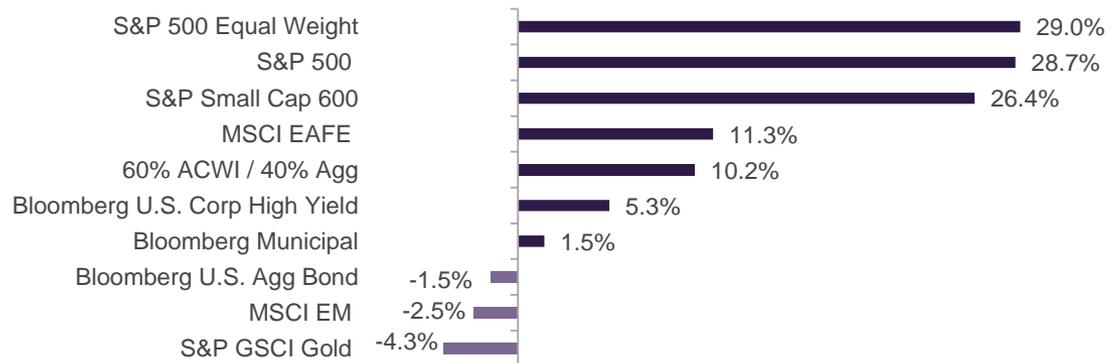
A look ahead

- Fourth quarter earnings season prepares to kick off with yet another 20% growth expected, validating recent gains.
- Minutes from the December FOMC meeting will be released on Wednesday and should confirm the Fed’s resolve on tighter policy in 2022, a key market risk in the year ahead.
- Economic releases: Markit & ISM Manufacturing & Services, Durable Goods Orders, December FOMC meeting minutes, Nonfarm Payrolls, Unemployment Rate, and Langer Consumer Comfort.

Chart of the week – 2021 in review, a very good year

U.S. equities led global markets higher in 2021, with both U.S. large and U.S. small cap stocks notching returns exceeding 25%. International developed markets had respectable gains, but U.S. dollar strength and a sporadic economic recovery served as headwinds for international returns. Emerging market weakness accelerated throughout the year, supporting our underweight. Lackluster core fixed income returns supported our strong overweight to equities, though our overweight in higher yield corporates benefitted from the sector’s strong relative performance.

2021 asset class returns



Data Source: Truist IAG, Bloomberg

Market Pulse

As of December 31, 2021

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	0.82	4.00	6.68	18.46	18.46
S&P 500	0.87	4.48	11.03	28.58	28.58
MSCI EAFE (net)	0.89	5.12	2.69	11.22	11.22
MSCI Emerging Markets (net)	1.04	1.88	-1.31	-2.53	-2.53
Dow Jones Industrials	1.08	5.53	7.87	20.86	20.86
NASDAQ Composite	-0.05	0.69	8.28	21.30	21.30
S&P U.S. REIT	3.17	8.62	16.16	41.57	41.57
Bloomberg Commodity Index	0.28	3.53	-1.56	26.99	26.99
Bloomberg Aggregate	0.16	-0.26	0.01	-1.54	-1.54
ICE BofA US High Yield	0.26	1.88	0.66	5.34	5.34
Bloomberg Municipal Bond Blend 1-15 Year	0.04	0.14	0.38	0.86	0.86
ICE BofA Global Government xUS (USD Unhedged)	-0.12	-0.78	-1.92	-9.63	-9.63
ICE BofA Global Government xUS (USD Hedged)	-0.26	-0.95	0.18	-1.81	-1.81
JP Morgan EMBI Global Diversified	0.28	1.40	-0.44	-1.79	-1.79

Rates (%)	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Fed Funds Target	0.25	0.25	0.25	0.25	0.25
Libor, 3-Month	0.20	0.13	0.14	0.19	0.23
T-Bill, 3-Month	0.05	0.03	0.05	0.02	0.07
2-Year Treasury	0.72	0.28	0.25	0.16	0.11
5-Year Treasury	1.26	0.99	0.87	0.93	0.36
10-Year Treasury	1.51	1.52	1.44	1.73	0.91
30-Year Treasury	1.90	2.09	2.06	2.42	1.64
Bloomberg Aggregate (YTW)	1.75	1.56	1.50	1.61	1.12
Bloomberg Municipal Bond Blend 1-15 Year	0.87	0.84	0.76	0.87	0.77
ICE BofA US High Yield	4.31	4.08	3.85	4.27	4.24
Currencies	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Euro (\$/€)	1.14	1.16	1.19	1.18	1.22
Yen (¥/\$)	115.16	111.57	110.99	110.50	103.25
Pound (\$/£)	1.35	1.35	1.38	1.38	1.37
Commodities	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
Crude Oil (WTI)	75.21	75.03	73.47	59.16	48.52
Gold	1,829	1,757	1,772	1,716	1,895
Volatility	12/31/21	9/30/21	6/30/21	3/31/21	12/31/20
CBOE VIX	17.22	23.14	15.83	19.40	22.75

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
1.45	0.87	0.36	24.79	28.58	31.87	Large
1.78	1.69	1.61	30.52	24.65	18.82	Mid
0.76	1.09	1.41	30.81	26.70	22.53	Small



Data Source: Truist, FactSet

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S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.

S&P 500 Information Technology Index —a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

The CBOE Volatility Index® (VIX®) is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg U.S. Corporate High Yield measures the USD-denominated high yield fixed-rate corporate bond market. Bonds are classified as high yield if they are rated below BBB by Moody's and S&P.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the U.S. dollar.

The ICE BofAML Global Government ex U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in U.S. dollars.

JP Morgan EMBI Global Diversified index includes only USD-denominated emerging markets sovereign bonds and the traditional, market capitalization weighted method for country allocation is modified to limit the weights of index countries with larger debt loads by only including a specified portion of the eligible fact amounts of the debt outstanding.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The S&P U.S. REIT index measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

IA SBBBI U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBBI Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBBI U.S. 30-day T-Bill index measures the total return of T-Bills with a maturity of one month on a monthly basis.

The S&P 500 High Beta index measures the performance of 100 constituents in the S&P 500 that are the most sensitive to changes in market returns.

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