



As much as Covid-19 accelerated the previously slowing economy into a recession in 2020, it has equal dynamism in accelerating the economic recovery seen throughout 2021 with the partnership of an accommodative Fed, helped by their experience from the Financial Crisis. Sowell's tactical indicators, partly anchored to economic fundamentals, safely navigated the crest of volatility in 2021. As of now, the tactical indicators remain in steady positive territory heading into 2022, facing the inflation headwinds and forthcoming rate hikes.

GAUGE OF THE GRADE



BEARISH

NEUTRAL



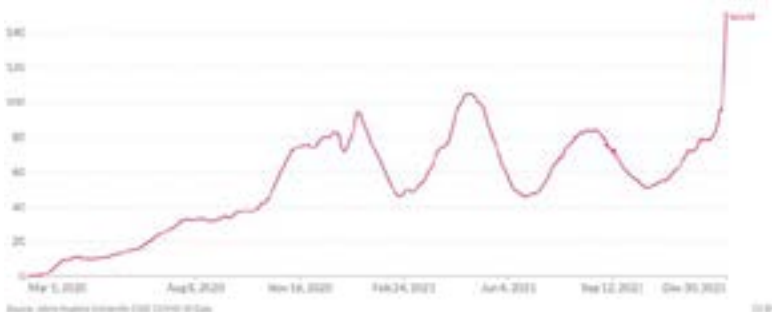
BULLISH



The Santa Claus rally pushed equities to record highs the last week of the year. The real estate, utilities, and materials sectors outperformed with trading volume light while communication services and technology stocks lagged. Although COVID-19 cases are rising, fears over the Omicron variant waned due to its lack of virulence. As a result, the Centers for Disease Control and Prevention (CDC) reduced the recommended quarantine period for asymptomatic people who have tested positive from 10 days to five days. Positive economic data also helped push equities higher as the weekly jobless claims fell to near five-decade lows. An early indication of holidays sales shows that Americans were ready to spend as MasterCard reported that holiday sales rose 8.5% in December from a year earlier. The U.S. Treasury yields were generally steady, with the 10-Year Treasury note closing the year near 1.5%.

2021 marked a third straight year with double-digit returns. According to Bloomberg.com, the S&P 500 Index recorded 70 record highs in 2021 alone. Looking at the numbers, 2021 seems to be a great year for everyone. Economic growth was the strongest in decades, there were plenty of jobs available, and the stock market had a great return. But it seems that Americans, in general, are not celebrating based on the consumer sentiment numbers. The University of Michigan Index of Consumer Sentiment fell to 70.6, the lowest end of the year reading since 2008. The pandemic's psychological effect and surging inflation have much to do with the souring sentiment. COVID-19 was expected to be long gone since it came about two years ago. But a combination of vaccine reluctance and virus mutations meant that the

Source: <https://ourworldindata.org/covid-cases>



Omicron, the latest COVID-19 variant, has created new challenges for policymakers globally. New case numbers of COVID-19 have spiked in most advanced countries. Case numbers in developing countries are currently lower, but it is a matter of time before Omicron spreads in these countries. This means that policymakers will again need to decide whether to impose new restrictions. Imposing new restrictions will cause economic damage, or not imposing restrictions could potentially overburden their healthcare systems. Data suggests that the Omicron variant is less severe than the Delta variant, significantly reducing hospitalizations and deaths. It is unclear whether the less severity of Omicron is a result of the characteristics of the virus or the development of partial immunity from previous variants and vaccinations. This table shows the daily new confirmed COVID-19 cases per million people globally as new cases have reached a record.

virus is not only here, but the world is experiencing record new cases. The University of Michigan Consumer Sentiment report showed that one in four respondents cited a hit in their living standards due to higher prices (www.sca.isr.umich.edu).

MONDAY JANUARY 3, 2022	
ISM Mfg PMI and New Orders	
Euro Zone Mfg PMI	
China Caixin Mfg PMI	
American National Group, and Jefferies Financial earnings	
TUESDAY JANUARY 4, 2022	
JOLTs Job Openings	
Total Vehicle Sales	
OPEC Meeting	
BHP, and MillerKnoll earnings	
WEDNESDAY JANUARY 5, 2022	
Mortgage Market Index	
Services PMI	
Gasoline Inventories	
RPM, Simply Good Foods and Stellantis earnings	
THURSDAY JANUARY 6, 2022	
Initial jobless claims (weekly)	
Continuing jobless claims	
Factory Orders	
Trade Balance	
Bed Bath & Beyond, ConAgra, Constellation Brands, Lamb Weston, Walgreens Boots Alliance, and WD40 earnings	
FRIDAY JANUARY 7, 2022	
Unemployment Rate and Participation Rate	
Consumer Credit	
China FX Reserves	
Acuity Brands, and Greenbrier earnings	

SELECT INDICES				
	ONE MONTH	THREE MONTHS	YTD	2 YRS (ANNUALIZED)
S&P 500 Index	4.45	11.03	28.71	23.44
Nasdaq Composite (price change)	0.69	8.28	21.39	32.05
Russell Mid-cap	4.08	6.44	22.58	19.81
Russell 2000 (Small-cap)	2.21	2.14	14.82	17.36
S&P 500 Growth	2.48	13.37	32.01	32.74
S&P 500 Value	7.04	8.31	24.90	12.51
MSCI EAFE	5.12	2.69	11.26	9.53
MSCI Emerging Markets	1.88	(1.31)	(2.54)	7.38
MSCI China A	1.38	3.15	3.20	21.57
Bloomberg Barclays T-Bills (1-3 month)	0.00	0.01	0.04	0.29
Bloomberg Barclays US Agg Treasury-Long	(1.42)	3.08	(4.65)	5.94
Bloomberg Barclays US Agg Corp High Yield	1.87	0.71	5.28	6.19
Bloomberg Barclays US Aggregate	(0.26)	0.01	(1.54)	2.88

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