



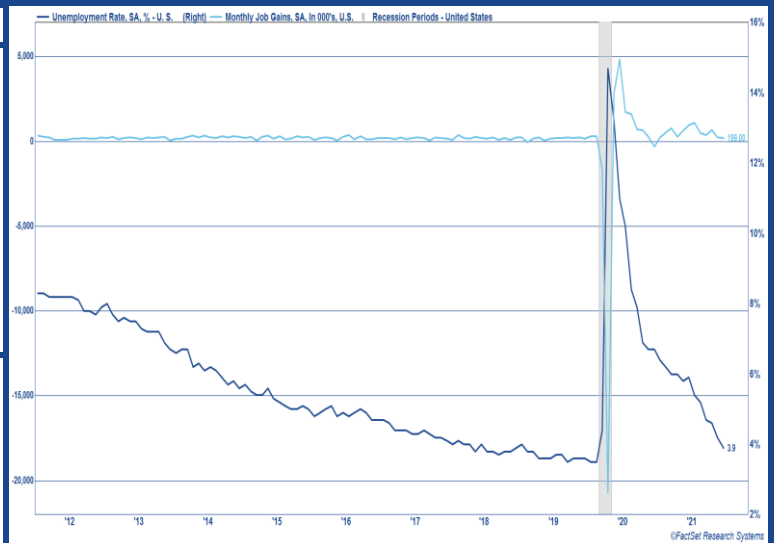
**Economic & Market Commentary**

Out the new year gate stocks prices and bond yields were on the move higher. That was until Wednesday when Federal Reserve FOMC meeting minutes were released which revealed, due to inflation pressures, the Fed is considering letting its balance sheet start shrinking more quickly than previously expected. Shrinking the balance sheet means letting bonds mature and not using the maturing bonds dollars to purchase another like security. Thus, the Fed would be removing dollars and liquidity from the financial system and the economy. Taking dollars and liquidity out of the capital market is viewed as another form of tightening. The Fed's balance sheet currently holds \$8.8 trillion of U.S. Treasury and Agency debt. The Fed is already in the process of unwinding their bond purchasing program and it is widely expected they will raise the target-rate three times this year starting in March. The balance sheet unwinding revelation was unexpected and sent stocks sharply lower Wednesday and moderately lower for the week. Bond yields quickly extended their march higher with the intermediate to long-end of the yield curve rising sharply for the week with 5-yr and 10-year treasury bonds ending higher +0.24 and +0.26 basis points respectively. Clearly the Fed is now concerned about inflation, and rightfully so as consumer and business demand remains strong and the very tight labor and widespread Omicron staffing shortages will likely extend supply chain challenges. How tight is the labor market? The U.S. Bureau of Labor Statistics last week reported there are 10.6 million jobs available, the number of people voluntarily quitting their job in November hit a record 4.5 million which is 3% of total employment, the unemployment rate in December fell to 3.9% and average hourly wages are up +4.7% over the past twelve months. The next read on inflation comes this Tuesday with the December CPI report and consensus is looking for +.40% for the month and +7.1% y/y.

**Index Total Returns - January 7, 2022**

	1-Wk	YTD	1-Yr
Dow Jones	-0.25	-0.25	18.90
MSCI-Developed	-0.29	-0.29	8.64
MSCI-Emerging	-0.47	-0.47	-5.29
S&P 400	-1.70	-1.70	16.83
S&P 500	-1.83	-1.83	24.71
Russell 2000	-2.91	-2.91	4.99
NASDAQ	-4.52	-4.52	15.04
<b>Barclay's U.S. Bond Index</b>			
High Yield	-0.94	-0.94	4.11
Municipal	-0.70	-0.70	0.81
5-year Muni	-0.57	-0.57	-0.26
Int. Gov. Credit	-0.93	-0.93	-1.99
Aggregate	-1.53	-1.53	-2.23

**U.S. Labor Market**



**U.S. Treasury Yields**

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	0.41	0.38	0.13
U.S. 2-Yr	0.87	0.73	0.14
U.S. 3-Yr	1.15	0.96	0.22
U.S. 5-Yr	1.50	1.26	0.46
U.S. 10-Yr	1.77	1.51	1.07
U.S. 30-Yr	2.11	1.90	1.84

**S&P 500 Sector Total Returns - January 7, 2022**

Sector	1-Wk	YTD	1-Yr
Energy	10.61	10.61	56.34
Financials	5.44	5.44	35.57
Industrials	0.65	0.65	20.31
Consumer Staples	0.40	0.40	20.85
Materials	-1.49	-1.49	18.05
Utilities	-1.61	-1.61	17.55
Communication Services	-2.50	-2.50	19.01
Consumer Discretionary	-2.59	-2.59	18.83
Health Care	-4.62	-4.62	16.93
Info Tech	-4.67	-4.67	28.62
Real Estate	-4.94	-4.94	44.17

**Municipal Yields - Bloomberg/Barclays Index**

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	1.10	0.94	0.78
U.S. AA	1.17	1.01	0.89
U.S. A	1.41	1.26	1.33
U.S. Baa	1.71	1.55	1.98
U.S. Municipal	1.26	1.11	1.07
Michigan	1.34	1.20	1.17

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	20.62	16.87	1.23
S&P 400 - Mid Cap	15.56	15.59	1.13
S&P 600 - Small Cap	14.58	16.14	1.09