CETERA®
INVESTMENT
MANAGEMENT

MONTHLY RECAP

January 2022 Recap

At-A-Glance

The S&P 500 ended the month 5.8% below its most recent all-time high set on January 3, 2022.

The Dow Industrials fell less, shedding 1,206 points (-3.24%) last month. The Dow 30 index ended 4.5% below its January 4, 2022 record high.

The Nasdaq Composite slumped 8.96% in January, ending the month 11.2% below its November 19, 2021 record high.

Despite the January pullback, in the 22 months since the March 23, 2020 COVID-19 bear market low, U.S. stocks have still more than doubled (S&P 500 +107%, Nasdaq Comp.+110%).

Market Indices[1]	January	Year-to-Date
S&P 500	-5.17%	-5.17%
Russell 3000	-5.88%	-5.88%
Russell 2000	-9.63%	-9.63%
MSCI EAFE	-4.83%	-4.83%
MSCI Emerging Markets	-1.89%	-1.89%
Barclays U.S. Aggregate Bond	-2.15%	-2.15%
Barclays U.S. Municipal Bond	-2.74%	-2.74%
Barclays U.S. Corporate High Yield	-2.73%	-2.73%

[1]Morningstar Direct (all equity performance is total return, which includes reinvested dividends)

U.S. stocks ended January sharply lower with the S&P 500 posting its worst monthly performance since the onset of the COVID-19 pandemic in March 2020. Even so, the S&P 500 avoided deeper losses to end the volatile month with the largest two-day rally since April 2020. Combined, the S&P 500 rallied nearly 4.4% over the final two days of the month, trimming a much larger loss that exceeded 10% intra-day on January 28. The gyrations were even wider for the Nasdaq Composite, gaining 6.65% during the final two sessions in January. The tech-heavy index still ended the month down 9% for its worst monthly performance since a 10% loss in March 2020. The Cboe VIX Volatility Index surged over 44% in January after falling 36% the month prior.

Equity valuations contracted amid accelerating consumer inflation, currently at four-decade annualized highs, together with the Federal Reserve's hawkish pivot to combat it. Fed Chairman Powell said policymakers are preparing to raise interest rates for the first time in over three years, signaling rate lift-off likely in March. Fed Funds futures are now pricing in at least five (5) quarter-point (25 basis point) rate hikes this year. Meanwhile, geopolitical concerns continue to escalate, with the U.S. and allied nations threatening economic sanctions against Russia if it invades Ukraine.

Corporate profits continue to unpin equities with fourth quarter earnings reports beating analysts' forecasts by 4.2% while 72% of companies have surpassed their projections. The 4Q earnings season is around 34% complete with 174 S&P 500 members releasing results. The latest overall expectation calls for revenue and EPS growth of 14.4% and 23.1% respectively.

As shown below, all nine style segments ended negative last month, with value-oriented companies outperforming growth by falling significantly less. However, large cap growth stocks had a strong finish in January, gaining 6.6% in the final two trading days of the month, outperforming value by 4%. Even with the strong finish, growth underperformed value by 6.25% in January, the largest monthly underperformance since March 2001.

January

	Value	Core	Growth
Large	-2.33%	-5.64%	-8.58%
Mid	-4.27%	-7.37%	-12.90%
Small	-5.83%	-9.63%	-13.40%

YTD

	Value	Core	Growth
Large	-2.33%	-5.64%	-8.58%
Mid	-4.27%	-7.37%	-12.90%
Small	-5.83%	-9.63%	-13.40%

Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

Among the 11 major sector groups, only Energy and Financials posted positive returns last month, while Technology, Real Estate and Consumer Discretionary retreated the most. Energy advanced amid the strongest January gain in crude oil in over 30 years as robust demand is outpacing incoming supplies. U.S. WTI crude oil gained 17.2% in January, ending the month at $88.15/barrel.

Top Performers – January	**Top Performers – YTD** [1]
Energy (+19.10%)	Energy (+19.10%)
Financials (+0.06%)	Financials (+0.06%)
Consumer Staples (-1.37%)	Consumer Staples (-1.37%)
Bottom Performers – January	**Bottom Performers – YTD** [1]
Technology (-6.89%)	Technology (-6.89%)
Real Estate (-8.50%)	Real Estate (-8.50%)
Consumer Discretionary (-9.68%)	Consumer Discretionary (-9.68%)

[1] Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets outperformed relative to U.S. equities with generally smaller and uneven losses in January. The MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) fell nearly 4.9% versus the 5.2% U.S. benchmark loss. The U.K. fell just 0.90%, while Germany (Europe's largest economy) declined 3.7% and Japan slumped 5.1%. Emerging markets notably outperformed, off around 1.9% in January as leading losses in South Korea (-10.2%), Russia (-8.7%) and China (-3%) were mostly offset by outsized gains in Brazil (+13%) and South Africa (+6.8%).

Turning to fixed income markets, U.S. Treasurys outperformed equities, with the Bloomberg U.S. Government Bond Index falling 1.87%. On a broader basis, investment-grade bonds of all types also outperformed with a loss of nearly 2.2% for U.S. Aggregate bonds. Higher-risk, non-investment grade high yield corporate bonds and municipal bonds each lost around 2.7%. The yield on benchmark 10-year Treasury notes ended January at 1.780%, representing a jump of nearly 27 basis points since the start of year.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

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Glossary
The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody’s and BBB- by S&P.

The **Bloomberg US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody’s and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

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

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with
a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.