



Midwest Financial  
Brian Johnson, RFC  
706 Montana Street  
Glidden, IA 51443  
[www.midwestfinancial.us](http://www.midwestfinancial.us)  
[brian@midwestfinancial.us](mailto:brian@midwestfinancial.us)  
712-659-2156



## The SITREP for the week ending 12/31/2021

\*\*\*\*\*

SIT REP: n. a report on the current situation; a military abbreviation; from "situation report".

### *In the markets:*

**U.S. Markets:** Most of the major U.S. indexes recorded gains for the week, as a "Santa Claus rally" lifted the S&P 500 index to record highs. The Dow Jones Industrial Average rose 388 points in the last week of 2021 finishing the year at 36,388—a gain of 1.1%. The technology-heavy **NASDAQ Composite lagged** and ticked down -0.1% to 15,645. **By market cap, the large cap S&P 500 rose 0.9%, the mid cap S&P 400 added 1.7%, and the small cap Russell 2000 gained 0.2%.**

**International Markets:** Major international markets had a relatively quiet week of trading. Canada's TSX finished the week unchanged, while the United Kingdom's FTSE rose 0.2%. France's CAC 40 rose 0.7% and Germany's DAX finished up 0.8%. In Asia, China's Shanghai Composite ticked down -0.01%. Japan's Nikkei finished flat. **As grouped by Morgan Stanley Capital International, developed markets finished the week up 0.4% and emerging markets gained 0.3%.**

**Commodities:** Commodities finished the week solidly to the upside. Gold rose 0.9% to \$1828.60 per ounce, while Silver gained 1.8% and closed at \$23.35. **Crude oil rose for a second week.** West Texas Intermediate crude oil added 1.9% finishing at \$75.21 per barrel. The industrial metal copper, seen by some analysts as a barometer of global economic health due to its wide variety of uses, closed up 1.6%.

### **Q4 and 2021 Summary:**

**U.S.:** In the last quarter of 2021, the Dow and the NASDAQ rose 7.4% and 8.3%, respectively, while the large cap S&P 500 gained 10.6%. Mid caps finished the quarter up 7.6%. Small caps rose just 1.9%. For the entire year, the S&P led the way with a 26.9% gain, followed by mid caps, up 23.2%, and the NASDAQ, up 21.4%. The Dow added over 5700 points last year—a gain of 18.7%. Small caps lagged the field, and finished the year up 13.7%.

**International:** In the final quarter of the year, Canada and the UK rose 5.7% and 4.2%, respectively, while France rose 9.7% and Germany gained 4.1%. China added 2% while Japan pulled back -2.2%. Emerging markets declined -1.6% while developed markets gained 2.8%. For 2021, France rose 28.9%, followed by Canada, up 21.7%, and Germany up 15.8%. The UK gained 14.3%. China and Japan had a rather lackluster year, rising 4.8% and 4.9%, respectively. Developed markets finished the year up 11.4%, but emerging markets declined -3.6%.

**Commodities:** In the fourth quarter, Gold and Silver rose 4.1% and 5.9%, while oil ticked up 0.2%. Copper surged 9.2%. For the year, Gold pulled back -3.5% and Silver declined -11.6%. Copper jumped 26.8%, while oil was the big commodity winner, surging 55.1%.

**U.S. Economic News:** The number of people filing new unemployment claims declined last week, remaining near 52-year lows. The Labor Department reported 198,000 people applied for first-time unemployment benefits last week. Economists had expected a reading of 205,000. **The extremely low number of people applying reflects the reluctance of businesses to lay off workers when qualified labor is so hard to obtain.** New filings rose the most in New Jersey, Pennsylvania, Michigan and Ohio. Claims fell the most in California, Texas, and Virginia. Meanwhile, continuing jobless claims, which is the number of people already receiving benefits, dropped by 140,000 to 1.72 million. That number has now returned to pre-crisis levels.

**For the third consecutive month, the rate of home-price appreciation slowed according to the latest report from Standard & Poors. The S&P CoreLogic Case-Shiller 20-city price index, which covers 20 major metropolitan areas in the U.S., posted an 18.4% year-over-year gain in October.** While impressive, the reading was down from 19.1% the previous month. On a monthly basis, the index increased 0.8% between September and October. More broadly, the Case-Shiller national home price index showed a 19.1% annual gain. This was down 0.6% from its previous reading. Still, the reading represented the fourth-largest annual increase in home prices over the 34-year history of the data. Phoenix once again led the country in terms of home-price growth, with a 32.3% increase, followed by two Florida cities, Tampa and Miami. Economists don't expect this level of price appreciation to continue. **CoreLogic Deputy Chief Economist Selma Hepp wrote, "Unfortunately, the rate of home-price growth will be limiting for many young buyers who have yet to accumulate sufficient equity gains, and an expected increase in mortgage rates next year will present further challenges. Together, these two factors will keep a lid on continued home-price acceleration."**

In fact, these factors may already be weighing on the sentiment of home buyers. **The National Association of Realtors (NAR) reported pending home sales, in which a contract has been signed to purchase a home but the deal has not yet closed, decreased 2.2% in November compared with October.** Economists had expected a 0.8% increase. **Compared to the same time last year, pending sales were down 2.7%.** By region, every region reported a drop in signings. The Midwest logged the largest decrease with a -6.3% decline. Lawrence Yun, chief economist at the NAR wrote, "There was less pending home sales action this time around, which I would ascribe to low housing supply, but also to buyers being hesitant about home prices." Danielle Hale, chief economist at Realtor.com, felt the decline was due primarily to seasonal factors, saying sellers were likely waiting until spring to list homes for sale.

**In the greater Chicago-region, economic activity grew a bit faster in December,** despite the spread of the latest 'Omicron' variant of the coronavirus. The Chicago Business Barometer, also known as the Chicago PMI, rose to 63.1 in December from 61.8 in November. Economists had forecast a reading of 62. **The latest reading shows the region's economy remains robust.** While readings above 50 signal growth, analysts consider readings above 60 exceptional. Analysts view the Chicago Business Barometer as a good indicator of the state of manufacturing and the broader U.S. economy. **The one negative in the report: employment fell again to its lowest level since June,** reflecting the ongoing labor shortage in the U.S. "Firms stated that finding new hires to fill empty positions is challenging," the report said.

**International Economic News:** Statistics Canada (StatCan) reported real gross domestic product increased by 0.8% in October. Gains for the month were seen across most sectors, including manufacturing where a robust 1.8% rebound more than made up for September's contraction. **StatCan stated total economic activity now sits just 0.4% below pre-pandemic levels recorded in February 2020.** Furthermore, preliminary data shows data for November suggests a further rise in GDP of 0.3% for that month.

Across the Atlantic, **Britain's economy is set to outpace every other nation in the G7 next year according to analysts at the International Monetary Fund (IMF).** The IMF reported Britain's economy is expected to grow 5% in 2022, higher than the 4.9% expected for the global economy. In addition, Goldman Sachs economists forecast the U.K. economy will jump 4.8% next year. That reading **easily trumps the 3.5% predicted for the U.S., 4.0% for Germany, and 4.4% for France and Italy.** Britain formally left the EU on January 1, 2021 and, since then, output has surged by almost 7% as the country battled back from a deep recession.

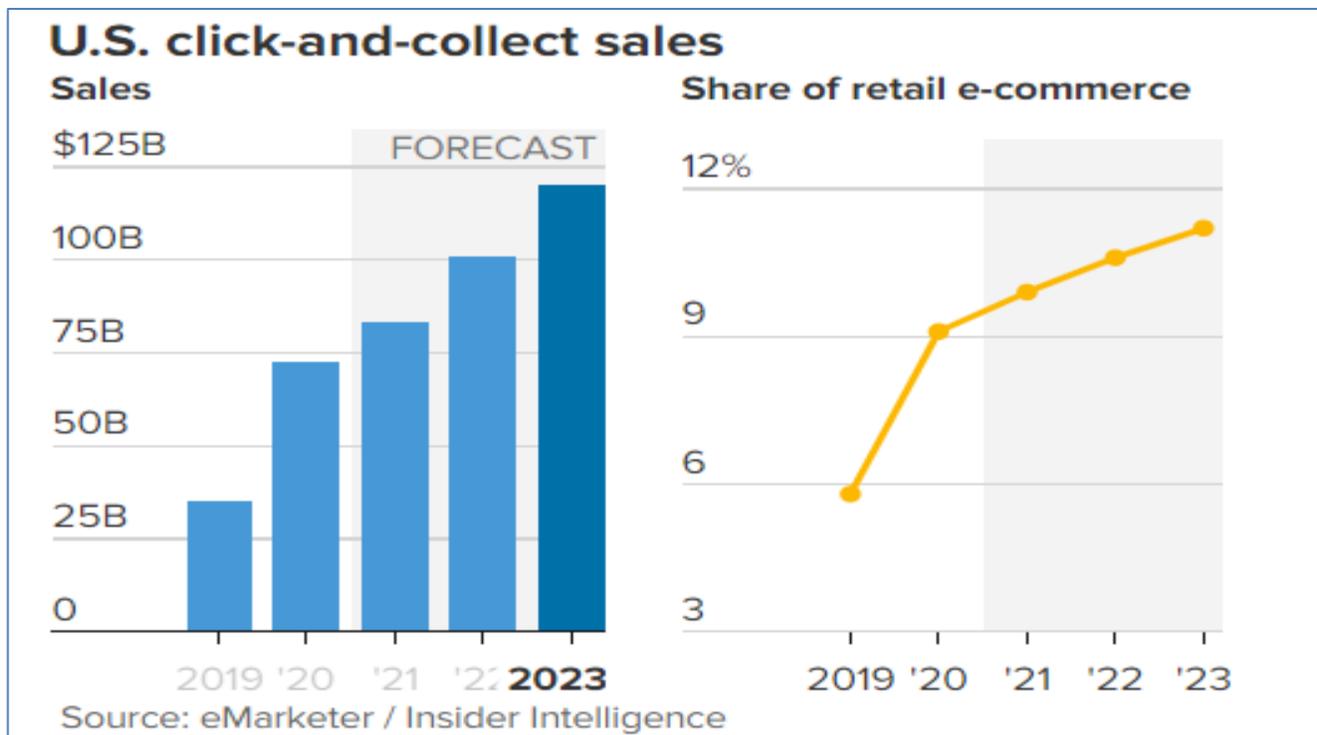
On Europe's mainland, **French President Emmanuel Macron warned the French people of tough days ahead amid a spike in coronavirus infections and pledged to continue helping businesses affected by the pandemic.** "The coming weeks will be difficult, we all know that," Macron said in his New Year's national address from the Elysee Palace in Paris. The coronavirus surge, with a daily record of 232,200 new infections reported this week, has become a challenge for Macron four months before the presidential election. **He cited cultural venues, tourism and sports as sectors facing the "economic consequences" of the virus resurgence. "We will help them as we must do and as we have been doing since the beginning of the pandemic,"** Macron said.

**With energy prices already on the rise and increased tensions between Europe and its key gas supplier Russia, Germany made the controversial "green" decision to shut down three of its nuclear power plants this week.** The closure of the plants in Brokdorf, Grohnde, and Gundremmingen, will cut in half Germany's nuclear power capacity and reduce its energy output by around four gigawatts—equivalent to the power produced by 1,000 wind turbines. Germany is planning to completely wind down atomic energy by the end of 2022, when it will shut its final three plants in Neckarwestheim, Essenbach and Emsland. **Europe's reference gas price, Dutch TTF, hit 187.78 euros per megawatt hour in December--10 times higher than at the start of the year.**

In Asia, **top leaders in Beijing warned at an economic planning meeting this month that China's economy faces a "triple threat" heading into the new year: shrinking demand, supply shocks, and weakening consumer spending.** "The core problem of these 'triple pressures' is still a weakening of demand or insufficient demand," Wang Jun, chief economist at Zhongyuan Bank, said. "If demand improves, then expectations will improve." **Sluggish consumer spending has dragged down China's economy since the pandemic.** Along with the property market, consumption is one of the two areas economists are most concerned about. "How consumption recovers next year will have a very great impact on the economy," Jianguang Shen, chief economist at Chinese e-commerce company JD.com said.

**The Japanese economy is expected to accelerate its expansion in 2022, following the sharp turnaround at the end of 2021.** Analysts predict the world's third-largest economy will see 2-4% growth in fiscal 2022 (starting in April). **After the economy shrank a record 4.5% in 2020 with the coronavirus outbreak, it began to pick up in the fall of 2021 as vaccinations progressed and economic restrictions were lifted.** The government predicts a 2.6% growth in 2021, followed by a 3.2% increase in 2022. Economists say strong growth is expected especially in the first half of 2022, thanks to restaurants and bars and other hospitality businesses returning to normal operations and the government's stimulus initiatives, including the "Go To Travel" domestic tourism subsidy program which is expected to resume around February.

**Finally:** Ever heard of “Click & Collect”? Visit your local Walmart on any given day and you’ll likely see a row of minivans and sedans with trunks open lining the side of the store and workers loading bins into them. Initially developed by supermarket chains, this so-called “Click & Collect” service made it possible for consumers to buy online and then conveniently collect their purchases at the nearest store location. Walmart embraced this business model wholeheartedly, and overtook the grocery stores to become by far the biggest click & collect retailer in the country. Data from Insider Intelligence shows Walmart scored 25.4% of all click & collect orders in 2021—which translates to an estimated \$20.4 billion in sales. After Walmart, Home Depot is expected to have the second-largest market share for click and collect in 2021, accounting for an estimated 13.3% of all sales through the channel. Furthermore, Insider Intelligence expects click & collect sales to jump by 21% to \$101 billion in 2022. (Chart from cnbc.com)



(Sources: All index- and returns-data from Yahoo Finance; news from Reuters, Barron’s, Wall St. Journal, Bloomberg.com, ft.com, guggenheimpartners.com, zero hedge.com, ritholtz.com, markit.com, financialpost.com, Eurostat, Statistics Canada, Yahoo! Finance, stocksandnews.com, marketwatch.com, wantchinatimes.com, BBC, 361capital.com, pensionpartners.com, cnbc.com, FactSet.)

## The SITREP | Glossary of Terms

---

### *Index, Exchange and Investment Definitions:*

- **Barclays Aggregate Index** - An unmanaged index of fixed rate investment grade securities with at least one year to maturity combining the Barclays U.S. Treasury Bond Index, the Barclays U.S. Government-Related Bond Index, the Barclays U.S. Corporate Bond Index, and the Barclays U.S. Securitized Bond Index.
- **Barclays US Corporate Index** is a broad-based benchmark that measures the investment grade US dollar- denominated, fixed-rate, taxable corporate bond market. It includes USD denominated securities issued by US and non-US industrial, utility, and financial issuers that meet specified maturity, liquidity, and quality requirements.
- **Barclays Aggregate Bond Index** (formerly known as the Lehman Brothers Aggregate Bond Index), an unmanaged, market capitalization weighted index of government and corporate bonds, mortgage-backed securities, and other asset-backed securities, with interest reinvested. This index commonly serves as a proxy for the U.S. bond market.
- **The Bloomberg Commodity Index** is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- **CBOE Volatility Index** shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge."
- **The DJ Equity All REIT Total Return Index** measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- **The S&P 500** is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy.
- **The Dow Jones Industrial Average** is a price-weighted index of 30 actively traded blue-chip stocks.
- **The NASDAQ Composite Index** is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.
- **The Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe: market-cap weighted index composed of 2,000 U.S. small-cap common stocks.
- **The CAC-40 Index** is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse.
- **The ISEQ Overall Index** is a capitalization-weighted index of all official list equities in the Irish Stock Exchange, excluding U.K.-registered companies.
- **The FTSE MIB** (Milano Italia Borsa) is the benchmark stock market index for the Borsa Italiana, the Italian national stock exchange.
- **The IBEX 35** is the benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange.
- **The DAX 30** is a Blue-Chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.
- **The FTSE 100 Index** is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization.
- **The STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index.
- **The RTS Index** (abbreviated: RTSI, Russian: Индекс РТС) is a free-float capitalization-weighted index of 50 Russian stocks traded on the Moscow Exchange.
- **The SSE Composite Index** is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

- **The Shanghai Composite Index** tracks the biggest and most important public companies in China.
- **The Hang Seng Index** is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong.
- **The IDX Composite** or Jakarta Composite Index is an index of all stocks that are traded on the Indonesia Stock Exchange (IDX).
- **The Korea Composite Stock Price Index** or KOSPI is the major stock market index of South Korea, representing all common stocks traded on the Korea Exchange.
- **The Asia Dow** measures the Asia equity markets by tracking 30 leading blue-chip companies in the region.
- **The S&P/ASX 200 Index** is a market-capitalization weighted and float-adjusted stock market index of Australian stocks listed on the Australian Securities Exchange from Standard & Poor's.
- **Nikkei 225** (Ticker: ^N225) is a stock market index for the Tokyo Stock Exchange (TSE).
- **The Nikkei Average** is the most watched index of Asian stocks.
- **The BSE SENSEX** (Bombay Stock Exchange Sensitive Index), also-called the BSE 30 (BOMBAY STOCK EXCHANGE) or simply the SENSEX, is a free-float market capitalization-weighted stock market index of 30 well-established and financially sound companies listed on the Bombay Stock Exchange (BSE).
- **Karachi Stock Exchange 100 Index** (KSE-100 Index) is a stock index acting as a benchmark to compare prices on the Karachi Stock Exchange (KSE) over a period.
- **The Dow Jones Americas Index** measures the Latin American equity markets by tracking 30 leading blue-chip companies in the region.
- **The Mexican IPC Index** (Indices de Precios y Cotizaciones) is a major stock market index which tracks the performance of leading companies listed on the Mexican Stock Exchange.
- **The Bovespa Index** is a gross total return index weighted by traded volume & is comprised of the most liquid stocks traded on the Sao Paulo Stock Exchange.
- **The S&P/TSX Composite Index** is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization.
- **The Global Dow** is an equally weighted index of 150 widely traded blue-chip common stocks worldwide.
- **The MSCI World Index** is a free-float weighted equity index that includes developed world markets and does not include emerging markets.
- **The MSCI EAFE Index** is recognized as the pre-eminent benchmark in the United States to measure international equity performance. It comprises the MSCI country indices that represent developed markets outside of North America: Europe, Australasia and the Far East.
- **The MSCI Emerging Markets Index** is a float-adjusted market capitalization index consisting of indices in more than 25 emerging economies.
- **The US Dollar Index** measures the performance of the U.S. dollar against a basket of six currencies.
- **Corporate BBB 1-3-year Index** - as represented by the BBB rated component of the BofA Merrill Lynch 1-3 Year U.S. Corporate Index, comprised of U.S. dollar-denominated investment-grade corporate debt securities publicly issued in the U.S. domestic market with between one and three years remaining to final maturity.
- **High Yield Index** - as represented by the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index, a market value-weighted index of all domestic and Yankee high-yield bonds, including deferred-interest bonds and payment-in-kind securities.
- **10-Year US Treasury Index** - This index represents a theoretical rolling 10-year U.S. Treasury note, renewed semiannually to a new higher coupon based on the indicated rise in rates.

#### **Index Disclosures:**

“An index is a composite of securities that provides a performance benchmark. Indexes are unmanaged, do not incur management fees/costs/expenses, and cannot be invested-in directly. Past performance is not a guarantee of future results.”

The views expressed represent the opinion of Brian Johnson, owner of Midwest Financial an SEC registered investment advisor. Information is for illustrative purposes only and does not constitute investment, tax or legal advice. Stated information is derived from proprietary and nonproprietary sources that have not been independently verified for accuracy or completeness. While Midwest Financial believes the information to be accurate and reliable, we do not claim or have responsibility for its completeness, accuracy, or reliability. Statements of future expectations estimates, projections and other forward-looking statements are based on available information and Midwest Financial's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or limited in such statements. Investing in equity securities involves risks, including the potential loss of principal while equities may offer the potential for greater long-term growth than most debt securities, they generally have higher volatility. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles, or from economic or political instability in other nations. Past performance is not indicative of future results.

Midwest Financial does not accept any liability for the use of the information discussed. Consult with a qualified financial, legal, or tax professional prior to taking any action.

This presentation is for information purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

Midwest Financial is a Registered Investment Adviser. Advisory services are only offered to clients or prospective clients where Midwest Financial and its representatives are properly licensed or exempt for licensure. Past performance is not guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice may be rendered by Midwest Financial unless a client service agreement is in place.

A handwritten signature in black ink that reads "Brian D. Johnson". The signature is written in a cursive, flowing style.

Brian Johnson, RFC  
Managing Member  
712-659-2156  
706 Montana St.  
Glidden, IA 51443