



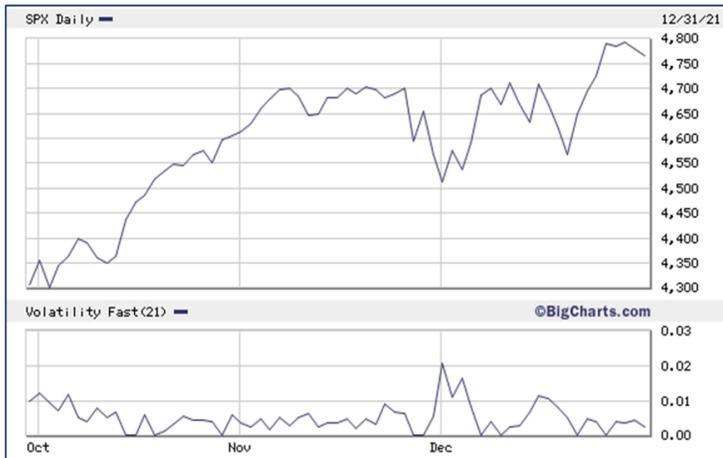
~ Prevailing Winds ~

A Quarterly Market Update

December 31, 2021

Quarterly Recap:

Delta, Inflation, Supply Chain, Omicron.... were the predominate words seen in news headlines and the common concerns of individuals and investors. In typical years, these buzzwords would have fostered a stalling global economy and faltering markets. As we have all experienced, typical just isn't part of anyone's vocabulary anymore. As seen throughout 2021, the financial markets have not been the source of anxiety but rather have weathered the storm with a steely resolve.



Quarter Ending December 31, 2021

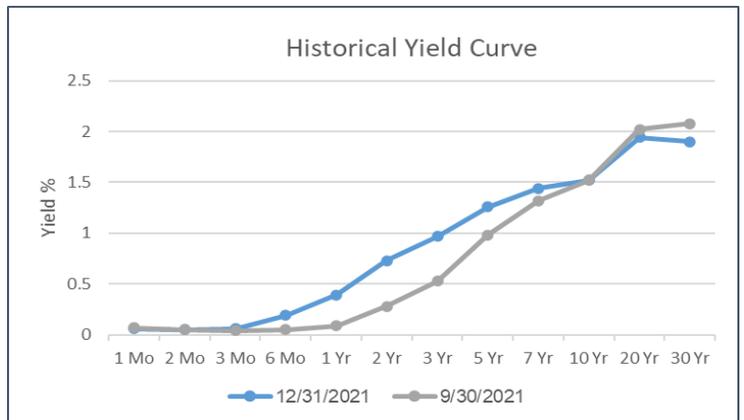
Equity Indexes	Close	% Change
DJIA	36338.30	7.4%
S&P 500	4766.18	10.6%
NASDAQ	15644.97	8.3%
Treasuries	Close	Change
10-Year Yield	1.52%	0.00
2-Year Yield	0.73%	0.45

The Stock Market:

While the "Santa Claus" rally was a bit subdued, the stock market managed to end 2021 on a strong note. Solid corporate earnings allowed the equity markets to rebound from a weak September. News that the feared tax increases would not be forthcoming reduced building market anxiety. What remains steadfast is the concept of FOMO (fear of missing out) a notion that there is simply too much cash in the financial system that investors want to put to work in an effort to offset inflation. The result is a stock market that has not remained down for long.

The Bond Market:

For much of the year, the Federal Reserve labeled the rising inflation figures as "transitory". After a slew of very surprising reports and public outcry, the Fed recanted. The Fed is now on a trajectory to rapidly end its policy of buying bonds (which had been suppressing interest rates) and will likely increase short term rates several times next year. Ordinarily, such a shift would have created great disruption in the bond market. Once again, the market response was muted as fixed income investors correctly predicted the likelihood of rising short-term rates.



Looking Ahead:

The past year was a year unlike no other. This is a surprising admission following the tumultuous events seen in 2020. There have been many successes despite the looming uncertainty and frustrations. Many strategists foresee opportunities ahead as the combined risks of the pandemic and the supply-chain upheaval slowly recede. While there is cause for optimism, we are mindful that we are in uncharted waters given the generally high valuations for stocks and bonds and the uncertain trajectory of inflation. Best wishes for a healthy 2022!

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