



2022

Expect the Best - Plan for the Worst

GAME ON

01/01/22 Start
12/31/22 End

-Current Concerns-
Contagion, Career, Costs,
Climate, Crime, Corruption

FORESEE

STOCKS



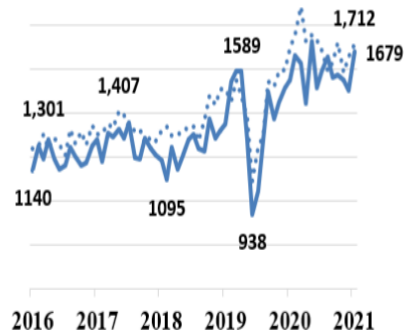
FORETOLD

BONDS



FOREBODE

HOUSING



Zero-bound interest rates and unprecedented fiscal stimulus have stretched price-to-earnings multiples above historical norms. The S&P 500 is currently valued at 23x its \$202 profits estimate for 2021. The consensus forecast is \$220 for 2022. With inflationary threats and higher bond yields in the offing, further multiple expansion is questionable. Compression in price-earnings ratios is perhaps more likely.

Is the 40-year bull market in treasuries finally over? You betcha! Globally, leading G-7 countries are upping short-term interest rates to safeguard against further adverse inflation acceleration. 10-year treasury yields have risen from .5% to 1.4% since the 3/9/20 low point. Over the past year, treasuries across the spectrum of durations have had negative real yields accounting for inflation. The U.S. dollar is the world's reserve currency. Globally, the dollar remains investors' go-to safe haven in times of turmoil and uncertainty. Accordingly, the demand for treasuries remains constant. Forecasts call for positive real yields by 2023. How 'bout 2% in '22?

New home prices are poised to continue their advance. Fannie Mae forecast median new home prices will average \$437,000 by next year's end, up 11.5% from \$392,000 in '21. Existing home price sales are likely to act in parallel. Last month the Census Bureau's New Residential Construction release reported 1.6 million housing starts, and 1.7 million issued permits to build homes, both are near post-recession highs. As denoted in the graph above, starts and permits remain are markedly higher than their five-year trend (figures in 1000s). That said, there is a shortage of 1.35 million new construction homes needed to adequately serve the demand, according to Zillow.

CONSUMER

Household net worth is at record highs. Debt service payments as a percentage of disposable personal income are near the lowest recorded levels. The personal savings rate remains well above the ten-year mean.

BUSINESS

Corporate profits surpassed \$2.7 trillion in Q3-2021. The magnitude of those earnings is mind-numbing. I foresee further momentum ahead that is reinforced by modernized efficiencies and superior execution.

GOVERNMENT

The likelihood of additional multi-trillion-dollar fiscal stimulus next year looks dubious. The tug-of-war across and within political party lines is at a standstill. There is a widening gulf between how progressives, moderates, and conservatives believe taxpayers' monies should be spent, and others question if our economy is best served with more public spending.

PROJECTIONS

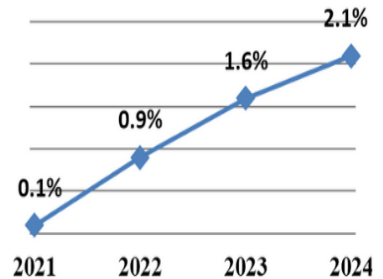
S&P 500 EPS	220.23
S&P 500 Revenues	7.0%
S&P 500 Price Prediction	5,024
Real GDP Growth	4.8%
Y/Y Headline CPI (Q4)	3.1%
Fed Funds Rate (Q4)	0.63%
10-Year T-Note (Q4)	1.90%
FRB Major \$ Index (Q4)	108.3
WTI Average (\$)	83.17

Source: CFRA, Action Economics, S&P Global.

*Data as of 12-10-21

A special thank you to my friend Sam Stovall, Chief Investment Strategist at CFRA Research, for his concise summary of next year's projections.

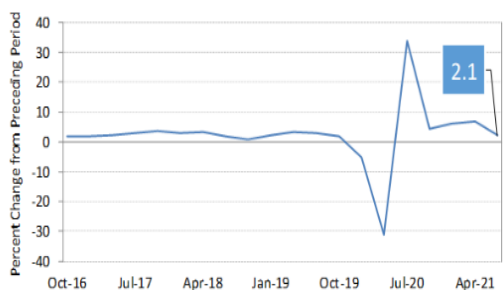
INTEREST RATES



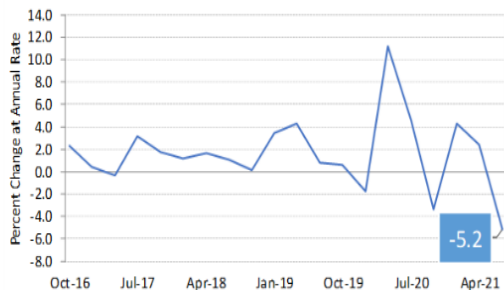
Chair Powell sounded the clarion call indicating three fed funds' hikes in 2022 and further increases through 2024. It doesn't end there. A year ago, the Fed's median projection for core inflation was 1.8% (core inflation excludes food and energy prices). Core inflation is now at 3.6%, double the Fed's forecast. Is the Fed correct about the transitory nature of inflation or will this become a bigger problem?

The Future of Investing is Now

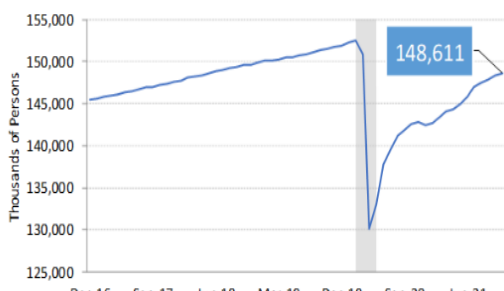
Real Gross Domestic Product



Productivity Rate



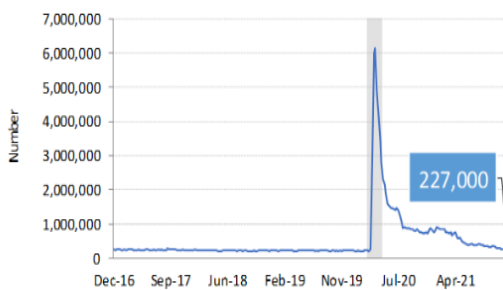
National Employment



Unemployment Rate



Initial Unemployment Filings



Inflation - Consumer Price Index



10 Year Treasury Note



Dollars /Euro Spot Exchange Rate



So much happens in a lifetime. As I reminisce on what has occurred over the past year, it makes me wonder how much of it all I actually took in, and how much of the beauty I missed by being perpetually mentally engaged, or lost in my thoughts, caught up in daily deadlines, stressors, and perceived self-acclaimed responsibilities. Followers of my posts are informed that I am a bit of an apostle of self-awareness. I believe awareness and open-mindedness are pathways to experience how amazing people throughout the world really are. I believe in mankind's collective union of our hearts, intentions, actions, and hopes. So, as we move towards another year full of what has yet to come, may this moment - these words convey my gratitude for life: family, friends, health, happiness, and financial fitness. It is my wish that in 2022 you are full of fortune and folly.

Yours in the spirit of Money Matters,
 -William Corley

P.S. In 2019, I began making New Year's Resolutions that matter to me and add to the quality of my life. Go for it!

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