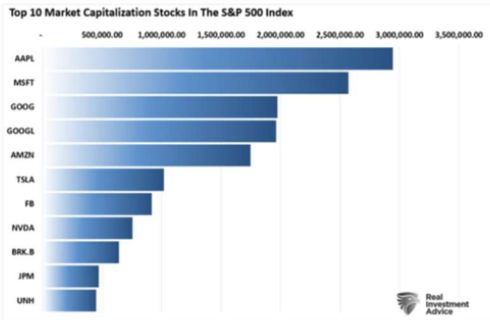
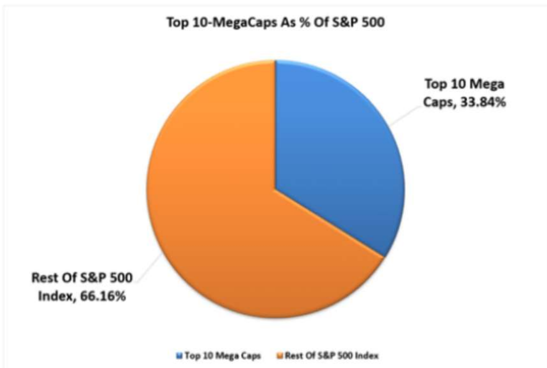
THE CALDER QUARTERLY

January 2022

2021 was another year that was outside the norm for market returns and the more risk you took the more you were rewarded. Currently, the top-10 stocks in the S&P 500 index comprise more than 1/3rd of the entire index. In other words, a 1% gain in the top-10 stocks is the same as a 1% gain in the bottom 90%. Had it not been for the enormous returns in companies like Apple (AAPL), Google (GOOG), Microsoft (MSFT), Tesla (TSLA), and Nvidia (NVDA), the return for the year would be much different.





Indexes & Indicators

Cumulative Total Returns YTD	
S&P 500	28.7%
DJIA	20.9%
NASDAQ	22.2%
Russell 2000	14.8%
Foreign Stocks	11.8%
Emerging Markets	-2.2%
Energy	54.6%
Real Estate	46.2%
Financials	35.0%
Utilities	17.7%
Consumer Staples	18.6%
Industrials	21.2%
Bonds	
10 Year Treasury	-3.6%
US Bonds	-1.5%
Global Bonds	-4.7%
Municipal Bonds	1.5%
Market Indicators	
Fed Funds Target	.25%
Inflation (Core CPI)	4.9%
Unemployment	4.2%
GDP (Thru Sept)	2.3%

We all want to make above average returns but historical valuation levels in the U.S. are at levels that are not sustainable from here over the next 5 years. All stocks eventually revert to a mean level of return. International and Emerging Market stocks continue to trade at the lowest valuation levels in 10+ years. These stocks should outperform the S&P 500 over the next 5 years on average. That is why our portfolios have a healthy allocation to these areas. Part of our job as an objective advisor is to invest where we are going and not where we have been.

We also are preparing for GDP to slow in the coming months from the mid 6s and approach high 4s by the second half of this year. We anticipate yield curve volatility to become minimal. Bonds will flatten if markets slow down. Notably the 2yr-10yr yield spread has gone from 1.5 in middle of 2021 to 80bp today. Also notable is manufacturing supplier deliveries which peaked during 2021 at 80 and now is heading in decline to 64. This is the lowest we have seen since 2018. The bulk of the fiscal spending was in March of 2021 to the tune of 1.4 trillion. That too is at the tail end.

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Inflation continued to expand in 2021 because of supply constraints and governments around the world stimulating their economies to battle the Covid-19 virus. This has produced the fastest pace of asset price inflation (including the stock market and real estate) in decades. While absolute levels of inflation will remain high for some time, we anticipate seeing the beginning of disinflationary pressures emerging over the course of 2022. The current consensus is that the Federal Reserve will raise rates up to 4 times in 2022. The danger is that they will over tighten which will be very bad for the markets and our economy.

To prepare for disinflation pressures, we cut our exposure to commodities and energy and shifted into traditional bonds and gold. We anticipate further increasing our gold holdings and have become more conservative with our bond holdings. We have moved away from some alternative bonds and into more stable core positions. Since markets are dynamic, we reassess our allocations continuously and make changes in order to take advantage of assets that outperform in a slowing economy.

Happy New Year and we look forward to serving you in 2022! Please contact us if you would like to meet to discuss your portfolio, and we will help guide you with objective sound advice.

THE CALDER TEAM

You've got the entire Calder team serving you with our collective thought leadership and diverse expertise. We're here for you.


Dirk Racette


Daren Shavell


Brian Riefepeters


Kelly Eggleston


Tom Glover


Pat Newcombe


Bob Stark