

OBSERVATIONS

- Covid-19 cases—predominantly the omicron variant—surge across the U.S., with daily cases approaching 300,000. Daily cases are now on par with the record surge recorded in the early weeks of January-2021.¹
- The Peoples Bank of China cut the one-year prime lending rate from 3.85% to 3.80%—the benchmark interest rate for Chinese lending—for the first time in 20 months in an effort to stimulate lending in the face of a property slowdown, energy shortages, and lingering weakness in consumer activity due to Covid.²
- U.S. GDP for Q3-2021 was revised up to +2.3% annualized rate from the previous estimate of +2.1%.³ Meanwhile, the Bloomberg consensus estimate for Q4 real GDP growth is currently +6.0% annualized as headwinds from Covid were blunted during most of October and November and the U.S. consumer spent robustly ahead of the Christmas holidays.⁴
- Recently released 2021 U.S. Census data showed population growth of just over 390k for the year, marking the first time since 1937 the population grew by fewer than a million people and the lowest numeric growth since 1900 (when the Census Bureau began recording population estimates).⁵
- The 10-Yr U.S. Treasury remains range bound, the 10-Yr yield stood at 1.46% last Wednesday and has spent the majority of 2021 (nearly 75% of days) between 1.3% and 1.7%.⁴
- Speculation + excess liquidity = a new yearly record for options trading in 2021 as an average of 39 million options contracts traded daily, driven by retail investors who accounted for an estimated 25% of all option trading activity—the majority of which will lose by trading options.⁶
- Core PCE—the preferred inflation measure of the Fed—increased to +4.7% year-over-year in November, up from +4.2% YoY in October.⁷

EXPECTATIONS

- Research from the Cleveland Fed suggests that most non-employment among prime-age workers stems from shifts in attitudes towards work related to the Covid pandemic. The three primary reasons cited in a recent survey regarding why they haven't re-entered employment despite the abundance of help wanted notices were 1) sickness and concerns about Covid-19; 2) child- and eldercare responsibilities; and 3) the residual category "other reasons." This suggests that until Covid outbreak recedes, labor supply will remain constrained.⁸
- European natural gas prices surged to new record highs last week amid tepid Russian exports to Europe. Russian supplies to Europe have ground nearly to a halt just as seasonal demand has increased. A quick resolution is not in sight as relations between the EU and Russia are fraying over tensions related to Russia's pressure on Ukraine and Germany's decision to delay the opening of a new natural gas pipeline—Nord Stream 2—which would allow for natural gas supplies to move directly to Europe while bypassing Ukraine.⁹

¹ https://covid.cdc.gov/covid-data-tracker/#trends_dailycases

² <https://www.ft.com/content/404ba4a1-d25f-42ee-b602-6d89e8472d4d>

³ <https://www.bea.gov/news/2021/gross-domestic-product-third-estimate-gdp-industry-and-corporate-profits-revised-3rd>

⁴ Bloomberg LP

⁵ <https://www.census.gov/library/stories/2021/12/us-population-grew-in-2021-slowest-rate-since-founding-of-the-nation.html>

⁶ <https://www.cnbc.com/2021/12/22/options-trading-activity-hits-record-powered-by-retail-investors.html>

⁷ <https://www.bea.gov/news/2021/personal-income-and-outlays-november-2021>

⁸ <https://www.clevelandfed.org/newsroom-and-events/publications/economic-commentary/2021-economic-commentaries/ec-202123-whats-holding-back-employment-in-the-recovery-from-the-covid19-pandemic.aspx>

⁹ <https://www.ft.com/content/a0bc7996-ab5d-465b-aab4-90472e088af7>

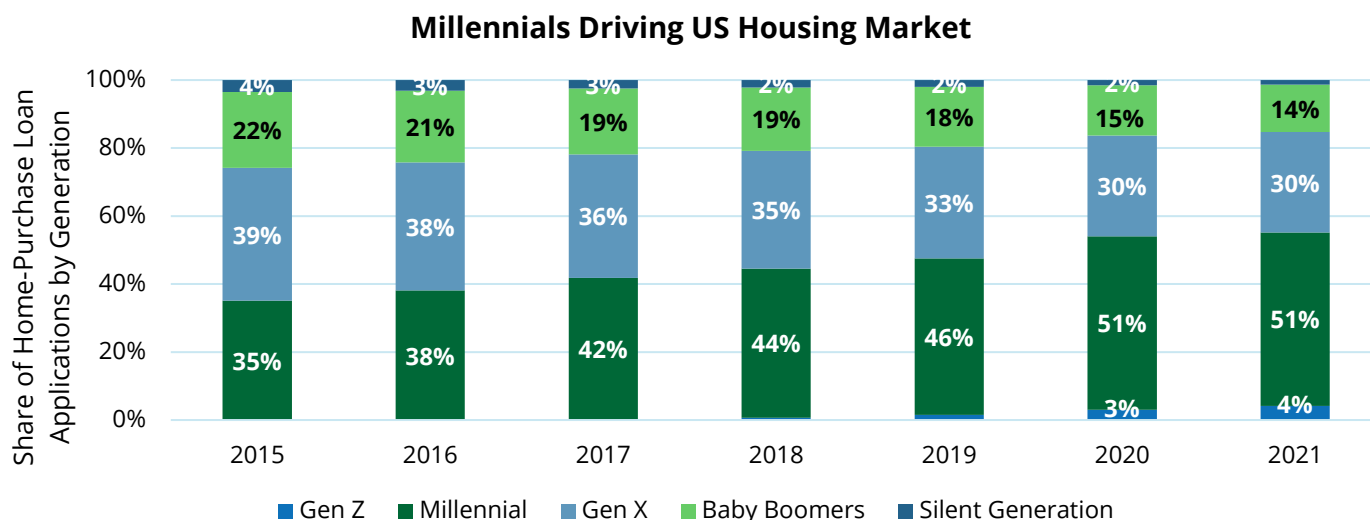
- President Biden’s \$2 trillion Build Back Better agenda received a body-blow last week when Senator Manchin of West Virginia stated publicly, he could not vote for the bill—leaving it at least one vote shy in the Senate. Biden has vowed to continue talks with Manchin to find a compromise in the New Year.¹⁰

ONE MORE THOUGHT: *Research Corner wishes you a wonderful holiday season!*

Happy holidays from the Clearstead Investment Office. We hope this year’s holiday season is joyous, safe, and fun, and best wishes for the New Year!

Research Corner will be taking a break during the winter holidays. The next installment will be published on Monday 10-January-2022.

CHART OF THE WEEK



Source: Clearstead, WSJ, US Census, CalculatedRisk.com, 2021 as of 01-Dec-2021

In just the past few years, a large cohort of millennials has moved from the 25 to 29 year-old segment to the 30 to 35 year-old segment, which is a key demographic for driving household formation which in turn is a key component of demand for single family homes. Indeed, as millennials generally move from the mid/late-twenties into their thirties they have become the most important demographic segment in terms of new home purchases.

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¹⁰ WSJ “Manchin Long Raised Concerns About ‘Build Back Better.’” 22-Dec-2021