Week Ending 12/24/2021

WEEK IN PERSPECTIVE

PARK AVENUE SECURITIES®: **STEP***forward*

Santa Claus Makes Early Appearance on Wall Street

The S&P 500 rose 2.3% on Christmas week, as buy-the-dip efforts prevailed in convincing fashion. The Nasdaq Composite (+3.2%) and Russell 2000 (+3.1%) both advanced more than 3.0% while the Dow Jones Industrial Average increased 1.7%.

The market ended a three-day skid with a three-day rally, which saw the S&P 500 circle around its 50-day moving average (4628). All 11 sectors closed higher, led by the consumer discretionary (+3.8%) and information technology (+3.3%) sectors with gains over 3.0%. The utilities sector increased just 0.2%.

There wasn't one specific thing that catalyzed the rally, but there was a belief that market had gotten oversold on a short-term basis and was due for a rebound. Moreover, investors have shown a strong willingness to buy the dip whenever the benchmark index breaches its 50-day moving average.

Other supportive factors included waning concerns about the Omicron variant amid encouraging research and vaccine data, hope that Senator Manchin (D-WV) can get on board with the Build Back Better Act after initially rejecting it, better-than-expected earnings results from Nike (NKE) and Micron (MU), and positive momentum.

At the same time, the market brushed aside concerns about the Fed potentially making a policy mistake next year. It's worth reminding that even if the Fed hikes rates three times, the rate environment will still be relatively accommodative.

The Treasury market softened up amid the bullish price action in equities and some encouraging economic data. The 2-yr yield rose five basis points to 0.69%, and the 10-yr yield rose nine basis points to 1.49% -- steepening the curve.

As an aside, the market rebounded right before the seasonally-favorable Santa Claus rally period, which is defined as the last five trading sessions of the year and first two sessions of the new year. Of course, there's no guarantee the next seven sessions will end with gains.

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