

Seasonality Keeps Market Afloat to End 2021

The major indices ended the last week of 2021 on a mostly positive note, particularly for the S&P 500 (+0.9%) and Dow Jones Industrial Average (+1.1%). Both gained around 1.0% and set intraday and closing record highs this week. The Nasdaq Composite declined 0.1% while the Russell 2000 increased 0.2%.



There weren't any specific catalysts driving the action, suggesting seasonal factors and year-end rebalancing activity played influential roles. This week encompassed part of the Santa Claus rally period, which is defined as the last five sessions of the year and the first two sessions of the new year.

Ten of the 11 S&P 500 sectors finished in positive territory for the week. No sector rose more than the 3.7% gain in the real estate sector, but the materials (+2.6%), consumer staples (+2.5%), and utilities (+2.6%) sectors did compete. The communication services sector (-0.8%) closed lower after a tough session on Friday.

There was plenty of COVID-19 news in the mix.

The bad news was that businesses continued to see Omicron-related disruptions, as called out by Micron (MU) and seen in flight/cruise line cancellations. The CDC even upped its travel notice on cruise lines to Level 4, advising people to "avoid cruise travel, regardless of vaccination status."

The CDC, however, shortened the recommended isolation time for asymptomatic people with COVID-19 to five days from 10 days. The FDA, meanwhile, is expected to expand eligibility for Pfizer's (PFE) booster shot to 12- to 15-year-olds on Monday. Johnson & Johnson (JNJ) said data demonstrated its booster shot was 85% effective against hospitalization in South Africa when the Omicron variant was dominant.

The Treasury market was quiet this week. The 10-yr yield increased two basis points to 1.51% (+59 bps in 2021) while the 2-yr yield increased four basis points to 0.73% (+61 bps in 2021).

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