

The Year of Wildcards

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Goodbye 2021! This past year embodied a stressful and unprecedented period. Nevertheless, most financial markets experienced exceptional performance in 2021, despite a raging pandemic, snarled supply chains, chronic labor shortages, and surging inflation. With 20% of all U.S. dollars in circulation being created since February 2020, investors shrugged off multiple impediments and enjoyed unexpected record highs in the equity markets. As a result, U.S. household net worth has soared nearly 24% since the end of 2019. The accelerant for this powerful market momentum has been extraordinarily cheap and readily available capital which has fueled record M&A, SPAC, and IPO activity. Meanwhile, credit investors were forced to cope with the downside effects of tight spreads and shifting monetary policies. For 2022, numerous wildcards foreshadow a challenging year for investors. The consequences of elevated asset values and possible rampant inflation could result in heightened volatility this year. As the Fed fights the flames of inflation psychology, the era of speculation may be tested in 2022.



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