STATE STREET GLOBAL ADVISORS

January 28, 2022
Commentary

Weekly Economic Perspectives

Contents

Spotlight on Next Week
The Bank of England should deliver another rate hike. The RBA and ECB are still on hold but watch for tone change. Modest payrolls gain in the US.

Contact

Simona Mocuta
Senior Economist
simona_mocuta@ssga.com
+1-617-664-1133

Amy Le
Macro-Investment Strategist
amy_le@ssga.com
+44-203-395-6590

The Economy

Another tumultuous week in both macro and markets.

Global

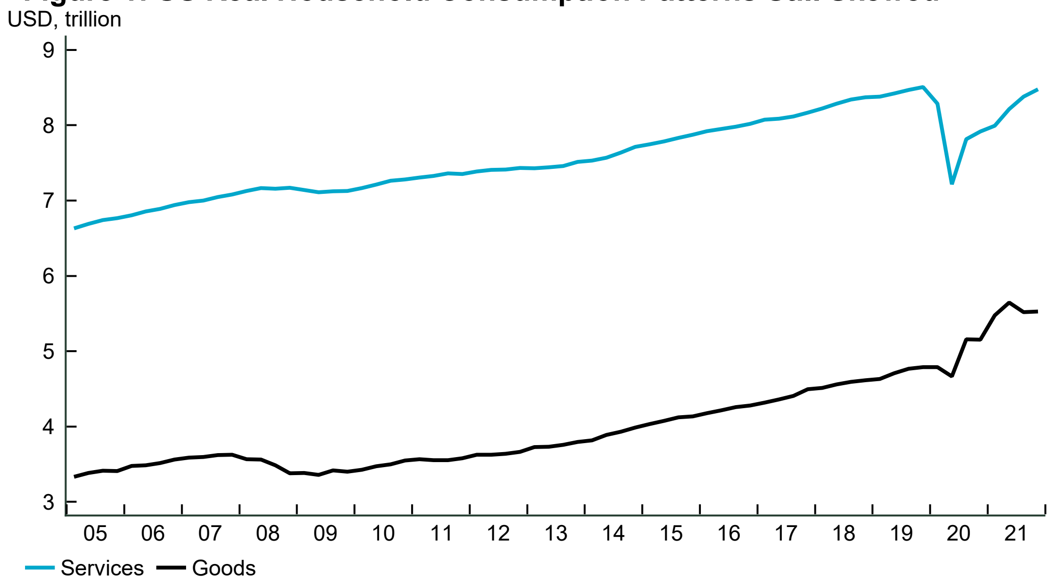
Global manufacturing activity remains robust, according to the preliminary manufacturing PMI readings for January. The German index rose almost three points to 60.5; the eurozone index was up one to 59.0, and Japan up 0.3 point to 54.6. The UK and the US were exceptions to the improving trend; the former lost a point to 56.9 and the latter lost 2.7 points to 55.0.

US

Right after the end of Chair Powell's the press conference, we would have described this week's **Fed meeting** as significant and consequential and the tone as moderately hawkish. After all, although no action was taken, the FOMC practically teed up a March interest rate hike by saying it "expects it will soon be appropriate to raise the target range for the federal funds rate". Additionally, the Committee made public a set of principles for balance sheet reduction, signaling that this could begin as soon as the first rate hike is in (It will probably take a little longer than that, but July seems like a good bet). When pressed about the possibility of needing to go faster and further with rate normalization than the three rate hikes currently embedded in the summary of economic projections, Chair Powell left the door open for such a possibility, but did not commit either way. In fact, it seemed telling us that he also mentioned two-sided risks to the outlook, extreme uncertainty about the appropriate path for future policy, and repeatedly used words like "humble" and "nimble". Our own interpretation is that "humble" and "nimble" speak to two-way optionality. By contrast, the market's take seems to be that they speak only to a belated recognition that the Fed is behind the curve and a consequent desire to speed up tightening. The market had already been ahead of the Fed, pricing in four hikes this year before the meeting. As of Friday, it was pricing nearly five. Some market participants are now talking six or seven. Well, if we didn't think the meeting itself was extraordinary, the market response certainly qualifies! There seems to be a wild abandon in how quickly everyone is jumping onto the aggressive tightening bandwagon. All attention is focused on upside risks to inflation, but none is being spared for the latent risks to growth and the possible unintended consequences that such a tightening path would have for an economy well past peak growth momentum. We might be proven wrong, and we openly acknowledge that a scenario exists that would validate current market pricing, but that is not our baseline expectation. The data flow going into the March meeting will likely be soft. We don't think that will be enough to prevent a hike then, but should instill a little caution back into the picture.

The fourth quarter **GDP** already carries some seeds for concern. Admittedly, the headline beat expectations but three quarters of the 6.9% saar growth rate came from inventory accumulation. While there is more to go here given record low automotive inventories, the inventory story will become more nuanced going forward and inventories will eventually become a headwind to growth. Consumer spending contributed 2.4 percentage points (ppt) to growth, almost a point more than in the third quarter. But this was mostly due to the fact that goods spending, which had dropped quite significantly in Q3, was incrementally positive in Q4. Meanwhile, services consumption growth slowed. Fixed investment was softer than expected during the quarter, with a surprisingly large decline in non-residential structures investment; residential investment also declined again. Trade was neutral to growth thanks to a better than expected export performance, while government spending subtracted about half a percentage point.

Figure 1: US Real Household Consumption Patterns Still Skewed



Sources: SSGA Economics, BEA

As the Fed prepares to lift interest rates, it has to remain mindful of hidden vulnerabilities, of which the deteriorating consumer backdrop is perhaps the most important. In this regard, the final reading on the **Michigan consumer sentiment index** for January wasn't particularly reassuring. The headline was revised down 1.6 points to 67.2, the lowest level since December 2011. Inflation expectations were unchanged from the preliminary estimates but up a tenth in the short term (1-year) to 4.9% and two tenths in the long-run (5-10 years) to 3.1%. The latter is the highest since 2011.

The **Conference Board consumer confidence index** offers a much more encouraging picture. Although it retreated for the first time in four months in January, it remains elevated historically. And the closely watched labor differential—which measures the difference between those who think jobs are abundant and those who think jobs are scarce—remains close to record highs.

Both **personal income and spending** softened in December but were in line with expectations. Nominal personal income increased 0.3% but real disposable income declined 0.2%. Personal spending fell 0.6% in nominal terms and 1.0% in real terms. The savings rate rose to a three-month high of 7.9%. Headline PCE (personal consumption expenditure) prices rose 0.4% and core PCE prices increased 0.5%, both as expected The two respective measures of inflation stood at 5.8% and 4.9% y/y, respectively.

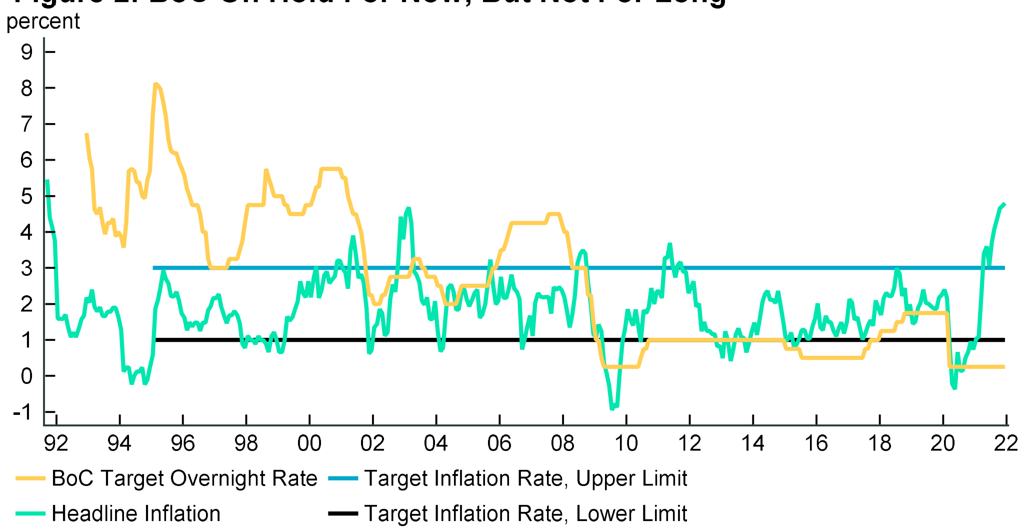
Pending home sales declined a larger than expected 3.8% in December and were 6.6% lower than in December 2020. High prices, low inventories, and rising mortgage rates will be a challenging mix for home sales in 2022.

Canada

The **Bank of Canada (BoC)** maintained its key interest rate at 0.25%, although the Bank said economic slack had been fully absorbed and forecast inflation would be higher for longer. However, the BoC has removed its exceptional forward guidance on policy interest rates, which was the condition for its rate lift-off, implying that rate hikes could occur soon, likely in March. GDP growth during the second half of 2021 has been stronger than expected and the drag from Omicron is expected to be less than previous waves. The BoC expects GDP growth to reach 4.0% in 2022 and about 3.5% in 2023.

Headline inflation hit 4.8% in December, the highest level since September 1991 and the ninth month in a row above the BoC's 1%-3% control range. The bank expected CPI inflation to be close to 5% in the first half of 2022 and quickly decline to about 3% by the end of this year. While longer-run expectations remain on the 2% target, near-term expectations have risen. The Bank said it will use monetary policy tools to ensure that higher near-term inflation expectations do not become embedded in ongoing inflation.

Figure 2: BoC On Hold For Now, But Not For Long



Sources: SSGA Economics, BoC, StatCan

UK

The **manufacturing PMI** index slipped one point to an eleven-month low of 56.9 in January, but was well above the 50 threshold. New orders were hit by Omicron restrictions and inflation concerns that had caused some clients to bring forward purchases to 2021, affecting January demand. Inventory accumulation was grew fastest since October 2021 given some concerns about fresh delays from Chinese suppliers. However, there are some signs that some stubborn supply chain pressures have started to ease. The lengthening of supplier delivery times was the least marked since November 2020. Purchasing price inflation also slowed down to its weakest since April 2021, helped by sustained turnaround in raw material availability.

Services PMI fell more than expected in January to 53.3 from 53.6 in December, reaching its lowest level since February 2021.The spread of the Omicron variant again hit consumer-facing sectors such as hospitality and travel although professional and financial services companies saw a quicker rate of expansion. Nevertheless, new order growth rebounded strongly in January after the ten-month low seen in December, helped by the prospect of easing restrictions and reduced Omicron concerns. Strong inflationary pressures continued with both input costs and output charges increased at the second-fastest rate since the survey began in July 1996 (exceeded only by November 2021). Higher raw material costs, staff wages and energy price hikes put a lot of pressure on businesses which will be inevitably passed on to customers in form of higher prices.

Eurozone

Divergent growth dynamics persisted throughout the region during the fourth quarter. While **real GDP** growth surprised positively in France and Spain, it disappointed once again in Germany. The ***French*** economy grew 0.7% in the fourth quarter, with modest contributions from consumer spending and investment and a slight drag from trade. The ***Spanish*** economy expanded by a full 2.0% during the quarter—an impressive pace aided by a big surge in investment. By contrast, ***German*** GDP contracted 0.7% during the quarter, more than twice the expected rate, leaving the level of real output 1.4% higher than in Q4 2020. The economy grew 2.8% for the year as a whole.

Omicron will weigh on economic activity in the first couple of months of the new year as well, as evidenced by the 1.9-point retreat in the regional services PMI to 51.2. The German index surprisingly bounced back above neutral, up 4.4 points to 52.2.

Japan

No major releases.

Australia

Consumer price inflation is noticeably accelerating, though in the context of other developed markets like the US, Canada, UK, and even the eurozone, the Australian experience so far can be described as mild. Consumer prices jumped 1.3% during the fourth quarter—one of the largest increases in decades—but this still only left the headline inflation rate at 3.7% y/y, matching the second-quarter print. The core measure of inflation also accelerated to multi-year highs. The trimmed mean stands at 2.6% y/y and the weighted median at 2.7%, the highest levels since mid-2014.

Week in Review (January 24- January 28)

Country	Release (Date, format)	Consensus	Actual	Last	Comments
Monday, January 24					
UK	Services PMI (Jan, prelim)	54.7	53.3	53.6	Activity cooled unexpectedly
UK	PMI Manufacturing (Jan, prelim)	57.8	56.9	57.9	Activity cooled unexpectedly
EC	Manufacturing PMI (Jan, prelim)	57.7	59.0	58.0	Good.
EC	Services PMI (Jan, prelim)	52.0	51.2	53.1	Temporary slowdown.
GE	Manufacturing PMI (Jan, prelim)	57.0	60.5	57.4	Good.
GE	Services PMI (Jan, prelim)	48.0	52.2	48.7	Welcome improvement.
FR	Manufacturing PMI (Jan, prelim)	55.0	55.5	55.6	Good.
JN	Jibun Bank Japan PMI Mfg (Jan, prelim)	n/a	54.6	54.3	Good.
AU	CPI Trimmed Mean (Q4, y/y)	2.3%	2.6%	2.1%	The RBA must acknowledge improvement.
AU	NAB Business Confidence (Dec)	n/a	-12	12	Omicron?
Tuesday, January 25					
US	FHFA House Price (Nov, m/m)	1.1%	1.1%	1.1%	Fairly old news.
US	S&P CoreLogic CS 20-City (Nov, m/m)	0.94%	1.18%	0.96% (↑)	Fairly old news.
US	Conf. Board Consumer Confidence (Jan)	112.0	113.8	115.2(↓)	Labor differential still extremely strong.
GE	IFO Business Climate (Jan)	94.2	95.7	94.8(↑)	Non-material change.
Wednesday, January 26					
US	New Home Sales (Dec, k)	773	881	725 (↓)	Some seasonality distortions likely.
US	FOMC Rate Decision	0.25%	0.25%	0.25%	March hike is almost certain.
CA	Bank of Canada Rate Decision	0.25%	0.25%	0.25%	Rate hikes could occur in near future
FR	Consumer Confidence (Jan)	98	99	100	Still solid.
Thursday, January 27					
US	Initial Jobless Claims (22-Jan, k)	260	260	290(↑)	Range bound now.
US	Continuing Claims (15-Jan, k)	n/a	1,675	1,624(↓)	Extremely low.
US	Durable Goods Orders (Dec, prelim)	-0.5%	-0.9%	3.2%(↑)	Core orders were flat.
US	GDP Annualized (Q4,q/q)	5.3%	6.9%	2.3%	Huge boost from inventories.
US	Pending Home Sales (Dec,m/m)	-0.3%	-3.8%	-2.3%(↓)	A sign of things to come?
US	Kansas City Fed Manf. Activity (Jan)	n/a	24	22 (↓)	Has moved in fairly tight ranged in recently.
GE	GfK Consumer Confidence (Feb)	-8.0	-6.7	-6.9(↓)	Modest but surprising improvement.
IT	Industrial Sales (Nov, m/m)	n/a	2.4%	2.9%(↑)	Manufacturing doing OK.
Friday, January 28					
US	Employment Cost Index (Q4)	1.1%	1.0%	1.3%	Still high, but welcome moderation.
US	Personal Income (Dec)	0.5%	0.3%	0.5% (↑)	Real incomes declining.
US	Personal Spending (Dec)	-0.6%	-0.6%	0.4% (↓)	Likely soft in January as well.
US	U. of Mich. Sentiment (Jan, final)	68.8	67.2	70.6	Lowest since 2011…
GE	GDP (Q4, q/q, prelim)	-0.1%	-0.7%	1.7%	Disappointing end to disappointing year.
FR	GDP (Q4, q/q)	0.5%	0.7%	3.1%(↑)	Slower, but still quite good.
FR	PPI (Dec, y/y)	n/a	17.4%	17.9%(↑)	Massive pressure from energy.
IT	Consumer Confidence Index (Jan)	116.0	114.2	117.7	Slight retreat.
IT	Manufacturing Confidence (Jan)	115.0	113.9	115.0(↓)	Slight retreat.
IT	PPI (Dec, y/y)	n/a	27.8%	27.3%(↑)	Massive pressure from energy.

Source: for data, Bloomberg®; for commentary, SSGA Economics.

Week Preview (January 31-Feb 4)

Country	Release (Date, format)	Consensus	Last	Comments
Monday, January 31				
EC	Q4 GDP (q/q, advance)	0.4%	2.2%	
GE	CPI (Jan, y/y, prelim)	4.3%	5.3%	
IT	Q4 GDP (q/q, prelim)	0.5%	2.6%	
JN	Industrial Production (Dec, m/m, prelim)	-0.6%	7.0%	
JN	Retail Sales (Dec, m/m)	0.3%	1.2%	
JN	Consumer Confidence Index (Jan)	37.0	39.1	
JN	Unemployment Rate (Dec)	2.8%	2.8%	
Tuesday, February 1				
US	ISM Manufacturing (Jan)	57.6	58.7	
US	JOLTS Job Openings (Dec,k)	10,300	10,562	
US	Wards Total Vehicle Sales (Jan, m)	12.65	12.44	
CA	GDP (Nov, m/m)	n/a	0.8%	Worries over Omicron variant might lead to lower growth
UK	Mortgage Approvals (Dec,k)	65.9	67.0	Activity starts slowing down
UK	Manufacturing PMI (Jan, final)	56.9	57.9	Remain robust
EC	Manufacturing PMI (Jan, final)	59.0	58.0	
GE	Retail Sales (Dec, m/m)	-1.4%	0.8%	
GE	Unemployment Claims Rate (Jan)	5.2%	5.2%	
GE	Manufacturing PMI (Jan, final)	60.5	57.4	
FR	Manufacturing PMI (Jan, final)	55.5	55.6	
IT	Manufacturing PMI (Jan)	61.5	62	
IT	Unemployment Rate (Dec)	9.2%	9.2%	
AU	RBA Policy Meeting			Watch for change in tone given solid recent data.
Wednesday, February 2				
CA	Building Permits (Dec, m/m)	n/a	6.8%	Market could be calm in December
IT	CPI NIC incl. tobacco (Jan, y/y, prelim)	3.5%	3.9%	
AU	NAB Business Confidence (Q4)	n/a	-1.0	
Thursday, February 3				
US	Nonfarm Productivity (Q4, prelim)	2.5%	-5.2%	
US	Initial Jobless Claims (29-Jan,k)	240	260	
US	Continuing Claims (22-Jan,k)	n/a	1,675	
US	ISM Services (Jan)	59.2	62.3	Bigger retreat possible.
US	Factory Orders (Dec)	0.1%	1.6%	
US	Durable Goods Orders (Dec, final)	n/a	3.2%	
UK	Services PMI (Jan, final)	53.3	53.6	Significantly affected by Omicron variants
UK	Bank of England Bank Rate	0.50%	0.25%	Increase of 25 bps is likely
EC	Services PMI (Jan, final)	51.2	53.1	
EC	ECB Main Refinancing Rate	0.00%	0.00%	On hold for now, but watch for tone shift.
GE	Services PMI (Jan, final)	52.2	48.7	
Friday, February 4				
US	Change in Nonfarm Payrolls (Jan, k)	175	199	There is some downside risks here from Omicron.
US	Unemployment Rate (Jan)	3.9%	3.9%	
CA	Unemployment Rate (Jan)	n/a	6.0%	Expect to trend lower
GE	Factory Orders (Dec, m/m)	0.4%	3.7%	
FR	Industrial Production (Dec, m/m)	0.5%	-0.4%	

Source: for data, Bloomberg®; for commentary, SSGA Economics.

Economic Indicators

Central Bank Policy Targets

Region	Target	Year/Year % Change in Target				
		Aug	Sep	Oct	Nov	Dec
US	Target: PCE price index 2.0% y/y	4.2	4.4	5.1	5.7	5.8
Canada	Target: CPI 2.0% y/y, 1.0%-3.0% control range	4.1	4.4	4.7	4.7	4.8
UK	Target: CPI 2.0% y/y	3.2	3.1	4.2	5.1	5.4
Eurozone	Target: CPI below but close to 2.0% y/y	3.0	3.4	4.1	4.9	5.0
Japan	Target: CPI 2.0% y/y	-0.4	0.2	0.1	0.6	0.8
Australia	Target Range: CPI 2.0%-3.0% y/y	3.0	3.0	3.5	3.5	3.5

Source: Macrobond

Key Interest Rates

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
US (top of target range)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Canada (Overnight Rate)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
UK (Bank Rate)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.25
Eurozone (Refi)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Japan (OCR)	-0.02	-0.04	-0.02	-0.03	-0.05	-0.04	-0.04	-0.05	-0.03	-0.05	-0.02
Australia (OCR)	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10

Source: Macrobond

General Government Structural Balance as a % of Potential GDP

									Forecast	
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
US	-2.7	-2.5	-3.5	-4.2	-5.2	-6.1	-10.7	-8.8	-8.3	-7.1
Canada	-0.6	0.0	0.1	-0.3	0.0	0.3	-8.1	-6.6	-2.7	-1.0
UK	-4.9	-4.4	-3.3	-2.5	-2.3	-2.3	1.4	-5.6	-4.9	-3.5
Eurozone	-0.7	-0.6	-0.5	-0.5	-0.3	-0.5	-4.6	-5.9	-3.1	
Germany	1.2	1.2	1.2	1.1	1.6	1.3	-3.1	-5.7	-1.6	-0.3
France	-2.5	-2.1	-1.9	-1.9	-1.6	-2.1	-6.3	-7.5	-4.6	-3.9
Italy	-1.0	-0.6	-1.3	-1.6	-1.7	-0.9	-5.9	-7.1	-3.8	-3.3
Japan	-5.7	-4.4	-4.3	-3.5	-2.7	-2.6	-9.2	-8.0	-3.6	-2.0
Australia	-2.7	-2.6	-2.3	-1.6	-1.2	-4.1	-7.9	-8.1	-5.8	-3.8

Source: International Monetary Fund, World Economic Outlook

Headline Consumer and Producer Price Inflation

	CPI Year/Year % Change						PPI Year/Year % Change				
	Aug	Sep	Oct	Nov	Dec		Aug	Sep	Oct	Nov	Dec
US	5.3	5.4	6.2	6.8	7.0		8.7	8.8	8.9	9.8	9.7
Canada	4.1	4.4	4.7	4.7	4.8		14.5	15.1	16.7	18.1	
UK	3.2	3.1	4.2	5.1	5.4		6.2	7.1	8.8	9.4	9.3
Eurozone	3.0	3.4	4.1	4.9	5.0		13.5	16.1	21.9	23.7	
Germany	3.9	4.1	4.5	5.2	5.3		12.0	14.2	18.4	19.2	24.2
France	1.9	2.2	2.6	2.8	2.8		9.8	11.2	14.4	16.7	16.9
Italy	2.0	2.5	3.0	3.7	3.9		11.6	13.3	20.4	22.2	22.6
Japan	-0.4	0.2	0.1	0.6	0.8		5.9	6.5	8.3	9.2	8.5
Australia	3.0	3.0	3.5	3.5	3.5		2.9	2.9	3.7	3.7	3.7

Source: Macrobond

Economic Indicators

Real GDP Growth (Q/Q Seasonally Adjusted)

	Quarter/Quarter % Change					Year/Year % Change				
	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21	Q4-20	Q1-21	Q2-21	Q3-21	Q4-21
US	1.1	1.5	1.6	0.6	1.7	-2.3	0.5	12.2	4.9	5.5
Canada	2.2	1.2	-0.8	1.3		-3.1	0.3	11.8	4.0	
UK	1.5	-1.3	5.4	1.1		-6.4	-5.1	24.2	6.8	
Eurozone	-0.3	-0.2	2.2	2.3		-4.4	-1.1	14.4	3.9	
Germany	0.7	-1.7	2.2	1.7	-0.7	-2.9	-2.8	10.3	2.9	1.4
France	-1.1	0.1	1.3	3.1	0.7	-4.3	1.7	19.0	3.5	5.4
Italy	-1.6	0.3	2.7	2.6		-6.6	-0.6	17.1	3.9	
Japan	2.3	-0.7	0.5	-0.9		-0.8	-1.8	7.3	1.1	
Australia	3.3	1.8	0.7	-1.9		-0.8	1.4	9.5	3.9	

Source: Macrobond

Industrial Production Index (M/M Seasonally Adjusted)

	Month/Month % Change					Year/Year % Change				
	Aug	Sep	Oct	Nov	Dec	Aug	Sep	Oct	Nov	Dec
US	-0.2	-1.0	1.2	0.7	-0.1	5.3	4.6	4.8	5.0	3.7
Canada	0.5	0.2	1.5			7.0	5.6	7.2		
UK	0.7	-0.7	-0.4	0.9		3.1	1.5	0.2	0.1	
Germany	-3.5	-0.5	2.4	-0.2		2.0	-0.3	-0.9	-2.3	
France	1.0	-1.6	0.9	-0.4		3.9	0.5	-0.6	-0.5	
Italy	-0.2	0.1	-0.5	1.9		-0.3	4.6	2.1	6.2	
Japan	-3.6	-5.4	1.8	7.0		7.1	-2.3	-2.6	3.5	

Source: Macrobond

Unemployment Rate (Seasonally Adjusted)

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21
US	6.2	6.0	6.0	5.8	5.9	5.4	5.2	4.7	4.6	4.2	3.9
Canada	8.3	7.5	8.0	8.0	7.6	7.4	7.1	7.0	6.8	6.1	6.0
UK	4.9	4.8	4.8	4.7	4.6	4.5	4.3	4.2	4.1		
Eurozone	8.1	8.0	8.1	8.0	7.8	7.6	7.5	7.4	7.3	7.2	
Germany	6.0	6.0	6.0	5.9	5.8	5.6	5.5	5.5	5.4	5.3	5.2
France	8.1	8.1	8.3	8.3	8.1	8.0	7.9	7.7	7.6	7.5	
Italy	10.1	10.0	10.1	9.9	9.4	9.2	9.3	9.2	9.4	9.2	
Japan	2.9	2.6	2.8	3.0	2.9	2.8	2.8	2.8	2.7	2.8	
Australia	5.9	5.7	5.5	5.1	4.9	4.6	4.5	4.6	5.2	4.6	4.2

Source: Macrobond

Current Account Balance as a % of GDP (Seasonally Adjusted)

	Q1-19	Q2-19	Q3-19	Q4-19	Q1-20	Q2-20	Q3-20	Q4-20	Q1-21	Q2-21	Q3-21
US	-2.4	-2.3	-2.2	-1.9	-2.1	-3.2	-3.3	-3.3	-3.4	-3.5	-3.7
Canada	-3.2	-1.3	-2.2	-1.6	-3.2	-1.1	-2.0	-0.8	0.3	0.2	0.2
UK	-5.8	-2.9	-2.5	0.5	-2.6	-1.6	-1.5	-4.7	-2.0	-2.3	-4.2
Eurozone	3.5	1.8	3.1	1.7	0.6	1.6	2.7	3.1	3.5	2.9	2.4
Germany	7.9	7.6	7.6	7.3	6.7	5.4	7.2	7.7	8.1	7.5	6.8
France	0.3	-0.4	-0.7	-0.4	-1.2	-3.5	-2.2	-0.9	-1.0	-0.6	-1.0
Japan	4.3	3.7	4.6	4.2	3.6	4.0	3.4	3.1	3.4	3.5	3.5
Australia	-1.5	-2.5	-2.8	-3.5	-2.2	-2.7	-2.2	-1.4	-0.2	1.2	

Source: Macrobond

About State Street Global Advisors

For four decades, State Street Global Advisors has served the world's governments, institutions and financial advisors. With a rigorous, risk-aware approach built on research, analysis and market-tested experience, we build from a breadth of active and index strategies to create cost-effective solutions. As stewards, we help portfolio companies see that what is fair for people and sustainable for the planet can deliver long-term performance. And, as pioneers in index, ETF, and ESG investing, we are always inventing new ways to invest. As a result, we have become the world's third largest asset manager with nearly US $3.12 trillion* under our care.

*AUM reflects approximately $43.72 billion USD (as of December 31, 2019), with respect to which State Street Global Advisors Funds Distributors, LLC (SSGA FD) serves as marketing agent; SSGA FD and State Street Global Advisors are affiliated.

ssga.com

Important Risk Discussion

Investing involves risk including the risk of loss of principal.

The whole or any part of this work may not be reproduced, copied, or transmitted or any of its contents.

This material is for informational purposes only, not to be construed as investment advice, or a recommendation or offer to buy or sell any security and should not be construed as such. The views expressed in this material are the views of the SSGA Economics Team, through the period ending January 28 2022, and are subject to change without notice based on market and other conditions. All material has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance and actual results or developments may differ materially from those projected. Past performance is not a guarantee of future results. SSGA may have or may seek investment management or other business relationships with companies discussed in this material or affiliates of those companies, such as their officers, directors and pension plans.

Intellectual Property Information

BLOOMBERG®, a trademark and service mark of Bloomberg Finance L.P. and its affiliates, and BARCLAYS®, a trademark and service mark of Barclays Bank Plc.

Standard & Poor's S&P 500 Index® is a registered trademark of Standard & Poor's Financial Services LLC. FTSE 100® is a trademark jointly owned by the London Stock Exchange Plc and The Financial Times Limited, and is used by FTSE International Limited under license. "All-World", "All-Share" and "All-Small" are trademarks of FTSE International Limited.

2537623.128.1.GBL.RTL

Exp. Date: 1/31/2023