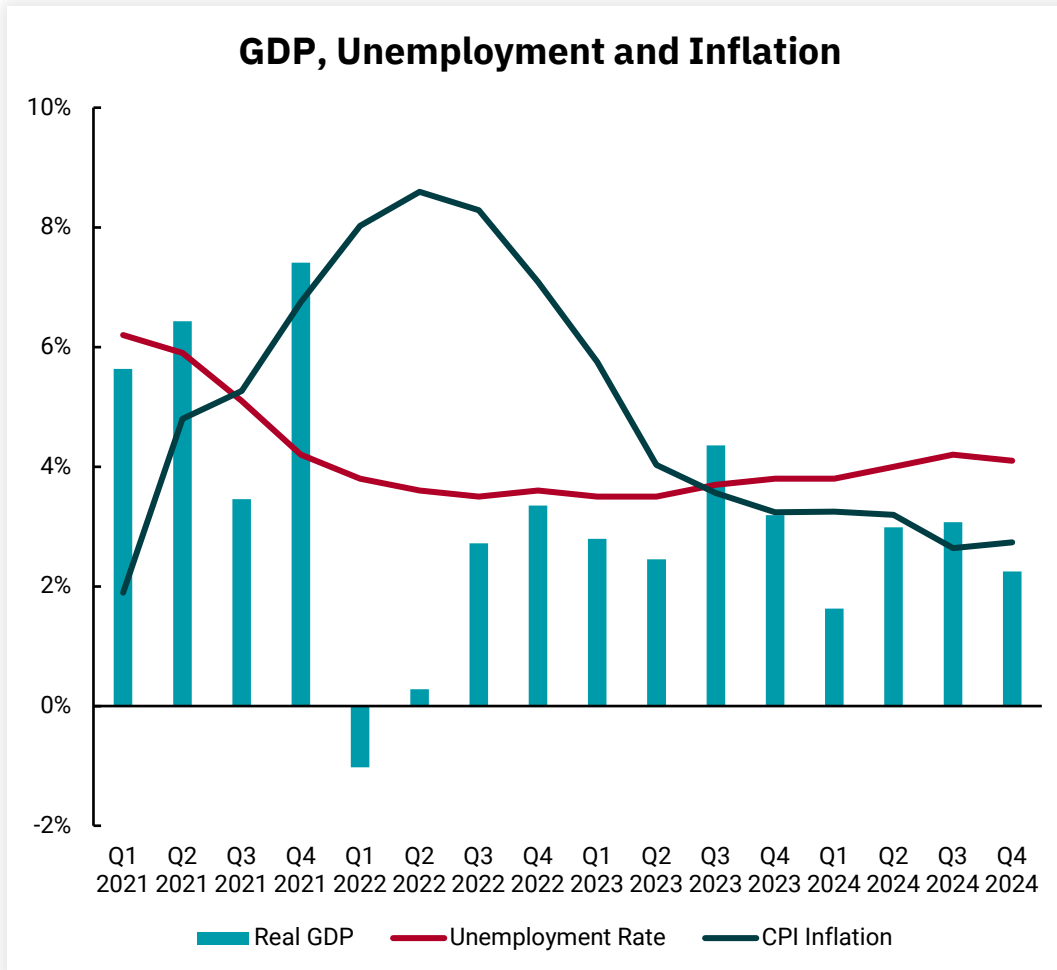


Weekly market update



Chart of the week (Jan. 31, 2025)



Fourth-quarter gross domestic product (GDP) was high on the list of the most significant economic releases of the past week. Expectations were for approximately 2.5% inflation-adjusted or real GDP growth; however, the actual figure was slightly lower, at 2.3%. This marks the second-lowest GDP print of 2024, following only the first quarter's 1.6% growth.

Should this be a cause for concern? Not really. In a well-functioning, developed economy like the U.S., annual GDP growth should be expected to fall typically within a window of 2% to 3%. In fact, we anticipate moderately firm economic growth in 2025, just somewhat slower than in 2024.

This week's chart highlights key economic indicators, including real GDP, the unemployment rate and headline [Consumer Price Index \(CPI\) inflation](#). All these data points are not only essential barometers of the health of the economy but also crucial metrics in determining monetary policy by the Federal Reserve. Speaking of the Fed, it held the lower bound of its policy rate steady at 4.25% last week, its first pause since beginning its rate-cutting cycle in September 2024.

It's useful to step back and look at where the Fed stands concerning its dual mandate of balancing the interests of the labor market and inflation. Unemployment has edged up slightly but remains healthy at just 4.1%. The most recent reading on inflation, represented here by the headline CPI inflation rate, is at 2.9%. As a side note, the Fed's preferred inflation measure, core [Personal Consumption Expenditures \(PCE\)](#), came in at 2.8% for December 2024. All this is to say that while inflation has come down dramatically since the highs of 2022, it has not been able to reach the Fed's 2% target.

Overall, most of the current major economic data suggests a relatively balanced domestic economy, though we would like to see inflation a bit lower than the current level. In the coming months, we expect some relief in inflation, specifically on the core measures, due to the housing market and, in particular, rents lowering. In the past, we have referred to this probability of falling rents as real-time rent data catching up with the lagged rent data represented in the CPI and PCE inflation gauges. As for the markets, we remain optimistic for the road ahead in 2025 but expect a more volatile year, primarily due to headline risk surrounding policy at the federal level.

Weekly market update

Commentary (Jan. 31, 2025)

Domestic Equities

- U.S. stocks closed out a volatile January with gains despite AI upheavals, interest rate woes and uncertainty over the impacts of the new administration's agenda. The S&P 500 and Russell 2000 Index have risen close to 4% for the month, while the tech-light Dow Jones Industrial Average Index is up about 5.5%.
- AI-exposed U.S. companies took a big hit early in the week as China's DeepSeek became the most downloaded app shortly after its release. The AI chatbot was reportedly developed much faster and at a much lower cost than its U.S. rival, ChatGPT, calling into question the high expectations for future demand for companies like Nvidia. The tech-heavy Nasdaq Composite Index fell over 3% on Monday's news but quickly recovered thanks to positive mega-cap earnings.
- Apple, Meta and Microsoft all reported earnings ahead of expectations this week, helping drive the Nasdaq to a 2.5% gain for the week.

Bonds

- U.S. Treasury yields initially dropped in a safety amid the sell-off in U.S. stocks but traded sideways for the rest of the week with the Federal Reserve's policy announcement and Personal Consumption Expenditures (PCE) inflation reporting in line with market expectations.
- On Wednesday, the Fed kept rates unchanged at 4.25-4.50% but dropped the language from the FOMC statement that it "has made progress" towards its 2% inflation goal, stating instead that the pace of price increases "remains elevated."
- In international markets, it was a busy week for major central bank announcements, with the European Central Bank (ECB), Riksbank and Bank of Canada (BoC) all cutting policy rates by 0.25%. Due to mounting inflation pressures, Brazil's central bank also raised its main policy rate by 1% for the second straight meeting and signaled another similar hike is likely in March.

International Equities

- Foreign stocks moved higher as investors worked to digest mixed economic news, central bank policy changes and potential new tariffs the U.S. administration may impose on Mexico and Canada on Feb. 1.
- Developed markets inched higher, with many markets across Europe moving higher. In European economic news, eurozone GDP stagnated in the fourth quarter, only growing 0.01% as the economies in Germany and France contracted. The European Central Bank (ECB) lowered its policy rate by 0.25% to 2.75% to support its stalling economy.
- Emerging markets advanced in a relatively quiet week as some Asian markets closed for the Lunar New Year holidays. Mexico's economy fell 0.6% in the fourth quarter, its first quarterly contraction since 2021. Mexico's economy faces challenges from drought conditions that led to a contraction in agricultural production and economic uncertainty over potential U.S. tariffs, the country's top trade partner.

Economics

- Jobless claims came in at 207,000 for the week. This was below estimates of 224,000, and last week's reading of 223,000. While jobless claims continue to point towards a strong labor market, a Conference Board survey showed that the number of people who viewed a job as "hard-to-get" was the highest since October.
- The Federal Reserve decided to leave interest rates unchanged during its January meeting. While Fed Chair Jerome Powell cited interest rates as being "meaningfully restrictive," he still noted some uncertainties around the path of inflation and the impact of possible tariffs.
- Tuesday will feature the job openings report, and we will get January's employment report on Friday.

Weekly Market Update

For Week Ending January 31, 2025

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	44,544.66	0.3%	4.8%	18.9%
S&P 500 Index	6,040.53	-1.0%	2.8%	26.3%
NASDAQ Composite	19,627.44	-1.6%	1.7%	30.4%
S&P 400 Midcap Index	3,239.04	-1.1%	3.8%	20.4%
S&P 600 Smallcap Index	1,448.24	-0.5%	2.9%	16.5%
MSCI EAFE	8,506.32	0.8%	5.3%	8.7%
MSCI Emerging Markets	584.14	0.3%	1.8%	14.8%
Bloomberg US Agg	2,200.64	0.4%	0.5%	2.1%
Bloomberg Municipal 5 Yr	497.72	0.4%	0.6%	2.1%
Bloomberg US Corporate	3,307.68	0.3%	0.6%	2.9%
Bloomberg Glb Agg ex US Hdg	594.42	0.5%	0.3%	5.4%
Bloomberg High Yield	2,719.80	0.2%	1.4%	9.7%
MSCI US REIT Index	2,333.34	-0.5%	1.0%	13.3%
Bloomberg Commodity Index	248.05	-1.0%	4.0%	9.1%

Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.28%	4.30%	4.31%	5.36%
1-Year Treasury	4.15%	4.16%	4.14%	4.71%
2-Year Treasury	4.20%	4.27%	4.24%	4.21%
5-Year Treasury	4.33%	4.43%	4.38%	3.84%
7-Year Treasury	4.44%	4.53%	4.48%	3.87%
10-Year Treasury	4.54%	4.62%	4.57%	3.91%
30-Year Treasury	4.79%	4.85%	4.78%	4.17%

Consumer Rates

30-Year Mortgage	7.00%	7.02%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.38%	4.34%	4.49%	5.32%

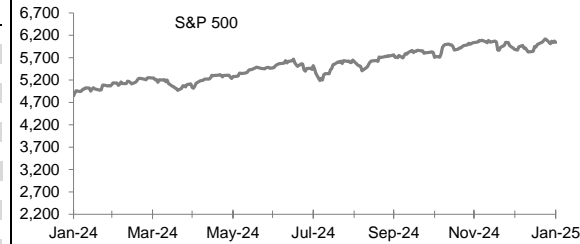
Commodities

Gold (spot)	2,798.41	2,770.58	2,624.50	2,039.52
Crude Oil WTI	72.53	74.66	71.72	75.85
Gasoline	3.10	3.13	3.06	3.15
Natural Gas	3.04	4.03	3.63	2.10
Copper	4.28	4.32	4.03	3.91

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.60	22.83	5.42	1.61
S&P 500	22.08	25.50	5.25	1.30
S&P 500 Value	18.27	18.38	2.89	2.02
S&P 500 Growth	27.41	34.80	12.08	0.64
NASDAQ	27.74	37.68	7.22	0.67
S&P Midcap 400	16.76	18.11	2.66	1.64
S&P Smallcap 600	16.56	17.84	1.94	2.18
MSCI EAFE	14.78	14.43	1.86	3.06
MSCI Emerging Markets	11.97	13.73	1.71	3.02

Source: Bloomberg

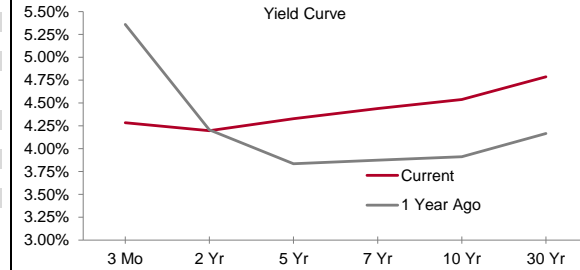
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	2.89	2.78	2.68	2.89	2.78	2.68
Mid	3.96	3.85	3.75	3.96	3.85	3.75
Small	1.81	2.91	3.97	1.81	2.91	3.97

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.44	0.54	0.42	0.44	0.54	0.42
Corp	0.50	0.62	0.41	0.50	0.62	0.41
HY	1.23	1.36	1.58	1.23	1.36	1.58

1-3 Yrs 1-10 Yrs +10 Yrs

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	2.9%	3.4%
CPI Core Inflation	3.2%	3.9%
Personal Consumption Exp (PCE) Core	2.8%	3.0%

Jobs

Unemployment Rate (U3)	4.1%	3.8%
Broader Unemployment Rate (U6)	7.5%	7.2%
JOLT Survey (in millions)	8.10	8.93
Jobless Claims (000's)	207	225
Change in Non-Farm Payroll (000's)	256	290
Average Hourly Earnings (Y/Y % Change)	3.9%	4.3%

Consumer & Spending

Consumer Confidence (Conf Board)	104.1	110.9
Consumer Spending (\$ Bil)	20,387	19,290
Consumer Credit (\$ Bil)	5,102	5,017
Retail Sales (\$ Bil)	729	702

Housing

Housing Starts (000's)	1,499	1,568
Case-Shiller Home Price Index	323.91	312.20

U.S. Productivity

Real Gross Domestic Product (\$ Bil)	23,531	22,961
Quarter over Quarter Change	2.3%	3.2%
Year Over Year Change	2.5%	3.2%
ISM Manufacturing	49.20	46.90
Capacity Utilization	77.63	78.14
Markit US Composite PMI	52.40	52.00

U.S. General

Leading Economic Indicators	101.6	104.7
Trade Weighted Dollar Index	127.7	120.8
EUR / USD	1.04	1.08
JPY / USD	155.19	146.92
CAD / USD	0.69	0.74
AUD / USD	0.62	0.66

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	9.12%	9.12%
Health Care	6.79%	6.79%
Financials	6.56%	6.56%
Materials	5.59%	5.59%
Industrials	5.03%	5.03%
Consumer Discretionary	4.41%	4.41%
Utilities	2.93%	2.93%
Energy	2.07%	2.07%
Consumer Staples	2.04%	2.04%
Real Estate	1.84%	1.84%
Information Technology	-2.90%	-2.90%

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