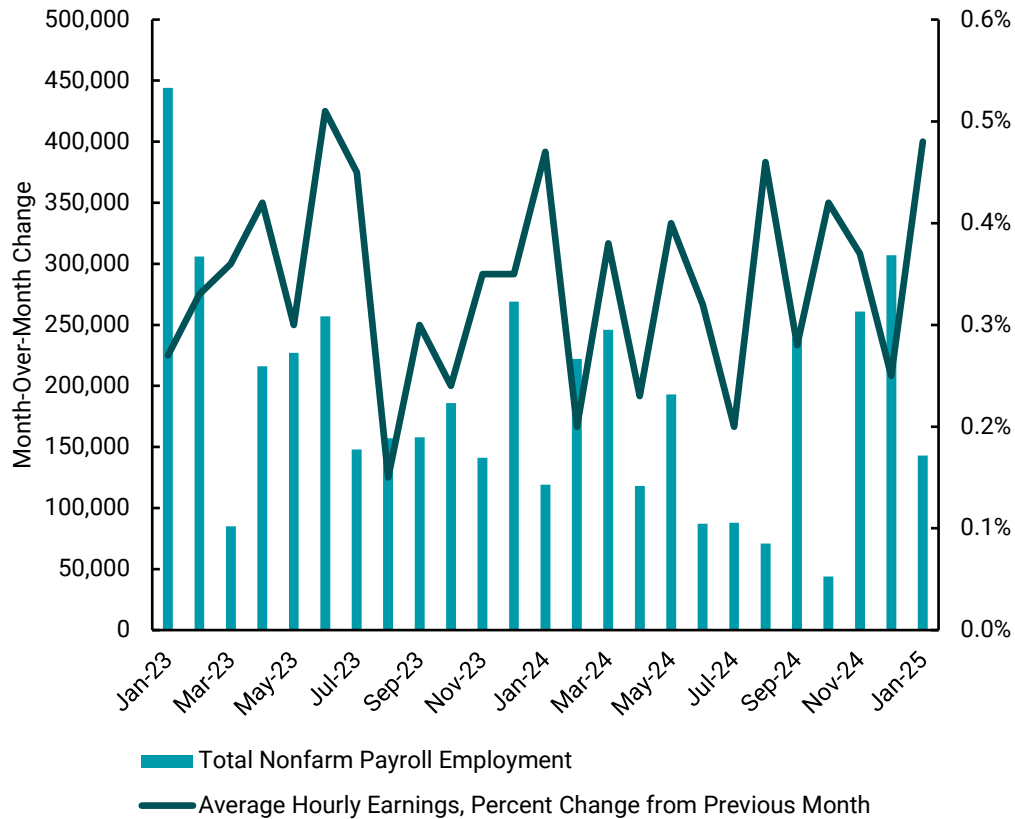


Weekly market update



Chart of the week (Feb. 7, 2025)

Average Hourly Earnings and Total Nonfarm Payroll Employment



The [monthly employment report for January](#) was recently released, with not only palatable jobs data but also declining unemployment. Expectations ahead of the release were for 170,000 new jobs added in January, but the actual number was just 143,000. Still, November's and December's payroll numbers were revised up by 100,000 jobs, and the unemployment rate dropped from 4.1% in December to 4.0% in January.

However, the average hourly earnings number was of some concern, as it registered growth of 0.5% on a month-over-month basis, considerably higher than the 0.3% growth expected. Average hourly earnings are significant because wage inflation can indicate future inflation at the general level of prices. This brings us to the Federal Reserve, and the fact that it will likely interpret the earnings data as relatively warm, signifying another reason why they should not be in a hurry to lower interest rates further. It is just one data point, and there are other measures of wage inflation, including the [Employee Cost Index \(ECI\)](#), but wage-related data is monitored very closely.

This data, combined with ongoing developments related to trade policy out of the new administration, should give the Fed pause in the short term in regards to rate cuts. What's more, the [University of Michigan Consumer Sentiment survey](#) that arrived just after the jobs report showed that consumers are rapidly shifting their inflation expectations higher. All of this, taken together, is increasing the chance that the next rate cut will be pushed to May, at the earliest, or June.

Markets interpreted the employment reports as negative, as yields drifted moderately higher and weighed on stock market performance. Nobody said it would be easy to handle the potential inflationary effects associated with a change in policy at the Federal level, combined with the fact that the Federal Reserve remains above its target rate of 2%.

All that said, we remain steadfast in our view that, while it may be a bumpier ride in 2025, it will still be a positive year for the stock market. Staying informed about the latest developments regarding economic data and market dynamics will help investors navigate this new environment.

Weekly market update

Commentary (Feb. 7, 2025)

Domestic Equities

- U.S. stocks held on to gains this week despite volatile headlines creating much uncertainty. Strong earnings reports have driven indices higher in the face of tariff and interest rate concerns.
- More than half of the companies in the S&P 500 Index have released earnings reports so far, and over 75% have exceeded expectations. Technology and communications services companies have posted some of the best results. Still, the resulting stock price movements have been muted due to declining revenue outlooks and massive plans for spending on AI.
- Small and mid-cap earnings have also been strong. With earnings growth projected to be higher than in previous years, these stocks have been outperforming.
- The Fed held interest rates steady at its January meeting, and a mixed jobs report released on Friday did little to change the forecast for cuts this year.

Bonds

- The U.S. Treasury yield curve flattened on continued tariff uncertainty and mixed jobs data for January. Although headline employment was lower, employment, wages and revisions were strong, increasing the likelihood that the Fed will keep rates unchanged. In particular, the market has pushed out the first-rate cut for 2025 to September.
- On Wednesday, the U.S. Treasury announced that it doesn't expect to increase note or bond issuance for at least several quarters. Although Treasury Secretary Bessent has argued that the previous administration borrowed too much in bills, he appears to be sticking with the Yellen administration plans for now.
- As noted earlier, both the central banks of the U.K. and India cut policy rates by 0.25% on growth concerns. For India, this was the first rate cut in five years. The Bank of Mexico also cut rates this week, lowering the overnight rate from 10% to 9.50%.

International Equities

- Global investors faced another volatile week as they continued worrying about a potential trade war's impact on global economic growth. However, policy rate cuts and some encouraging corporate earnings results helped support stock market gains.
- Developed markets climbed higher as Japan and markets across Europe rose. The Bank of England (BOE) cut its policy rate by 0.25% to 4.5%, signaling the potential for more cuts throughout 2025. However, the central bank also lowered the U.K.'s economic growth forecast to 0.75% from 1.5%.
- Emerging markets advanced for the fourth consecutive week as key markets across Asia and Latin America posted gains. India's central bank cut its key interest rate by 0.25% to 6.25%, its first policy rate cut in nearly five years. Also, Mexico's central bank delivered a half-point cut, bringing its policy rate to 9.50% as inflation and economic growth slow.

Economics

- Jobless claims came in at 219,000 for the week. This was slightly above the expected number of 215,000 claims and last week's revised reading of 208,000. Economists continue to suspect part of the rise has come from the wildfires in California. Despite resilience in the labor market, there continues to be softness in the number of job openings and plans to hire.
- This was confirmed with Friday's employment report. During January, the economy added 143,000 new jobs. While the unemployment rate did tick down to 4.0%, it was below forecasted expectations of 169,000. The labor market's strength will remain a key factor in how the Federal Reserve moves forward with interest rates.
- The Consumer Price Index (CPI) will be released on Wednesday; this is another important factor for the future path of interest rates.

Weekly Market Update

For Week Ending February 07, 2025

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	44,303.40	-0.5%	4.2%	16.7%
S&P 500 Index	6,025.99	-0.2%	2.5%	22.3%
NASDAQ Composite	19,523.40	-0.5%	1.1%	24.8%
S&P 400 Midcap Index	3,206.60	-1.0%	2.8%	17.9%
S&P 600 Smallcap Index	1,431.31	-1.2%	1.7%	15.8%
MSCI EAFE	8,526.40	0.2%	5.5%	10.0%
MSCI Emerging Markets	592.29	1.4%	3.2%	13.2%
Bloomberg US Agg	2,209.18	0.4%	0.9%	3.3%
Bloomberg Municipal 5 Yr	499.69	0.4%	1.0%	2.7%
Bloomberg US Corporate	3,319.87	0.4%	0.9%	4.1%
Bloomberg Glb Agg ex US Hdq	596.47	0.3%	0.6%	6.2%
Bloomberg High Yield	2,719.67	0.0%	1.4%	9.6%
MSCI US REIT Index	2,360.71	1.2%	2.2%	14.9%
Bloomberg Commodity Index	252.94	2.0%	6.0%	13.3%

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	4.33%	4.28%	4.31%	5.38%
1-Year Treasury	4.22%	4.15%	4.14%	4.81%
2-Year Treasury	4.29%	4.20%	4.24%	4.43%
5-Year Treasury	4.35%	4.33%	4.38%	4.07%
7-Year Treasury	4.42%	4.44%	4.48%	4.10%
10-Year Treasury	4.49%	4.54%	4.57%	4.12%
30-Year Treasury	4.69%	4.79%	4.78%	4.32%

Consumer Rates

30-Year Mortgage	6.94%	7.00%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.35%	4.38%	4.49%	5.31%

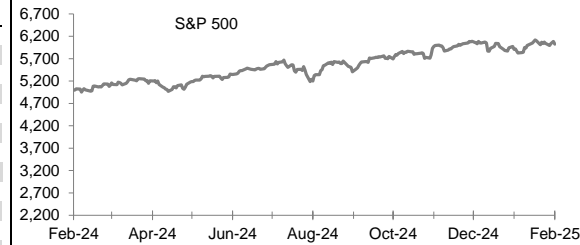
Commodities

Gold (spot)	2,861.07	2,798.41	2,624.50	2,035.36
Crude Oil WTI	71.00	72.53	71.72	73.86
Gasoline	3.14	3.10	3.06	3.15
Natural Gas	3.31	3.04	3.63	1.97
Copper	4.59	4.28	4.03	3.74

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	20.54	22.71	5.39	1.62
S&P 500	22.03	25.44	5.23	1.30
S&P 500 Value	18.30	18.37	2.88	2.02
S&P 500 Growth	27.73	35.30	12.25	0.63
NASDAQ	27.86	37.51	7.18	0.67
S&P Midcap 400	16.63	17.93	2.63	1.62
S&P Smallcap 600	16.51	17.88	1.95	2.07
MSCI EAFE	14.83	14.53	1.87	3.04
MSCI Emerging Markets	12.07	13.83	1.73	2.73

Source: Bloomberg

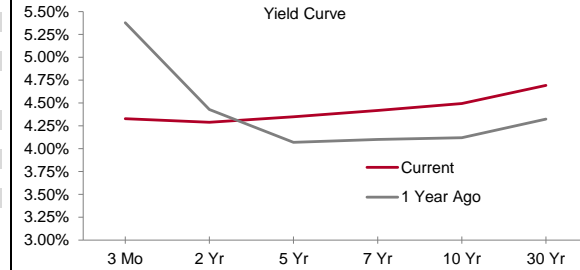
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	1.79	2.05	2.30	1.87	2.55	3.18
Mid	1.92	2.27	2.60	2.28	2.82	3.34
Small	0.16	1.50	2.78	-0.13	1.73	3.51

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.39	0.78	3.96	0.38	0.59	2.19
Corp	0.45	0.97	3.03	0.46	0.69	1.41
HY	0.92	0.97	1.16	1.26	1.36	1.48

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)	4.0%	3.7%
Broader Unemployment Rate (U6)	7.5%	7.2%
JOLT Survey (in millions)	7.60	8.89
Jobless Claims (000's)	219	213
Change in Non-Farm Payroll (000's)	143	119
Average Hourly Earnings (Y/Y % Change)	4.1%	4.3%

Consumer & Spending

Consumer Confidence (Conf Board)	104.1	110.9
Consumer Spending (\$ Bil)	20,387	19,290
Consumer Credit (\$ Bil)	5,146	5,024
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	50.90	48.90
Capacity Utilization	77.63	78.14
Markit US Composite PMI	52.70	52.00

U.S. General

Leading Economic Indicators	101.6	104.7
Trade Weighted Dollar Index	128.7	120.8
EUR / USD	1.03	1.08
JPY / USD	151.41	148.18
CAD / USD	0.70	0.74
AUD / USD	0.63	0.65

S&P 500 Sector Returns

	1 Month	YTD
Financials	7.18%	7.25%
Communication Services	4.19%	6.80%
Health Care	4.78%	6.46%
Materials	5.45%	4.99%
Industrials	3.77%	4.22%
Consumer Staples	5.28%	3.65%
Utilities	2.74%	3.24%
Energy	0.56%	3.19%
Real Estate	4.95%	3.15%
Consumer Discretionary	1.18%	0.67%
Information Technology	-2.51%	-2.10%

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