

# Market Update – January 13, 2025

## The Weekly Briefing

Broad equity indexes declined for the second consecutive week as Treasury yields continued to rise. The S&P 500 and Nasdaq 100 each fell 2%, and the Russell 2000 declined 3.5%. The 10yr Treasury yield ended the week up 16 basis points at 4.75%, the highest close in more than a year.

US equity indexes have now largely erased their post-election day gains as higher yields put pressure on stocks. The S&P 500 is up just 1% since the election and has fallen almost 5% from its all-time high in December. The Russell 2000 is now down 1% since the election and has entered correction territory with the index down more than 10% from its all-time high. The tech-heavy Nasdaq 100 has fared better – up 3% since election day – but down 6% from its closing high.

Long-term yields have risen almost unabated since the Fed first lowered its benchmark lending rate last September. The 30-year Treasury yield briefly rose above 5% on Friday and the 20-year Treasury closed just above 5%. Investor concern about the implications of tax cuts on the deficit and tariffs on inflation under the Trump administration have contributed to upward pressure on yields. The very strong jobs report on Friday added to investor worries that the economy may return to an overheated state – causing a reacceleration of inflation – as both fiscal and monetary policy appear to be stimulative.

The jobs report released on Friday showed that the US economy added 256,000 jobs in December, well ahead of the 165,000 adds economists were expecting. The unemployment rate unexpectedly fell to 4.1%. Of note, the December report includes annual revisions to the unemployment rate. July's unemployment rate of 4.3%, the recent high watermark and a contributing factor to the Fed's decision to begin lowering rates in September, was revised down to 4.2%.

Given the strong economic data, markets have reduced rate cut expectations for 2025. Futures markets are now expecting a single 25-basis point reduction in the fed funds rate this year. Prior to the Fed's September meeting, markets expected the fed funds rate to end 2025 in the 2.75-3.00% range. As of Friday, more than a full percentage point of cuts have been taken off the table; futures markets are currently pricing in a fed funds rate of 4.00-4.25% at year end. This week includes the Consumer Price Index and the Producer Price Index, which will provide investors the next clues on the path of inflation and rates.

Earnings season starts in earnest this week, beginning with the large financial institutions. According to analysts surveyed by Factset, S&P 500 earnings are expected grow 12% in Q4, which would be the highest growth rate since the fourth quarter of 2021. Fourth quarter reports are especially important as most companies provide their year-ahead outlooks. Consensus expects strong earnings growth of 15% in 2025.

### The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
	PPI	CPI	Initial Jobless Claims Continuing Claims	Building Permits Housing Starts Industrial Production
		BLK C GS JPM WFC	BAC JBHT MS UNH	FAST KMI SLB

### Market Snapshot

	Last Week	YTD	1yr
S&P 500	-1.9%	-0.9%	23.5%
DJIA	-1.8%	-1.4%	13.6%
Nasdaq 100	-2.2%	-0.8%	24.8%
Russell 2000	-3.5%	-1.8%	13.8%
S&P 500 E/W	-1.7%	-1.1%	13.0%
2yr Yield	4.38%	0.14%	0.24%
10yr Yield	4.76%	0.19%	0.82%
VIX	21.2	3.9	8.5
WTI Crude	\$ 76.6	6.8%	5.4%
Gold	\$ 2,690	2.5%	30.8%
Bitcoin	\$ 94,620	1.0%	120.2%

### Economic Summary

	Actual	Expected	Prior (r)
JOLTS Job Openings	8,098k	7,740k	7,839k
ISM Services PMI	54.1	53.5	52.1
ADP Employment	122k	140k	146k
Initial Jobless Claims	201k	215k	211k
Continuing Claims	1,867k	1,860k	1,834k
Nonfarm Payrolls	256k	165k	212k
Unemployment Rate	4.1%	4.2%	4.2%

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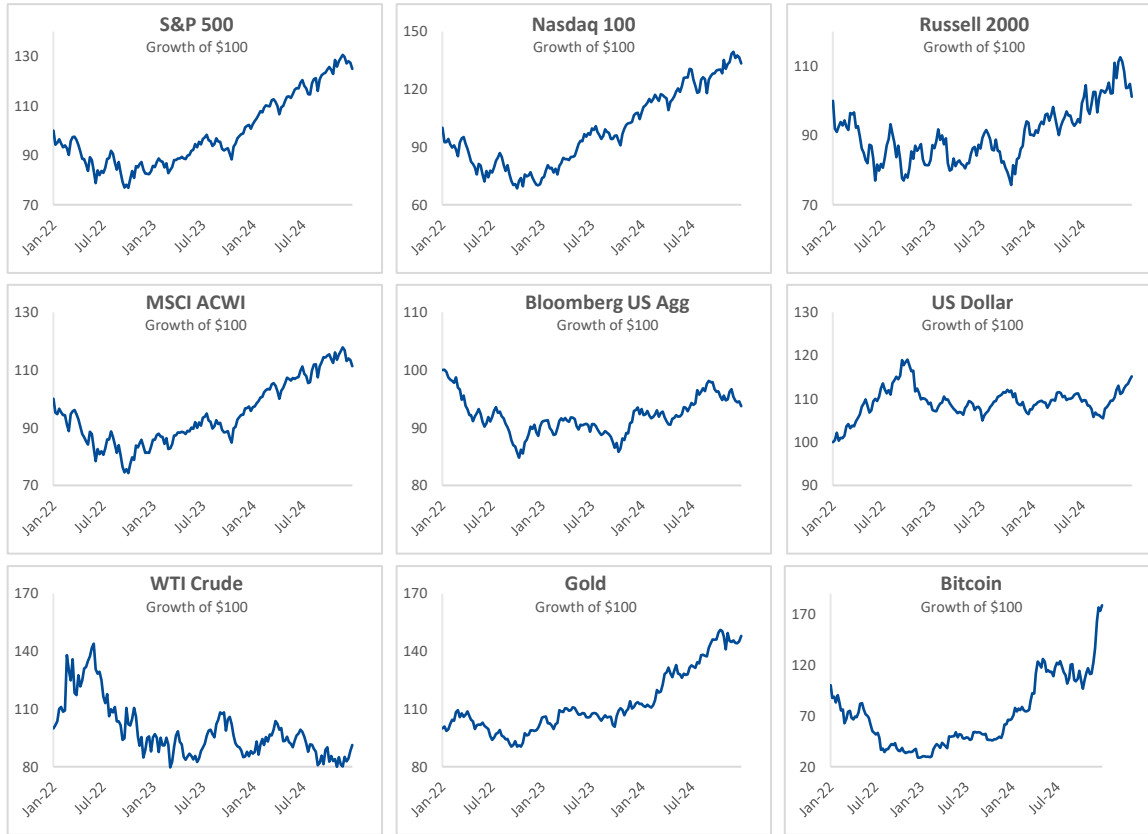
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WEALTH MANAGEMENT

# Markets Monitor



## S&P 500 Sector Heatmap Total Return YTD

S&P 500 -1.4%	Comm. Services -1.4%	Cons. Discretionary -1.9%	Cons. Staples -3.1%
Energy 5.2%	Financials -2.1%	Healthcare 2.0%	Industrials 0.0%
Materials 0.2%	Real Estate -3.4%	Technology -2.9%	Utilities -1.8%

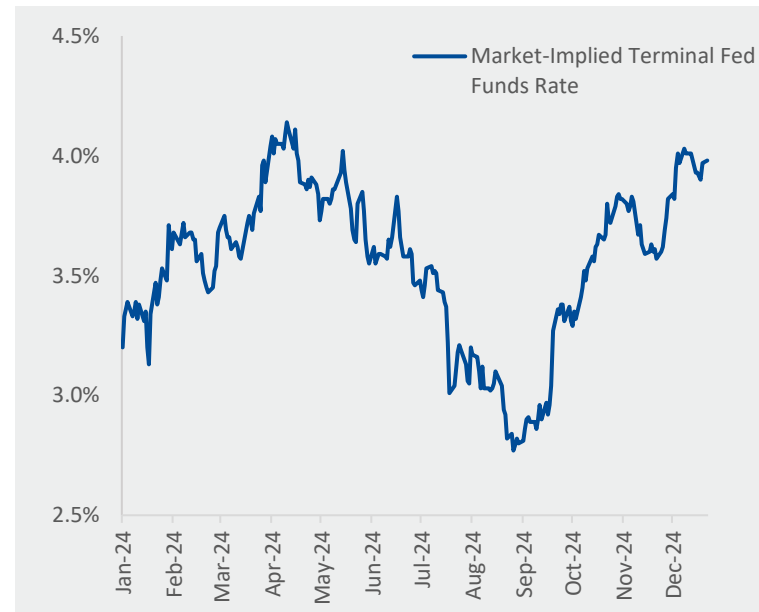
## Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
10-Jan	DAL	Beat	Beat	9.0%
	STZ	Miss	Miss	-17.1%
	WBA	Beat	Beat	27.6%

## World Watch

	Last Week	YTD	1yr
MSCI ACWI	-1.6%	-0.9%	16.8%
MSCI Europe	0.4%	-0.1%	2.9%
MSCI APAC	-1.9%	-2.0%	8.5%
DXY Index	109.9	1.3%	7.3%
EUR / USD	\$1.02	-1.4%	-8.1%
GBP / USD	\$1.21	-3.0%	-4.6%
USD / JPY	157.2	0.0%	7.9%
USD / CNY	7.33	0.4%	2.2%

## The Market's Expectation for the Terminal Fed Funds Rate Continues to Rise as Rate Cut Expectations are Reduced



Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.



WEALTH MANAGEMENT

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