

Market Update – January 27, 2025

The Weekly Briefing

Broad equity indexes posted solid gains for the second consecutive week as fourth quarter earnings season continues to ramp. The S&P 500 gained 1.8%, the Nasdaq gained 1.6% and the Russell 2000 gained 1.4%. The upcoming week is one of the busiest of this earnings season, with mega caps Apple, Microsoft, Meta, and Tesla scheduled to report. Consensus currently expects 13% earnings growth for the fourth quarter, down slightly from the 15% expected before the reporting season began.

Focusing on earnings, Netflix was the largest company by market cap to report last week. The company announced better than expected results for revenue, EPS and raised its top- and bottom-line guidance for Fiscal Year 2025. New account adds set a quarterly record driven by the company's content slate; management noted that the Jake Paul vs. Mike Tyson fight was the most streamed sporting event ever. Ad sales – a nascent, but fast growing portion of the company's business – exceeded the company's expectations. The stock rose +10% the day after its report. Texas Instruments, a chip designer and manufacturer was the first major semiconductor company to provide results this earnings season. The company generates most of its revenues from less advanced chips and therefore provides a good read on the industrial economy. Non-AI verticals such as automotives and general industrial remain pressured, although stable cancellation rates may signal that a cycle trough has occurred and that demand has bottomed. The company's revenue has now declined for 9 consecutive quarters, indicating that outside of AI, the semiconductor space has been challenged for some time. Following results, the stock fell -8%.

Last week was light on economic data. Initial and continuing jobless claims came in higher than expected. Notably, continuing jobless claims hit the highest level since November 2021. Continuing claims measures those who are already receiving unemployment benefits and have been unable to find a job. An increase in this metric signals a difficult hiring environment for workers. Economists, and the Fed, will continue to watch this measure closely for indications on the health of the labor market. Regarding the other side of the Fed's dual mandate, the University of Michigan published its consumer sentiment survey on Friday which includes a survey of inflation expectations. One-year inflation expectations have risen to 3.3% since hitting a cycle low of 2.6% in November. However, long-term expectations have remained well anchored in the low-3% level. In a microcosm of the political divide in the country, year-ahead expectations by political party have diverged meaningfully since the election. One-year inflation expectations among Republicans have plummeted to almost 0%, whereas inflation expectations among Democrats have risen to more than 4%.

Over the weekend a new AI model sent ripples through the space. DeepSeek, a Chinese artificial intelligence startup, released its latest AI model, which quickly became the most popular app on Apple's Appstore. The model is free of charge, and the company behind it claims performance is comparable to ChatGPT despite being developed at a fraction of the cost. More time will be needed to verify the competitiveness of the model and the claims made by the company. However, if true, its release may cause AI model developers to rethink investment plans.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
Building Permits New Home Sales	Durable Goods Case Shiller Home Price Index	FOMC Meeting MSFT META	GDP AAPL BX	Personal Income Personal Spending PCE Inflation
T	BA SBUX	NOW TSLA	MA V	CVX XOM

Market Snapshot

	Last Week	YTD	1yr
S&P 500	1.8%	4.1%	27.4%
DJIA	2.2%	4.5%	19.7%
Nasdaq 100	1.6%	3.7%	25.4%
Russell 2000	1.4%	3.8%	19.6%
S&P 500 E/W	1.2%	4.1%	19.1%
2yr Yield	4.29%	0.05%	-0.09%
10yr Yield	4.64%	0.07%	0.47%
VIX	14.8	(2.6)	1.7
WTI Crude	\$ 74.6	4.0%	-0.6%
Gold	\$ 2,755	5.0%	36.8%
Bitcoin	\$ 103,131	10.0%	159.3%

Economic Summary

	Actual	Expected	Prior (r)
Initial Jobless Claims	223k	220k	217k
Continuing Claims	1,899k	1,866k	1,853k
UMich Consumer Sentiment	71.1	73.2	73.2
Existing Home Sales	4.24m	4.20m	4.15m
Existing Home Sales - m/m	2.2%	1.2%	4.8%

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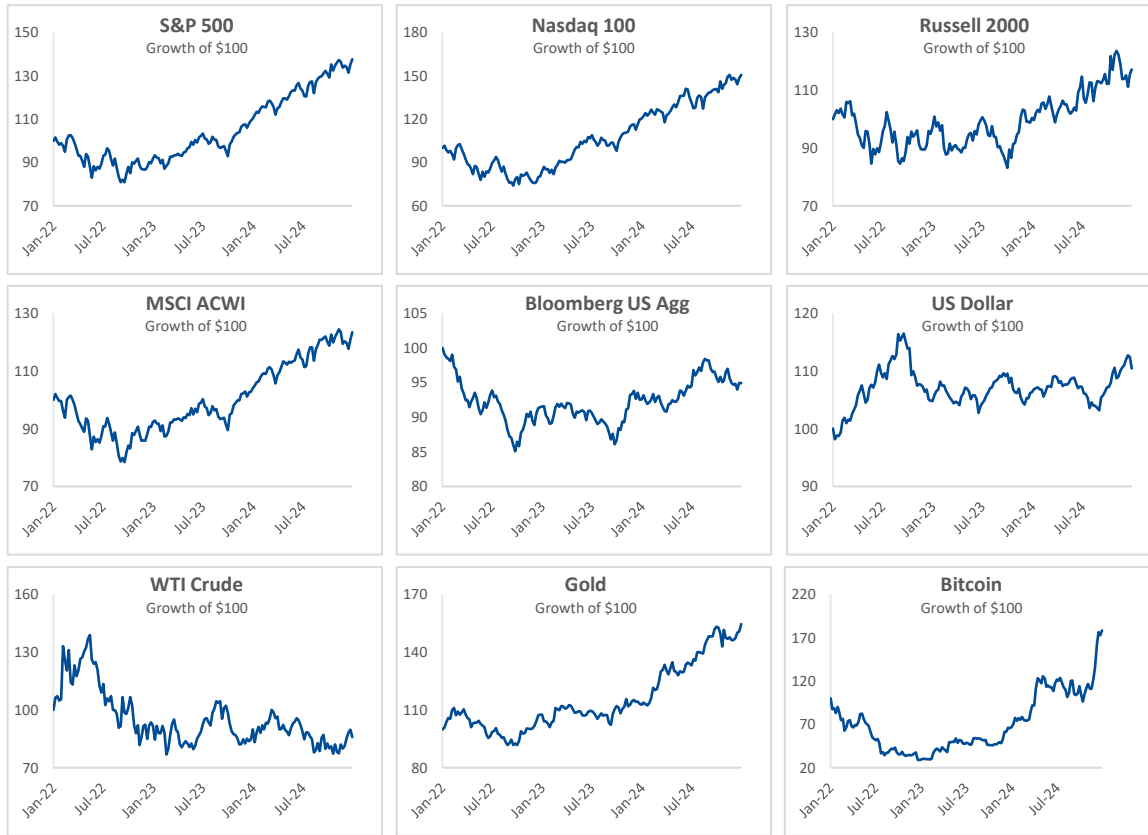
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WEALTH MANAGEMENT

Markets Monitor



S&P 500 Sector Heatmap Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
3.8%	3.7%	2.5%	-0.9%
Energy	Financials	Healthcare	Industrials
6.6%	5.2%	4.9%	7.1%
Materials	Real Estate	Technology	Utilities
5.8%	2.2%	2.9%	5.0%

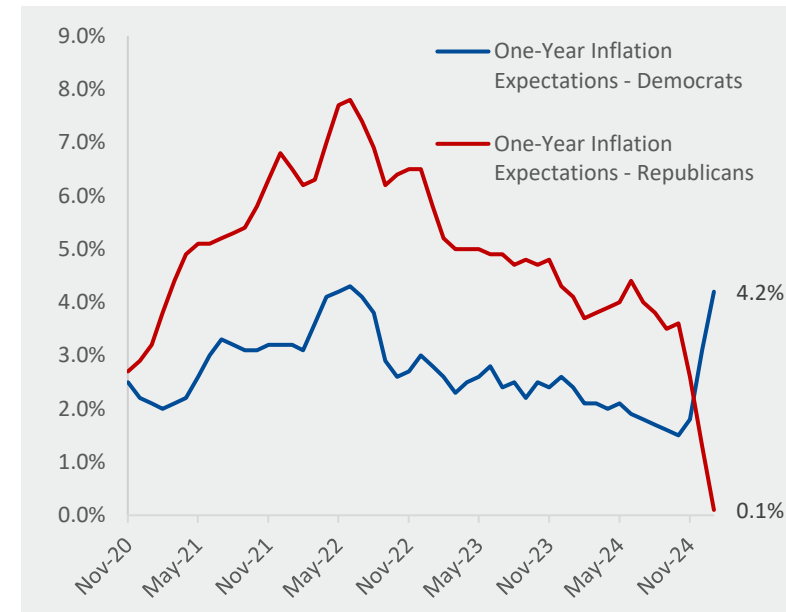
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
21-Jan	NFLX	Beat	Beat	9.7%
	SCHW	Beat	Beat	5.9%
	UAL	Beat	Beat	-2.3%
22-Jan	HAL	Beat	Miss	-3.6%
	JNJ	Beat	Beat	-1.9%
23-Jan	GE	Beat	Beat	6.6%
	ISRG	Beat	Beat	-4.0%
	TXN	Beat	Beat	-7.5%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	2.1%	3.7%	21.1%
MSCI Europe	3.4%	5.0%	8.6%
MSCI APAC	2.3%	0.1%	11.8%
DXY Index	107.4	-1.0%	4.1%
EUR / USD	\$1.05	1.3%	-5.1%
GBP / USD	\$1.25	-0.2%	-1.9%
USD / JPY	155.9	-0.8%	5.7%
USD / CNY	7.24	-0.8%	1.2%

Year-Ahead Inflation Expectations Differ Meaningfully by Political Affiliation



Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.



WEALTH MANAGEMENT

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