



The Markets

Wait! What just happened?

Last week, investors were inundated with market-moving data and news. Stock markets gyrated as investors tried to process everything that was occurring. Here's some of what happened:

China surprised the artificial intelligence industry

The week got off to a rough start with major United States stock indices declining sharply on concerns about competition from China in the artificial intelligence (AI) space. AI-related technology stocks sold off after a Chinese start up released a less expensive AI model, raising concerns that current tech stock valuations may be too rich, reported Rita Nazareth of Bloomberg. Over the course of the week, markets “clawed back most of those losses thanks to encouraging earnings and company strategy updates, and as some investors re-evaluated the risks U.S. firms face from Chinese competition,” reported Barron’s.

Companies performed well

Last week, fourth quarter earnings reports bolstered investor optimism. So far, 36 percent of the companies in the Standard & Poor’s (S&P) 500 Index have reported on fourth quarter earnings. Seventy-seven percent of those companies have reported earnings that exceeded estimates, reported John Butters of FactSet.

Economic growth continued

In addition to upbeat earnings news, economic data released last week showed the U.S. economy continued to grow in the fourth quarter of 2024. “The [economic growth] figures cap another solid year for the world’s largest economy that defied expectations for a marked slowdown as consumers hung tough in the face of persistent inflation and high borrowing costs. The economy grew 2.8 [percent] in 2024 after expanding 2.9 [percent] and 2.5 [percent] in the prior two years, respectively,” reported Molly Smith of Bloomberg.

Inflation persisted

Last week’s inflation data was less encouraging. The Personal Consumption Expenditures Index, which is one of the Federal Reserve’s favored inflation measures, showed that headline inflation moved higher in December, rising to 2.6 percent annualized from 2.4 percent annualized in the previous month. Core inflation remained steady at 2.8 percent annualized.

The Federal Reserve paused

The Fed left rates unchanged last week. The range for the federal funds rate remained 4.25 percent to 4.50 percent. The accompanying statement said, “the risks to achieving [the Fed’s] employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.” Stocks moved lower initially but calmed after the Fed Chair offered assurances that monetary policy is well-positioned for whatever may be ahead, reported Caroline Valetkevitch of Reuters.

Uncertainty abounded

Government policy proposals arrived at a rapid pace, creating uncertainty. The White House Office of Management and Budget issued a memo temporarily pausing disbursement of government grants and loans, but no one was certain how the pause would affect the economy. “The federal government gives \$1 trillion in grants to state and local governments alone, for everything from physical infrastructure and public safety to health and social services.

Removing this money from the economy would represent a huge economic shock,” reported Samantha Sanders and Josh Bivens of the Economic Policy Institute. A federal judge temporarily blocked the freeze.

Tariffs threats loomed

Tariff talk had a more immediate effect on markets than the spending pause. U.S stocks slipped lower on Friday after the White House indicated it will move forward with tariffs on Canada, Mexico, and China, reported Connor Smith of Barron’s. “Investors are bracing for a looming hit to U.S. corporate profits and pressure on inflation if President Donald Trump makes good on his tariff threats, with markets seen as not fully factoring in risks from higher levies on foreign imports,” reported Laura Matthews, Lewis Krauskopf and Suzanne McGee of Reuters.

Investors had a lot to consider last week. As the dust settled and the exchanges closed for the week, the Dow Jones Industrial Average had recovered its losses and moved slightly higher. The S&P 500 and Nasdaq Composite Indices had regained some losses but ended the week lower. All three indices had gains over the full month, reported Lisa Kailai Han of CNBC. The yield on the benchmark 10-year U.S. Treasury fell sharply on Monday and moved higher over the week.

Data as of 1/31/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-1.0%	2.7%	24.7%	10.2%	13.4%	11.6%
Dow Jones Global ex-U.S. Index	0.5	3.4	7.8	0.6	3.0	2.8
10-year Treasury Note (yield only)	4.57	N/A	4.0	1.8	1.5	1.7
Gold (per ounce)	1.3	7.7	37.0	16.1	12.2	8.3
Bloomberg Commodity Index	-1.1	3.6	3.8	-1.8	6.5	0.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT DO YOU KNOW ABOUT THE SUPER BOWL AND GAME DAY PARTIES? You might be surprised to learn that many of the friends and family who gather to watch the Super Bowl are more interested in the snacks than the game. A recent survey from Talker Research found that 48 percent of respondents care who wins the game. Fifty-four percent said the food served would decide whether a Super Bowl was great. See what you know about the Super Bowl and game day gatherings by taking this brief quiz.

1. Which team has never played in a Super Bowl?
 - a. Cleveland Browns
 - b. Jacksonville Jaguars
 - c. Houston Texans
 - d. All of the above

2. What are the top three foods guests want to eat during the Super Bowl?
 - a. Hot wings, barbecue, and seven-layer dip
 - b. Chili, pigs-in-a-blanket, and chips
 - c. Nachos, pizza, and brownies
 - d. Buffalo chicken dip, sliders, and cowboy caviar

3. What do people most look forward at Super Bowl gatherings?
 - a. The game
 - b. The half-time show
 - c. The commercials
 - d. The drinks

4. Approximately, how much do Super Bowl tickets cost this year?
 - a. \$2,500 to \$25,000
 - b. \$3,500 to \$35,000
 - c. \$4,500 to \$45,000
 - d. \$5,500 to \$55,000

What's your favorite part of the Super Bowl?

Weekly Focus—Think About It

“The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand.”

—*Vince Lombardi, NFL coach*

Best regards,

A handwritten signature in black ink that reads "Ann Marie Etergino". The signature is written in a cursive, flowing style.

Ann Marie Etergino, CIMA®
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Answers: 1) d; 2) a; 3) b; 4) d

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- Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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