

January 21, 2025

Good Morning,

Last Wednesday's Consumer Price Index release delivered much-needed good news on inflation to a concerned market: One of the most important metrics eased for the first time since July. While inflation overall rose, the "core" CPI, which strips out food and energy, showed price growth decelerating, pushing December's year-over-year price growth down from 3.3% to 3.2%. The reading instantly recalibrated expectations around the Fed's plans and vaporized many of the fears that a rate hike was now on the table.

The market selloff that started in mid-December put an end to the "Trump Bump", the post-election rally that boosted stocks after Trump's victory. Investors eventually remembered that economic policy doesn't happen in a vacuum. Economic strength has pushed interest rates higher, despite the Federal Reserve's cut in the Fed Funds Rate, and that is a more powerful force than policy expectations. Q4 earnings season is upon us and markets, as always, will move on corporate profits and earnings guidance.

In a peaceful transition of power, President Trump was inaugurated as the 47<sup>th</sup> President of the United States yesterday. He got to work right away, issuing nearly 100 Executive Orders on his first day impacting energy, environmental, social, border, and military policies. He also pardoned 1,600 January 6<sup>th</sup> rioters, many of whom vandalized the Capitol and injured police officers. All this just two days after he launched a new cryptocurrency called \$Trump. He is a busy man.

But the biggest news of the past few days? The Buffalo Bills have advanced to the AFC Championship game against Kansas City and are one victory away from the Super Bowl! Buffalo beat the Ravens, who pounded the Bills earlier in the season, and now the Ravens players can take some vacation time, perhaps in Florida at the Gulf of America. Have a great week and Go Bills!

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

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