

Capital Markets Snapshot

Courtesy of The McConachie Team

Week ending January 31, 2025

The U.S. economy continues to show solid growth with Q4 2024 real GDP growing at an annualized rate of 2.3%, just below expectations of 2.5%. US GDP growth was driven primarily by consumer spending, which increased 4.2% annually (its highest level since Q1 2023). The Federal Reserve held interest rates steady, maintaining a patient approach amid solid economic growth, a healthy labor market, and stubborn inflation trends. Earnings season kicked off with strong results from companies like Apple, Microsoft, and Meta, although Tesla missed estimates. Technology stocks, particularly Nvidia and other chip manufacturers, experienced volatility following Monday's news from Chinese AI startup DeepSeek that it developed an AI program comparable to OpenAI's ChatGPT using a fraction of the development costs and computational resources. Much of the sector rebounded later in the week, as the news from DeepSeek was spun as a positive for increasing development and adoption of AI-related technologies. Overall, the S&P 500 is on track for strong earnings growth, with expectations for continued momentum into 2025.

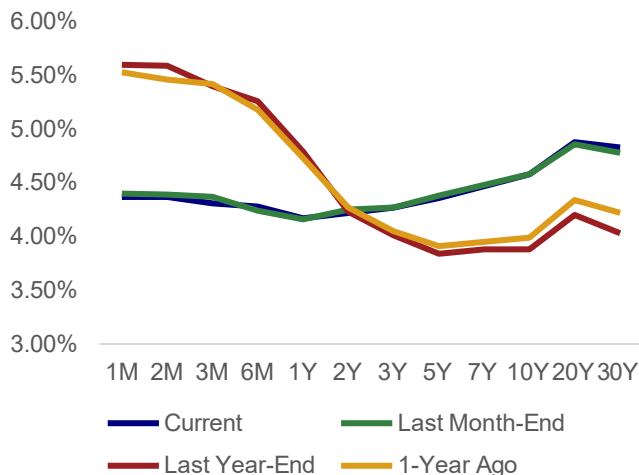
Fixed Income Markets Overview

- The Federal Reserve held its target policy rate range steady at 4.25%-4.5%, maintaining a patient approach amid solid economic growth and a healthy labor market.
- U.S. Treasury yields fell across the yield curve as rates come off their early January peaks. The 10-year yield is down about 20 bps from its recent high, which helped support bond and equity prices.
- Expectations around potential rate cuts in the short-term continue to ease. The probability of a March rate cut dropped to 16% from 27% the prior week. Expectations for one to two 25-basis-point cuts over the remainder of the year remain intact.
- Since breaking above 6% in September 2022, mortgage rates have fluttered between 6% to 8%, ending last week just below 7%. Higher rates and insufficient supply have contributed to home affordability challenges causing many potential buyers to remain on the sidelines.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	0.2%	0.5%	2.1%	1.5%
	Core Plus				
Core Plus	Intermediate Govt/Credit	0.4%	0.6%	0.5%	0.7%
	International Aggregate	0.1%	0.6%	-3.7%	-2.1%
	US Aggregate	0.4%	0.5%	-1.5%	-0.6%
	US Treasury	0.5%	0.5%	-2.1%	-1.1%
	US TIPS	0.6%	1.3%	-1.2%	1.7%
	US Corporate	0.3%	0.6%	-1.0%	-0.1%
	US Corporate High Yield	0.2%	1.4%	4.3%	4.5%
Other	Emerging Markets Aggregate	0.5%	1.1%	0.7%	0.5%
	US Municipals	0.6%	0.5%	0.5%	0.7%
	US Municipals High Yield	0.8%	0.8%	1.5%	2.3%

Source: Bloomberg as of January 31, 2025

U.S. Treasury Yield Curve



Source: Bloomberg and U.S. Treasury as of January 31, 2025

Interest Rates (%)

Date	1/31/2025	12/31/2024	12/29/2023	1/31/2024
Federal Funds Rate	4.37%	4.40%	5.60%	5.53%
3 Month Treasury	4.31%	4.37%	5.40%	5.42%
6 Month Treasury	4.28%	4.24%	5.26%	5.18%
2 Year Treasury	4.22%	4.25%	4.23%	4.27%
5 Year Treasury	4.36%	4.38%	3.84%	3.91%
10 Year Treasury	4.58%	4.58%	3.88%	3.99%
30 Year Treasury	4.83%	4.78%	4.03%	4.22%
US Aggregate	4.86%	4.91%	4.53%	4.59%
US Corporate	5.30%	5.33%	5.06%	5.11%
US Corporate High Yield	7.20%	7.49%	7.59%	7.80%
US Municipal	3.68%	3.74%	3.22%	3.37%
US Municipal High Yield	5.45%	5.52%	5.57%	5.62%

Spreads Over 10-Year US Treasuries

Date	1/31/2025	12/31/2024	12/29/2023	1/31/2024
30 Year Treasury	0.25%	0.20%	0.15%	0.23%
US Aggregate	0.28%	0.33%	0.65%	0.60%
US Corporate	0.72%	0.75%	1.18%	1.12%
US Corporate High Yield	2.62%	2.91%	3.71%	3.81%
US Municipal	-0.90%	-0.84%	-0.66%	-0.62%
US Municipal High Yield	0.87%	0.94%	1.69%	1.63%

Source: Bloomberg and U.S. Treasury as of January 31, 2025

Equity Markets Overview

- It was a mixed week US equities as markets reacted to the DeepSeek news and Federal Reserve's guidance on monetary policy. The Dow Jones continues to lead the way and was the only major US index to post a gain for the week, rising 0.3%. The tech heavy Nasdaq brought up the rear after falling 1.63%, while the S&P 500 came in second after slipping 0.99%.
- Similarly, it was a mixed week from a sector perspective as 6 of the 11 posted losses. Technology, Energy, and Utilities were the biggest losers posting losses of 4.55%, 3.79%, and 2.05%, respectively. Telecommunications, Consumer Staples, and Healthcare led the charge posting gains of 2.67%, 1.92%, and 1.74%, respectively.
- From a size perspective, small cap stocks held up slightly better than their mid- and large cap peers, but all three segments posted losses for the week, while mid-caps continue to lead the pack on a YTD basis. As for style, value outperformed growth last week in the large and mid-cap segments, while the inverse was true in small cap. On a YTD basis, value is slightly outpacing growth in the large and mid-cap segments, while growth is handily outpacing value in small cap.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	-1.0%	2.8%	11.6%	14.8%
Large-Cap	S&P 500	-1.0%	2.8%	11.9%	15.2%
	S&P 500 Growth	-2.0%	2.7%	11.9%	17.2%
	S&P 500 Value	0.1%	2.9%	10.8%	11.7%
Mid-Cap	S&P Midcap 400	-1.1%	3.8%	8.9%	11.8%
	S&P Midcap 400 Growth	-1.8%	3.8%	8.5%	11.1%
	S&P Midcap 400 Value	-0.3%	4.0%	9.1%	12.0%
Small-Cap	S&P Smallcap 600	-0.5%	2.9%	5.5%	9.9%
	S&P Smallcap 600 Growth	-0.1%	4.0%	5.4%	9.4%
	S&P Smallcap 600 Value	-0.9%	1.8%	5.4%	9.9%
Int'l.	MSCI ACWI ex-USA	0.6%	4.0%	3.4%	5.5%
	MSCI EM	0.3%	1.8%	-0.7%	3.0%

Source: Bloomberg as of January 31, 2025

Alternative Markets Overview

- Oil prices fell for the second straight week. However, this recent trend could be short lived depending on the impact of any tariffs levied by the Trump administration on oil and gas imports.
- Gold prices rose for the fifth consecutive week, briefly breaking above the \$2.8k price level and setting a new all-time high on Friday. Investors seem to be seeking safety leading up to Trump's tariffs, which are causing concerns about global economic growth and inflation.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	-1.5%	3.3%	6.8%	10.3%
Gold	1.0%	7.3%	16.4%	12.3%
FTSE All Equity NAREIT	-0.4%	1.0%	-1.3%	3.2%
Bitcoin	-3.0%	8.8%	38.2%	61.3%
Ethereum	-0.5%	-0.7%	7.3%	79.1%

Source: Bloomberg as of January 31, 2025



Upcoming Week

- As 4th quarter earnings season continues, it will be another busy week of releases. Some key companies reporting this week include Alphabet, Walt Disney, and Amazon.
- As for economic data, this week will bring several releases related to the Manufacturing and Services sectors as well as labor market data. We will be monitoring the S&P Manufacturing Purchasing Managers Index, ISM Manufacturing and Services, weekly initial jobless claims, Nonfarm Payrolls, and the Unemployment Rate releases.

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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