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Weekly Focus – Think About It

"[Jimmy Carter] had the courage and strength to stick to his principles even when they were politically unpopular…Fifty years ago, he was a climate warrior who pushed for a world where we conserved energy, limited emissions, and traded our reliance on fossil fuels for expanded renewable sources. By the way, he cut the deficit, wanted to decriminalize marijuana, deregulated so many industries that he gave us cheap flights and, as you heard, craft beer. Basically, all of those years ago, he was the first millennial. And he could make great playlists…"

—Jason Carter, grandson of former U.S. President Jimmy Carter

THE MARKETS

AS THE MARKETS TURN

Last week, investors breathed a sigh of relief when the latest price data showed core inflation, which excludes volatile food and energy prices, moved lower in December.

Investors has been worried because economists forecasted inflation would be stickier in December, reported Frank Lee of Morningstar. If that proved out, the Fed might have stopped lowering the federal funds rate, which would have had adverse implications for company performance and stock prices. So when core inflation dropped to 3.2 percent year over year, investors celebrated.

Some think the celebration might be premature.

Jacob Sonenshine of *Barron's* reported, "Stocks jumped after this week's inflation data. The problem is that there's not a lot to love in the numbers. The reality is that inflation remains well above the Federal Reserve's 2 [percent] goal. The average headline [Consumer Price Index] has been 2.7 [percent] in the past three months, above the 2.6 [percent] average for the three months that ended in September. So the trend of inflation, when considering a larger sample size of results, is inching higher, not lower…The result is that the Fed is unlikely to reduce interest rates aggressively. The federal-funds futures market now expects just one interest-rate cut this year…"

Inflation wasn't the only reason investor optimism surged last week, though. Fourth quarter earnings season—the time when management lets investors know how the companies performed in the prior quarter—got off to a strong start. "Big Banks set a positive note earlier this week, while [a large semiconductor company] sparked further enthusiasm among chip stocks. Things will only heat up in the weeks ahead, as Wall Street sizes up results from the market's heaviest hitters," reported Connor Smith of *Barron's*.

We should all be prepared for markets to be volatile this year.

While last week delivered attractive gains overall, the week before stock and bond markets moved in the opposite direction. Jurrien Timmer of Fidelity explained why we may see significant volatility this year:

"While I continue to believe we are in a bull market—with rising earnings poised to pull the weight of the market still higher—this recent volatility could be a sign of things to come. Later stages of a bull market tend to be more volatile. And it doesn't take as much to disrupt the market's mojo when valuations like price-earnings (PE) ratios are high, as they have been. But moreover, I believe the interest-rate angst that's been weighing on the market isn't likely to go away anytime soon, and could be a recurring feature of the year ahead."

Last week, major U.S. stock indices rose sharply, and yields on longer maturities of U.S. Treasuries fell.

Data as of 1-17-25	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	**2.9%**	**2.0%**	**26.5%**	**9.4%**	**12.5%**	**11.5%**
Dow Jones Global ex-U.S.	**1.7**	**0.3**	**7.8**	**-1.6**	**1.5**	**2.6**
10-year Treasury Note (Yield Only)	**4.6**	**N/A**	**4.1**	**1.9**	**1.8**	**1.8**
Gold (per ounce)	**1.0**	**4.0**	**35.0**	**14.3**	**11.8**	**7.9**
Bloomberg Commodity Index	**1.2**	**5.0**	**7.3**	**-0.1**	**5.4**	**0.2**

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; the DJ Equity All REIT Total Return Index does include reinvested dividends 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, Barron's, djindexes.com, 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.*

THE COSTLIEST NATURAL DISASTERS IN U.S. HISTORY

The Los Angeles wildfires were still burning when this was written, and it's not yet possible to understand the full economic impact of the event. Last week, AccuWeather "increased its preliminary estimate of the total damage and economic loss to between $250 billion and $275 billion," reported Monica Danielle. A week earlier, the estimate had been $52 billion to $57 billion.

If the new forecast holds up, it puts the wildfires at or near the top of the list of costliest natural disasters in the United States. Not including the wildfires, six of the top 10 events have happened over the past decade. Here are the top 10, as listed in AARP.org using data from the National Oceanic and Atmospheric Administration (NOAA). (All dollar figures were adjusted for inflation.)

1. Hurricane Katrina, 2005, Louisiana, Mississippi, and Alabama: $201.3 billion
2. Hurricane Harvey, 2017, Texas: $160.0 billion
3. Hurricane Ian, 2022, Florida: $160.0 billion
4. Hurricane Maria, 2017, Puerto Rico, St. Croix, and U.S. Virgin Islands: $115.2 billion
5. Superstorm Sandy, 2012, New Jersey, New York, and other states: $ 88.5 billion
6. Hurricane Ida, 2021, Louisiana and other states: $ 84.6 billion
7. Hurricane Helene, 2024, Florida, western North Carolina: $ 78.7 billion
8. Hurricane Irma, 2017, Florida, South Carolina, and U.S. Virgin Islands: $ 64.0 billion
9. Hurricane Andrew, 1992, Florida: $ 60.5 billion
10. United States drought/heat waves, 1988-1990, 11 U.S. states: $ 54.6 billion

In 2024, there were 27 weather and climate events that inflicted damage of $1 billion or more. Since 1980, there have been 403 events of that magnitude, with a total price tag of more than $2.9 trillion, reported NOAA.

Best regards,

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Sources:

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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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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

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