



Health Advisors,  
Investment Managers

# Weekly Market Recap - 01/24/25

## Market Commentary

### Weekly Recap:

Stocks finished higher and bond yields fell slightly during a holiday-shortened week that was light on macro data, but long on executive orders and policy pronouncements from the new Trump administration. Notably absent was the immediate enactment of tariffs on Mexico, Canada, and China, which had been repeatedly promised by Donald Trump on the campaign trail. Markets breathed a sigh of relief that perhaps tariffs would be used more thoughtfully by the Trump administration than many had feared.

The rise in stocks was broad-based, with 10 out of 11 sectors in the S&P 500 finishing higher on the week. Energy was the lone exception thanks to a \$3/barrel pullback in oil prices. International benchmarks finished higher and largely outperformed the US, in large part due to relief that a punitive tariff regime was not immediately enacted by President Trump.

In fixed income, interest rate volatility subsided for the time being despite public pronouncements from Donald Trump that rates "need to be lowered immediately." Credit rallied and spreads finished tighter by 2 basis points, in sync with the gains in equities.

### In macro news:

- \* S&P's US Manufacturing PMI just barely rose into expansion territory at 50.1
- \* S&P's US Services PMI unexpectedly fell 4 points to 52.8
- \* The U of Mich. Consumer Sentiment index fell 2 pts to 71.1 in the final January print
- \* Existing home sales rose 2.2% in December to a SAAR of 4.24 million

### Albion's "Four Pillars":

**\*Economy & Earnings** - The US economy has been resilient despite the higher interest rate environment. S&P 500 earnings are on track for high single-digit y/y growth for full-year 2024, with consensus calling for an acceleration to double-digit y/y growth in 2025.

**\*Valuation** - The S&P 500's forward P/E of 22.2x is well above the long run average, so valuations are likely to be a headwind to future returns. More predictive metrics like CAPE, Tobin's Q, and the Buffett Indicator (Eq Mkt Cap / GDP) suggest that compound annual returns from current levels over the coming decade are likely to be in the mid single digits.

**\*Interest Rates** - After the "hawkish cut" at the December 2024 FOMC meeting, a near term pause on further rate cuts is likely, and the curve has mostly resumed its normal upward slope. Belly and long end rates in the 4% to 5% range likely represent the "new normal" given solid economic growth, lingering inflation pressures, and large US fiscal deficits.

**\*Inflation** - After the disinflationary trend resumed in the summer of 2024, more recent inflation data has shown some renewed signs of stickiness. Services inflation remains somewhat elevated, in part due to heavily lagged shelter costs.

## Market Data

Equity Indices	Close	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
S&P 500	6,101	1.8%	3.8%	3.8%	3.8%	45.0%
Dow Jones Indus. Avg.	44,424	2.2%	4.5%	4.5%	4.5%	37.4%
NASDAQ	19,954	1.7%	3.3%	3.3%	3.3%	47.5%
S&P Midcap 400	3,276	1.1%	5.0%	5.0%	5.0%	30.2%
Russell 2000 (Small Cap)	2,308	1.4%	3.5%	3.5%	3.5%	18.6%
MSCI EAFE (Int'l Dev Mkt Eq)	2,361	3.2%	4.4%	4.4%	4.4%	17.2%
MSCI EM (Emerging Mkt Eq)	1,090	1.9%	1.5%	1.5%	1.5%	-2.2%
MSCI World	3,857	2.1%	4.1%	4.1%	4.1%	34.5%
S&P Global 1200	4,217	2.2%	3.9%	3.9%	3.9%	35.1%

Fixed Income	Yield	Index Total Returns (%)				
		1 Week	MTD	QTD	YTD	3y Cum.
10y U.S. Treasuries	4.62%	0.0%	0.0%	0.0%	0.0%	-13.2%
U.S. Bonds (Aggregate)	4.92%	0.1%	0.1%	0.1%	0.1%	-5.2%
Global Bonds	3.74%	0.9%	0.5%	0.5%	0.5%	-11.6%
U.S. Munis	3.76%	0.3%	-0.1%	-0.1%	-0.1%	-0.2%
U.S. Investment Grade Corp	5.35%	0.3%	0.2%	0.2%	0.2%	-3.7%
U.S. High Yield Corporates	7.23%	0.3%	1.2%	1.2%	1.2%	12.3%

US Interest Rates	Levels (%)				
	1/24/25	1/17/25	12/31/24	12/31/24	1/24/22
2y Treasuries	4.27	4.28	4.24	4.24	0.97
10y Treasuries	4.62	4.63	4.57	4.57	1.77
30y Treasuries	4.85	4.86	4.78	4.78	2.11
Fed Funds (Effective Rate)	4.33	4.33	4.33	4.33	0.08
SOFR (USD)	4.34	4.29	4.49	4.49	0.04
30y Fixed Mortgage	6.96	7.04	6.85	6.85	3.56

Commodity Prices	Levels				
	1/24/25	1/17/25	12/31/24	12/31/24	1/24/22
Oil (WTI)	74.66	77.88	71.72	71.72	83.31
Gasoline	3.13	3.12	3.06	3.06	3.34
Natural Gas	4.03	3.95	3.63	3.63	4.03
Gold	2,771	2,703	2,625	2,625	1,843

Currency Crosses	Levels				
	1/24/25	1/17/25	12/31/24	12/31/24	1/24/22
\$ per £	1.25	1.22	1.25	1.25	1.35
\$ per €	1.05	1.03	1.04	1.04	1.13
¥ per \$	156.0	156.3	157.2	157.2	114.0
\$ per Bitcoin	105,111	104,640	93,714	93,714	36,828

Macroeconomic Data	Value	Date	Next Rel.	Cons Est
Inflation (Core PCE Deflator)	2.8%	11/30/24	01/31/25	2.8%
Inflation (Headline CPI)	2.9%	12/31/24	02/12/25	-
Unemployment (U-3)	4.1%	12/31/24	02/07/25	4.2%
GDP Growth (Q/Q SAAR)	3.1%	09/30/24	01/30/25	2.7%
ISM Manufacturing PMI	49.3	12/31/24	02/03/25	48.9
Consumer Confidence	104.7	12/31/24	01/28/25	105.6

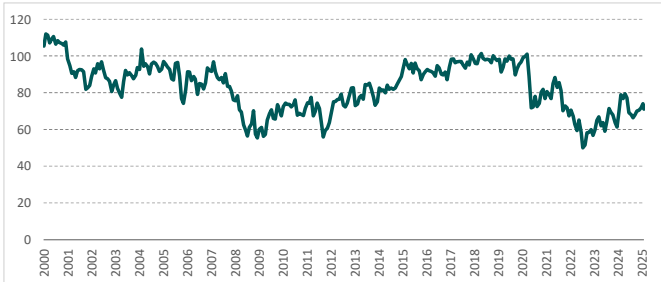
Data Sources: Bloomberg, FactSet

### Albion's Dashboard of Key Leading Economic Indicators as of 01/24/25

- Initial Jobless Claims (214k 4wk m/a) - Steady: slightly above 200k for most of 2024
- Conference Board LEI (-3.0% y/y) - Beginning to rebound: rose sequentially in November
- Residential Building Permits (1,482k) - Steady: annualized run rate of -1.5M might be new normal
- Corporate Bond Spreads (0.78%) - Steady: near all time tight levels post-election
- Treasury Yield Curves (13.3% inv) - Stronger: inversion waning as rate cutting cycle unfolds
- Consumer Confidence (104.7) - Mixed: post-election bounce not sustained in December
- Real Final Sales (+2.8% y/y) - Steady: consumer spending has been solid throughout 2024

Legend: ● = All Clear; ● = Caution; ● = Strong Warning

### Chart of the Week: University of Michigan Consumer Sentiment



### Sector Total Returns for the Week Ending 01/24/25



### YTD Sector Total Returns as of 01/24/25

