

Capital Markets Snapshot

Courtesy of The Davis Financial Group

Week ending January 10, 2025

Last week, markets experienced a mix of positive economic data and political developments. Labor market data exceeded expectations, with significant job gains and declining unemployment rates. However, this strong economic performance led to a reassessment of the likelihood of central-bank rate cuts in 2024, as more participants are expecting a pause in cuts and expectations for only one rate cut in the back half of the year are increasing. Changes to interest rate expectations and the strong economic data led government bond yields to rise and stock markets to decline. Despite these changes, the overall economic fundamentals remain resilient, evidenced by strong job gains, decreasing unemployment, and positive economic growth.

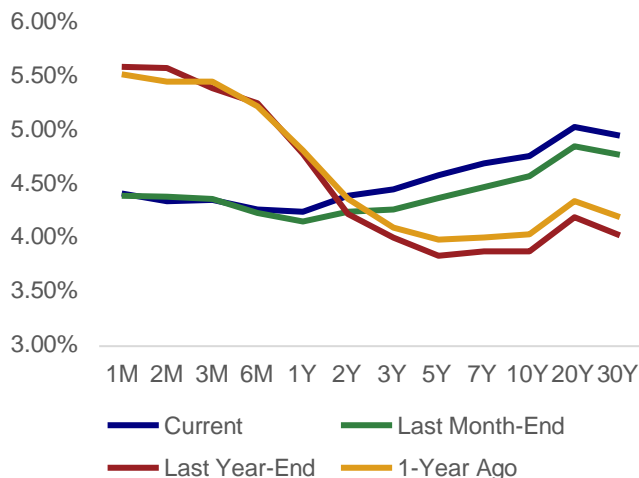
Fixed Income Markets Overview

- Government bond yields on all maturities 1-year or longer rose 7-19 basis points last week, as strong labor market data led to cooling expectations on multiple rate cuts this year.
- Expectations around future potential rate cuts from the Fed diminished some this week, primarily driven by this morning's strong jobs data. Probabilities are suggesting one 25-basis point cut in September, last week expectations were for this to occur in June.
- In the first full week of the new year, mortgage rates continued to increase and closed the week at just under 7 percent. The continued strength of the economy has put upward pressure on mortgage rates, which along with high home prices continues to impact housing affordability.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	-0.1%	-0.1%	1.8%	1.5%
	Core Plus				
	Intermediate Govt/Credit	-0.5%	-0.5%	0.0%	0.7%
	International Aggregate	-1.0%	-1.3%	-4.5%	-2.2%
	US Aggregate	-0.9%	-1.0%	-2.2%	-0.6%
	US Treasury	-0.8%	-0.9%	-2.6%	-1.0%
	US TIPS	-0.3%	-0.5%	-1.7%	1.7%
	US Corporate	-1.0%	-1.1%	-1.9%	0.0%
	US Corporate High Yield	-0.3%	0.0%	3.3%	4.1%
Other	Emerging Markets Aggregate	-0.6%	-0.5%	-0.1%	0.4%
Muni	US Municipals	-0.9%	-0.7%	-0.5%	0.7%
	US Municipals High Yield	-1.2%	-0.9%	0.2%	2.2%

Source: Bloomberg as of January 10, 2025

U.S. Treasury Yield Curve



Source: Bloomberg and U.S Treasury as of January 10, 2025

Interest Rates (%)

Date	1/10/2025	12/31/2024	12/29/2023	1/10/2024
Federal Funds Rate	4.42%	4.40%	5.60%	5.53%
3 Month Treasury	4.36%	4.37%	5.40%	5.46%
6 Month Treasury	4.27%	4.24%	5.26%	5.23%
2 Year Treasury	4.40%	4.25%	4.23%	4.37%
5 Year Treasury	4.59%	4.38%	3.84%	3.99%
10 Year Treasury	4.77%	4.58%	3.88%	4.04%
30 Year Treasury	4.96%	4.78%	4.03%	4.20%
US Aggregate	5.09%	4.91%	4.53%	4.68%
US Corporate	5.52%	5.33%	5.06%	5.21%
US Corporate High Yield	7.52%	7.49%	7.59%	7.81%
US Municipal	3.83%	3.74%	3.22%	3.29%
US Municipal High Yield	5.61%	5.52%	5.57%	5.62%

Spreads Over 10-Year US Treasuries

Date	1/10/2025	12/31/2024	12/29/2023	1/10/2024
30 Year Treasury	0.19%	0.20%	0.15%	0.16%
US Aggregate	0.32%	0.33%	0.65%	0.64%
US Corporate	0.75%	0.75%	1.18%	1.17%
US Corporate High Yield	2.75%	2.91%	3.71%	3.77%
US Municipal	-0.94%	-0.84%	-0.66%	-0.75%
US Municipal High Yield	0.84%	0.94%	1.69%	1.58%

Source: Bloomberg and U.S. Treasury as of January 10, 2025

Equity Markets Overview

- US equities continue to skid to start 2025, which has thus far delivered rising interest rates and falling stock prices. All three major indices retreated last week. The Dow Jones held up best posting a 1.83% loss, while the tech-heavy Nasdaq fell the most by retreating 2.34%.
- It was a largely negative week for sectors with 8 of 11 posting losses and the 3 with gains rising less than 1%. Real Estate, Technology, and Financial Services were the biggest losers falling 4.1%, 3.1%, and 2.7%, respectively. Materials, Healthcare, and Energy stocks were the only winners last week rising 0.14%, 0.52%, and 0.9%, respectively.
- From a size perspective, mid-cap stocks held up the best relative to their large- and small-cap peers, while small-caps lost the most ground retreating almost 3% last week. From a style perspective, value outperformed growth in the large- and mid-cap segments, but growth outperformed in small-caps.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	-1.9%	-0.9%	8.9%	13.7%
Large-Cap	S&P 500	-1.9%	-0.9%	9.3%	14.1%
	S&P 500 Growth	-2.1%	-0.2%	9.2%	16.5%
	S&P 500 Value	-1.7%	-1.4%	8.4%	10.2%
Mid-Cap	S&P Midcap 400	-1.7%	-0.7%	5.4%	10.3%
	S&P Midcap 400 Growth	-1.7%	-0.2%	5.0%	9.9%
	S&P Midcap 400 Value	-1.6%	-1.2%	5.6%	10.2%
Small-Cap	S&P Smallcap 600	-2.8%	-1.8%	1.8%	8.2%
	S&P Smallcap 600 Growth	-2.6%	-1.1%	1.5%	8.0%
	S&P Smallcap 600 Value	-3.0%	-2.6%	2.0%	7.9%
Int'l.	MSCI ACWI ex-USA	-0.8%	-1.0%	0.8%	3.8%
	MSCI EM	-1.5%	-1.6%	-2.5%	1.0%

Source: Bloomberg as of January 10, 2025

Alternative Markets Overview

- Oil prices continue their multi-week march upward as prices rose about 3% last week due to market reactions to the US sanctions targeting Russian oil and gas revenues as well as the prolonged cold snap across the US and Europe.
- Gold prices were up for the week despite strong labor market data, possibly an indication of increasing uncertainty surrounding what President-elect Trump's upcoming term will bring from a policy perspective.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	3.6%	4.4%	10.3%	8.3%
Gold	2.9%	3.4%	14.9%	11.8%
FTSE All Equity NAREIT	-4.2%	-3.9%	-4.1%	2.6%
Bitcoin	-3.7%	1.3%	31.4%	63.6%
Ethereum	-9.4%	-2.3%	1.9%	86.9%

Source: Bloomberg as of January 10, 2025



Upcoming Week

- As we kick off Q4 earnings season, the back half of the week will be loaded with more earnings releases than the front. Notable releases this week include JPMorgan (and other major banks), UnitedHealth Group, and SLB.
- It is another busy week for economic data. Some key economic releases this week include PPI (Tuesday) and CPI (Wednesday) inflation figures and retail sales data (Thursday).

Glossary and Disclosures

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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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