



WEEK OF JANUARY 21, 2025

Market Update

The core Consumer Price Index (CPI) rose 3.2 percent year-over-year; this softer-than-expected inflation fueled a rally in stocks and bonds. Many major banks released earnings, most of which were strong, and some raised expectations for 2025.

Quick Hits

- 1. Report releases:** Core consumer inflation rose less than expected.
- 2. Financial market data:** Strong bank earnings and softer inflation helped lift equities.
- 3. Looking ahead:** In a light week, economic data will focus on the broader economy, employment, and housing.



Report Releases: January 13–17, 2025

Producer Price Index (PPI): December (Tuesday)

Headline and core producer inflation increased less than expected to end the year.

- Prior monthly PPI/core PPI growth: +0.4%/+0.2%
- Expected monthly PPI/core PPI growth: +0.4%/+0.3%
- Actual monthly PPI/core PPI growth: +0.2%/+0.0%
- Prior year-over-year PPI/core PPI growth: +3.0%/+3.5%
- Expected year-over-year PPI/core PPI growth: +3.5%/+3.8%
- Actual year-over-year PPI/core PPI growth: +3.3%/+3.5%



Consumer Price Index (CPI): December (Wednesday)

Consumer inflation accelerated, with the 2.9 percent year-over-year increase representing the highest level of consumer inflation since July.

- Prior monthly CPI/core CPI growth: +0.3%/+0.3%
- Expected monthly CPI/core CPI growth: +0.4%/+0.4%
- Actual monthly CPI/core CPI growth: +0.4%/+0.4%
- Prior year-over-year CPI/core CPI growth: +2.7%/+3.3%
- Expected year-over-year CPI/core CPI growth: +2.9%/+3.3%
- Actual year-over-year CPI/core CPI growth: +2.9%/+3.2%



Retail Sales: December (Thursday)

Retail sales growth continued, albeit at a slightly slower rate than expected.

- Expected/prior month retail sales monthly change: +0.6%/+0.8%
- Actual retail sales monthly change: +0.4%



National Association of Home Builders Housing Market Index: January (Thursday)

Home builder sentiment unexpectedly improved to start the year.

- Expected/prior month sentiment: 45/46
- Actual sentiment: 47



>> The Takeaway

- PPI and CPI were lighter than expected to start the year, offering support for fixed income and equity markets.
- Retail sales were a bit softer than expected but home builder sentiment beat expectations.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.93%	2.01%	2.01%	28.26%
Nasdaq Composite	2.45%	1.67%	1.67%	33.12%
DJIA	3.69%	2.26%	2.26%	18.87%
MSCI EAFE	2.76%	1.22%	1.22%	9.26%
MSCI Emerging Markets	3.00%	-0.38%	-0.38%	14.86%
Russell 2000	3.97%	2.08%	2.08%	20.59%

Source: Bloomberg, as of January 17, 2025

Equities rallied as softer-than-expected inflation eased fears from the previous week. The so-called Magnificent Seven (i.e., Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) rallied. Banks also fared well, with strong earnings from JPMorgan, Wells Fargo, Citi, Morgan Stanley, and Goldman Sachs. (Several raised net interest income guidance for 2025.) Energy, financials, and materials each rose more than 6 percent. Lagging sectors included health care, consumer staples, and communication services.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.04%	-0.02%	2.65%
U.S. Treasury	-0.04%	-0.03%	1.97%
U.S. Mortgages	-0.02%	-0.03%	2.82%
Municipal Bond	-0.93%	-0.31%	1.77%

Source: Bloomberg, as of January 17, 2025

The Treasury yield curve reversed its steepening from the previous week after inflation was softer than expected. Yields beyond the 2-year dropped meaningfully: 2-year, 10-year, and 30-year yields fell 12 basis points (bps), 16 bps, and 12 bps, respectively, closing at 4.27 percent, 4.61 percent, and 4.85 percent.

>> The Takeaway

- Softer-than-expected inflation fueled a rally in equities and stocks. Strong bank earnings and a softening dollar helped value stocks outperform growth equities despite a large drop in rates.
- Bonds rallied on the heels of better-than-expected PPI and CPI reports.

Looking Ahead

Reports will be light in this holiday-shortened week. Economic data will primarily focus on the broader economy, employment, and housing.

- On Wednesday, the **U.S. Leading Economic Index** for December will be released. It is expected to increase 0.1 percent, down from an increase of 0.3 percent in the previous report.
- On Thursday, we expect **initial jobless claims** for the week ending January 18. Seasonally adjusted jobless claims have been relatively stable, with an average of 210,333 over the past three weeks compared with an average of 194,000 last year.
- Finally, on Friday, **existing home sales** for December and the **S&P Global Flash US PMIs** for January will be released. Existing home sales are expected to pick up to 4.2 million, up slightly from 4.15 million in November.





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companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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