

AMJ Financial Wealth Management

MARKET VIEW WEEKLY

brought to you by Philip Blancato, Osaic's Chief Market Strategist



ECONOMIC REVIEW¹

- The Consumer Price Index (CPI) rose by 0.4% in December, meeting expectations and bringing the annual inflation rate to 2.9%.
 - Over 40% of the monthly increase was driven by energy prices, highlighting the continued impact of volatile energy markets.
 - Food, airfares, and auto-related categories (new and used cars and insurance) also contributed to the overall CPI rise.
- Core CPI, which excludes food and energy prices, increased by 0.2% month over month in December, marking a deceleration from the previous four months' 0.3% increases.
 - On an annual basis, core CPI rose 3.2%, slightly below the 3.3% consensus estimate.
 - Shelter prices, a key category, rose 0.3% for the second month in a row, though the gains were the smallest since 2021.
- The Producer Price Index (PPI) rose 0.2% in December, below the expected 0.4%, with annual PPI growth reaching 3.3%, the highest since February 2023.
 - Declining food prices and flat service costs. Balanced energy price increases, indicating mixed inflation pressures.
- Core PPI was unchanged month over month in December, while the annual increase stood at 3.5%, reflecting persistent inflationary trends outside of volatile categories like food and energy.
 - Service prices showed no monthly change, marking a softening in inflation momentum, though categories like airfares saw sharp increases.
- Retail Sales increased 0.4% in December, following an upwardly revised 0.8% gain in November, signaling strong consumer demand during the holiday season.
 - Excluding autos and gasoline, sales rose 0.3%, with 10 out of 13 categories showing growth, including furniture and sporting goods stores.

How does this most recent economic data impact you?

- The latest economic data highlights consumer resilience supporting discretionary sectors like retail and autos. However, rising inflation expectations and policy changes could pressure margins and market stability, making inflation-adjusted spending and Federal Reserve (Fed) signals key to shaping borrowing costs and economic trends.



A LOOK FORWARD¹

- Key reports this week include Leading Economic Indicators (LEI), Existing Homes Sales, and Consumer Sentiment.

How does this week's slate of economic data impact you?

- These indicators provide insights into economic momentum, housing market activity, and consumer confidence. LEI highlights potential growth trends while Existing Home Sales gauge market stability and affordability. Consumer Sentiment reflects household optimism and its impact on spending patterns, collectively shaping expectations for future market performance.



MARKET UPDATE²

Market Index Returns as of 1/17/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	2.93%	2.01%	2.01%	27.16%	11.13%	14.27%
NASDAQ	2.45%	1.67%	1.67%	31.33%	11.50%	16.80%
Dow Jones Industrial Average	3.69%	2.26%	2.26%	18.21%	9.33%	10.41%
Russell Mid-Cap	4.52%	3.65%	3.65%	22.50%	7.02%	10.11%
Russell 2000 (Small Cap)	3.97%	2.08%	2.08%	19.94%	4.29%	7.44%
MSCI EAFE (International)	1.95%	1.21%	1.21%	8.20%	2.38%	4.76%
MSCI Emerging Markets	1.26%	-0.39%	-0.39%	14.00%	-2.31%	1.04%
Bloomberg Barclays US Agg Bond	0.99%	-0.02%	-0.02%	2.68%	-1.61%	-0.43%
Bloomberg Barclays High Yield Corp.	0.80%	0.84%	0.84%	9.90%	3.63%	4.24%
Bloomberg Barclays Global Agg	0.91%	-0.41%	-0.41%	0.44%	-4.18%	-2.01%



OBSERVATIONS

- Equity markets experienced a sharp reversal in momentum this week, with all major indices rebounding strongly after the prior week's declines.
 - The Dow Jones led the majors with a +3.69% return, followed by the S&P 500 at +2.93% and the NASDAQ at +2.45%.
- Mid-cap stocks outperformed, posting a +4.52% gain, while Small-Cap stocks also rose 3.97%.
- International markets saw mixed results, with Emerging Markets edging up, while Developed International markets showed modest activity.
- Fixed Income indices joined in the rebound, with each index finishing up on the week, but all three are still down on the year.



BY THE NUMBERS

- James Webb Space Telescope's 'little red dots' come into focus:** The James Webb Space Telescope has made fascinating discoveries while exploring the early cosmos, including a puzzling phenomenon referred to as "little red dots." These objects have unusual light signatures that are challenging to explain and appear to have been a common feature of the early universe. A team studying 341 of these dots found they existed as early as 600 million years after the Big Bang but disappeared by about 1.5 billion years later. This suggests they either evolved into something else, such as galaxy cores, or vanished entirely.³
- The Pokémon Company is printing cards at 'maximum capacity' to ease up Prismatic Evolutions shortage:** Interest in Pokémon cards has surged over the years, with annual production increasing from 1–2 billion cards to 3.7 billion in 2020. This climbed to over 9 billion cards between 2021 and 2022, reaching 10 billion in 2023. By 2024, 12 billion cards were printed, bringing the total to 64.8 billion cards produced since the game's inception, with 18% of all cards ever made issued in the 2023–24 fiscal year. Despite this massive output, demand remains sky-high, as the latest set, *Scarlet and Violet — Prismatic Evolutions*, faces widespread shortages.⁴

Economic Definitions

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Existing Home Sales: This concept tracks the sales of previously owned homes during the reference period. Total existing home sales include single-family homes, townhomes, condominiums and co-ops. All sales are based on closings from Multiple Listing Services. Foreclosed homes are only counted in the inventory if the bank is working with a realtor. Foreclosed homes that sell via auction (or other closings outside of the Multiple Listing Services) are not included.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is

Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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¹ Data obtained from Bloomberg as of 1/17/2025.

² Data obtained from Morningstar as of 1/17/2025.

³ [James Webb Space Telescope's 'little red dots' come into focus | NRP.org](#)

⁴ [The Pokémon Company is printing cards at 'maximum capacity' to ease up Prismatic Evolutions shortage | polygon.com](#)