

AMJ Financial Wealth Management

MARKET VIEW WEEKLY

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



ECONOMIC REVIEW¹

- The Conference Board Leading Economic Index (LEI) ticked down by 0.1% in December 2024 after an upwardly revised increase of 0.4% in November.
 - Lower consumer confidence, relatively weak manufacturing orders, higher initial jobless claims, and declining building permits pushed the index lower.
 - Despite those factors, half of the constituent components of the index were positive and both six- and twelve-month growth rates improved.
- Existing home sales increased 2.2% last month, narrowly beating consensus expectations for December; sales are up 9.3% from a year ago.
 - Sales improved in all regions save the Midwest and were supported by increases for both single- and multi-family housing.
 - Although 2024 finished on a high note, the full-year total of existing home sales marked the lowest in nearly three decades.
- The University of Michigan consumer sentiment survey was revised lower in its final January reading last week, falling for the first time in six months – 4% from the December reading.
 - Year-ahead inflation expectations rose dramatically to 3.3% from 2.8% last month, and long-run inflation expectations ticked up to 3.2% from 3.0%, as well.
- January initial jobless claims increased to 223,000 from last month (221,000) and exceeded median forecasts of 217,000.
 - The figure is still well within the range of “normal” for the last year, and January can exhibit some seasonality in employment figures as employers right-size expanded holiday workforces.

How does this most recent economic data impact you?

- Despite LEI's tick lower last month, improvement in longer-term growth rates for the index indicates fewer headwinds to economic activity ahead.
 - As such, growth momentum should remain strong early this year and US real GDP is still expected to expand by 2.3% in 2025, above the long-term trend growth rate.
- Stubborn inflation, showing potential signs of a mild resurgence, has raised concerns with investors.
 - Although the increase in long-run inflation expectations is marginal, this will be an important metric to monitor as unanchored inflation expectations are worrisome for both equity and fixed income performance.



A LOOK FORWARD¹

- This week's economic data releases are substantial: New home sales, GDP, the employment cost index (ECI), a Federal Reserve (Fed) meeting, and Personal Consumption Expenditures (PCE) inflation all land in the next four days.

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

- These are some of the most critical data points for investors, consumers, and central bankers.
 - Although very few expect the Fed to adjust interest rates this month, the statement and press conference following the meeting will provide critical insight into the future path of interest rates.



MARKET UPDATE²

Market Index Returns as of 1/24/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.76%	3.81%	3.81%	26.39%	13.63%	14.90%
NASDAQ	1.65%	3.35%	3.35%	29.58%	14.71%	17.37%
Dow Jones Industrial Average	2.19%	4.50%	4.50%	18.92%	11.24%	11.15%
Russell Mid-Cap	1.15%	4.85%	4.85%	21.74%	9.16%	10.60%
Russell 2000 (Small Cap)	1.40%	3.51%	3.51%	18.40%	6.36%	8.22%
MSCI EAFE (International)	3.17%	4.42%	4.42%	9.61%	5.01%	5.54%
MSCI Emerging Markets	1.87%	1.47%	1.47%	12.95%	-0.87%	1.90%
Bloomberg Barclays US Agg Bond	0.11%	0.09%	0.09%	2.56%	-1.73%	-0.56%
Bloomberg Barclays High Yield Corp.	0.33%	1.16%	1.16%	9.65%	3.98%	4.39%
Bloomberg Barclays Global Agg	0.87%	0.45%	0.45%	1.11%	-3.96%	-1.96%



OBSERVATIONS

- Equity markets clocked a solid week across the board with major indices improving domestically, internationally, and across the cap spectrum.
 - For the second week in a row, the Dow Jones Industrial Average led major US indices with a +2.19% return, followed by the S&P 500 (+1.76%) and the NASDAQ (+1.65%).
 - Mid-cap (+1.15%) and Small-Cap stocks (+1.40%) trailed close behind.
- Developed international markets as measured by the MSCI EAFE Index (+3.17%) bested all others, and Emerging Markets improved substantially, as well, climbing 1.87% on the week.
- Fixed income carded a decent week of performance, too, and like equity markets, returns abroad outpaced returns domestically.
 - Bonds are now positive year-to-date domestically, internationally, and across the credit spectrum.



BY THE NUMBERS

- American Are Carrying Bigger Credit-Card Balances:** Americans are spending more on credit cards and carrying bigger balances month to month. JPMorgan Chase, the biggest U.S. bank, said in its most recent quarterly report that it saw higher revolving credit-card balances – the amount people don't pay off monthly. Capital One also said the proportion of people making just the minimum payment is above pre-pandemic levels. "We're seeing this minimum-payment effect across this credit spectrum. I'm not making a point here about the low end of the market or even about subprime," said Richard Fairbank, CEO of Capital One, during an earnings call this week. Fairbank said consumers overall are in good shape, but that some are feeling the cumulative effects of inflation and interest rates more than others, particularly those whose incomes haven't kept up with rising prices.³
- It's an Eagles-Chiefs Super Bowl. (Again). Here's an early look:** Get ready for a Super Bowl rematch. The Kansas City Chiefs and the Philadelphia Eagles will meet in New Orleans as one team — a dynasty in full bloom — seeks a Super Bowl three-peat and the other — with an unstoppable force of a running back — looks to wrap up its bounce-back season with a bang. It's Jalen Hurts vs. Patrick Mahomes. Nick Sirianni vs. Andy Reid. And Saquon Barkley vs., well, everybody. The Super Bowl is Sunday, Feb. 9. Kickoff is at 6:30 p.m. Eastern at the Superdome in New Orleans.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.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

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.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of houses sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

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

GDP QoQ: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

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 1/24/2025.

² Data obtained from Morningstar as of 1/24/2025.

³ [Americans Are Carrying Bigger Credit-Card Balances](#)

⁴ [It's an Eagles-Chiefs Super Bowl. \(Again.\) Here's an early look.](#)