

AMJ Financial Wealth Management

MARKET VIEW WEEKLY

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



ECONOMIC REVIEW¹

- January's headline Consumer Price Index (CPI) reading increased 0.5% month-over-month (MoM) and rose 3.0% year-over-year (YoY).
 - Both MoM and YoY headline data came in above expectations, driven higher by energy and food prices.
 - Energy prices, which were largely deflationary last year, have risen for three consecutive months.
- Core CPI, which excludes the volatile food and energy categories, rose above expectations at 0.4% MoM and 3.3% YoY.
 - Transportation services, which is up 8.0% YoY, continued to remain a significant contributor to inflation.
 - The shelter index rose 0.4% MoM; however, it showed encouraging signs of slowing down by recording its slowest YoY reading since early 2022 at 4.2%.
- January's headline Producer Price Index (PPI) rose 0.4% MoM and rose 3.5% YoY. Both measurements came in above expectations of a 0.3% MoM rise and a 3.2% YoY increase.
 - Energy prices increased by 1.7%, and food prices rose by 1.1% in January.
- Retail sales disappointed in January, falling by -0.9% MoM, below expectations of -0.1%.
 - The largest decliners were non-store (internet) retailers and auto sales.
 - On a YoY basis, retail sales rose 4.2% and are up 1.2% when adjusted for inflation over the last year.

How does ISM and labor market data impact you?

- The hotter-than-expected headline and core inflation data are likely to delay the Federal Reserve (Fed) from cutting interest rates in the near term, signaling a higher for longer interest rate environment.
- The weaker-than-expected retail sales may have been partially impacted by the California wildfires and unusually cold weather across the country in January. Consumer spending makes up a significant portion of GDP and next month's data will be closely watched if a trend is developing of a weakening consumer or January's softer data was typical of a pullback from spending after the holiday season.



A LOOK FORWARD¹

- In the shortened trading week, investors will be focused on housing data and the latest Federal Open Market Committee (FOMC) meeting minutes.

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

- The FOMC meeting minutes will offer insight into how the Fed is maneuvering its interest rate policy this year. Higher inflation and strong employment data to start the year likely indicate that the Fed will be hesitant to cut rates in the near future after cutting rates by 1% in the second half of last year. Elevated interest rates impact consumer behavior by increasing borrowing costs, including higher mortgage rates, making home purchasing more expensive, which can have adverse effects on home sales and new home construction.



MARKET UPDATE²

Market Index Returns as of 2/14/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	1.52%	4.11%	4.11%	23.21%	12.73%	14.35%
NASDAQ	2.60%	3.76%	3.76%	26.77%	13.20%	16.42%
Dow Jones Industrial Average	0.65%	4.89%	4.89%	16.97%	10.60%	10.88%
Russell Mid-Cap	0.20%	4.49%	4.49%	17.58%	7.64%	10.09%
Russell 2000 (Small Cap)	0.05%	2.33%	2.33%	12.11%	4.68%	7.63%
MSCI EAFE (International)	2.65%	8.30%	8.30%	12.23%	5.66%	6.47%
MSCI Emerging Markets	1.54%	4.79%	4.79%	14.36%	-0.33%	2.80%
Bloomberg Barclays US Agg Bond	0.19%	1.12%	1.12%	4.15%	-0.65%	-0.48%
Bloomberg Barclays High Yield Corp.	0.26%	1.63%	1.63%	10.00%	5.00%	4.32%
Bloomberg Barclays Global Agg	0.46%	1.51%	1.51%	2.77%	-2.88%	-1.75%



OBSERVATIONS

- Performance for the three major U.S. large-cap stock indices were positive last week. The Nasdaq led the advance and returned +2.60%. The S&P 500 finished with a +1.52% gain, and the Dow Jones trailed behind on the week, posting a +0.65% return.
- Small-cap stocks were the worst performer for the week with a +0.05% return and underperformed their large-cap counterparts. Mid-cap stocks were also mostly flat and rose +0.20% on the week.
- International developed stocks posted positive returns on the week and outperformed U.S. equity indices. Developed markets advanced +2.65%, and emerging markets posted a return of +1.54%.
- Fixed income indices were positive last week as bond yields remained mostly unchanged. The Global Aggregate Bond Index led the way and returned +0.46%, while the High Yield Corporate Index increased +0.26%. The U.S. Aggregate Bond Index also finished positive for the week with a +0.19% return.



BY THE NUMBERS

U.S., Russia to Meet in Saudi Arabia over Ukraine War: U.S. and Russian officials will meet in Saudi Arabia in the coming days to start talks aimed at ending Moscow's nearly three-year war in Ukraine, a U.S. lawmaker and a source familiar with the planning said on Saturday. Ukrainian President Volodymyr Zelenskiy, who met with U.S. Vice President JD Vance in Germany on Friday, said Ukraine was not invited to the talks in Saudi Arabia and Kyiv would not engage with Russia before consulting with strategic partners. U.S. Secretary of State Marco Rubio, national security adviser Mike Waltz and White House Middle East envoy Steve Witkoff will travel to Saudi Arabia, U.S. Representative Michael McCaul told Reuters. It was not immediately clear who they would meet from Russia. Moscow controls a fifth of Ukraine and has been slowly advancing in the east for months, while Kyiv's smaller army grapples with manpower shortages and tries to hold a chunk of territory in western Russia. President Trump, who took office on January 20, has repeatedly vowed to swiftly end the Ukraine war.³

"Life-Threatening Cold" to Grip Central U.S., Forecasters say, After Deadly Flooding in Southeast: Harsh weather moved west on Monday as a polar vortex was expected to grip the Rockies and northern Plains after winter storms pummeled the eastern U.S. over the weekend, killing at least 12 people, including at least 11 in Kentucky who died during flooding from heavy rains. The National Weather Service warned of "life-threatening cold" into Tuesday, with temperatures in northeastern Montana predicted to dip as low as 45 degrees below zero with wind chills down to 60 below. Meteorologists said several states would experience the 10th and coldest polar vortex event this season. Weather forces in the Arctic are combining to push the chilly air that usually stays near the North Pole into the U.S. and Europe.⁴

Economic Definitions

Building Permits: This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

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.

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

Federal Open Market Committee (FOMC): The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve System (FRS) that determines the direction of monetary policy in the United States by directing open market operations (OMOs). The committee is made up of 12 members, including seven members of the Board of Governors, the president of the Federal Reserve Bank of New York, and four of the remaining 11 Reserve Bank presidents, who serve on a rotating basis.

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

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.

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 represent 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

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¹ Data obtained from Bloomberg as of 2/14/2025.

² Data obtained from Morningstar as of 2/14/2025.

³ [US, Russia to meet in Saudi Arabia over Ukraine war](#)

⁴ ["Life-threatening cold" to grip central U.S., forecasters say, after deadly flooding in Southeast - CBS News](#)