

Market Update – December 23, 2024

The Weekly Briefing

Markets ended the week lower, driven by hawkish projections and comments from the Fed. The S&P 500 declined -2.0%, the Nasdaq 100 fell -2.3%, and the Russell 2000 dropped -4.4% on the week. Treasury yields rose sharply across the curve for the second straight week.

On Wednesday, the Federal Open Market Committee voted to reduce the federal funds rate by 25 basis points to a range of 4.25-4.50%, as expected. In a surprising move, one member dissented, preferring to keep the benchmark lending rate unchanged. Dissents among committee members are rare, and the occurrence spooked investors. Adding to the risk off sentiment, projection materials released in conjunction with the decision revealed that FOMC members now expect two fewer rate cuts in 2025 (from four to two) than they had at the time of their September meeting. The Committee's expectation for inflation in 2024 was also revised higher – core PCE is now projected to end the year at 2.5%, up from the 2.2% expected in September. Fed Chair Powell's post-meeting comments rocked markets further. Powell began the press conference by noting that the decision to cut was a close call. Powell then spent much of his time emphasizing that inflation has remained stickier than expected, with little progress made in recent months. Taken as a whole, the press conference indicated that the Fed's focus has shifted marginally towards the inflation side of its employment-inflation dual mandate. Stocks fell sharply and yields spiked on the day. The S&P 500 fell -3.0%, the Nasdaq 100 fell -3.6% and the Russell 2000 fell -4.4%; yields on the 2-year and 10-year Treasuries rose more than 10 basis points.

Somewhat ironically, the Fed's preferred measure of inflation – core PCE – came in lower than expected later in the week. Core PCE Inflation rose 0.1% month-over-month in November, less than the 0.2% rise expected. This measure of inflation rose 2.8% year-over-year, less than the 2.9% expected, and unchanged from the 2.8% year-over-year change recorded in October. Stocks rallied following the report, but major indexes were unable to offset the mid-week declines.

In political news, the government narrowly avoided a shutdown as Congress voted to approve a continuing resolution. The stopgap bill provides funding for the government through March. The government appeared destined for a shutdown after public pressure from President-Elect Trump and Elon Musk torpedoed a bipartisan bill earlier in the week. Republican members of congress then voted against a Trump-backed bill that would have eliminated the debt ceiling. Negotiations around the budget and the debt ceiling are almost always contentious, and this trend is sure to continue under a Trump administration that has identified reducing spending as a top priority.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
Building Permits New Home Sales	Early Close	Christmas Day	Initial Jobless Claims Continuing Claims	

Market Snapshot

	Last Week	YTD	1yr
S&P 500	-2.0%	26.0%	26.5%
DJIA	-2.2%	15.8%	16.7%
Nasdaq 100	-2.3%	27.5%	27.9%
Russell 2000	-4.4%	12.1%	11.8%
S&P 500 E/W	-3.0%	13.5%	14.1%
2yr Yield	4.31%	0.06%	-0.01%
10yr Yield	4.52%	0.64%	0.63%
VIX	18.5	6.0	5.5
WTI Crude	\$ 69.5	-3.1%	-5.6%
Gold	\$ 2,623	27.1%	27.8%
Bitcoin	\$ 99,420	137.1%	127.0%

Economic Summary

	Actual	Expected	Prior (r)
Retail Sales - m/m	0.7%	0.6%	0.5%
Retail Sales - y/y	3.8%		2.9%
Industrial Production - m/m	-0.1%	0.3%	-0.4%
Initial Jobless Claims	220k	230k	242k
Continuing Claims	1,874k	1,892k	1,879k
PCE Inflation - m/m	0.1%	0.2%	0.2%
PCE Inflation - y/y	2.4%	2.5%	2.3%
Core PCE - m/m	0.1%	0.2%	0.3%
Core PCE - y/y	2.8%	2.9%	2.8%

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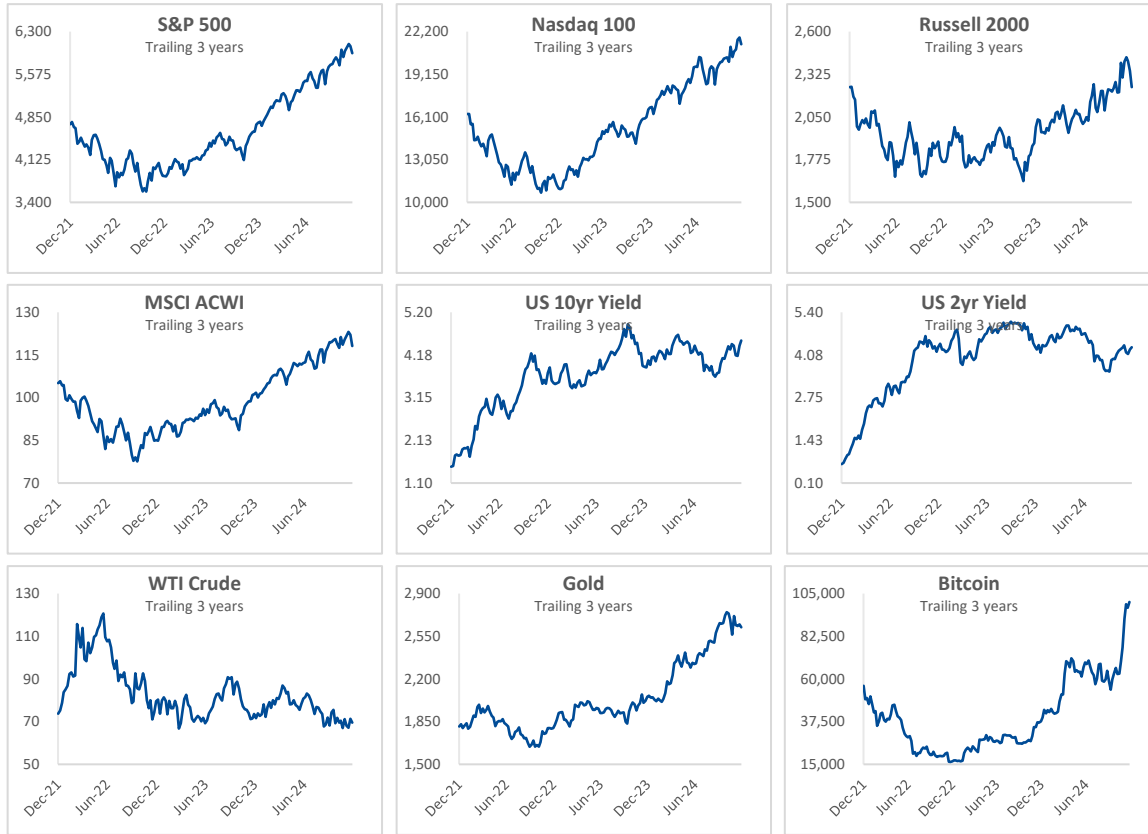
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WEALTH MANAGEMENT

Markets Monitor



S&P 500 Sector Heatmap Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
26.0%	36.3%	29.1%	14.1%
Energy	Financials	Healthcare	Industrials
3.6%	31.0%	2.8%	19.1%
Materials	Real Estate	Technology	Utilities
1.9%	5.4%	23.4%	24.5%

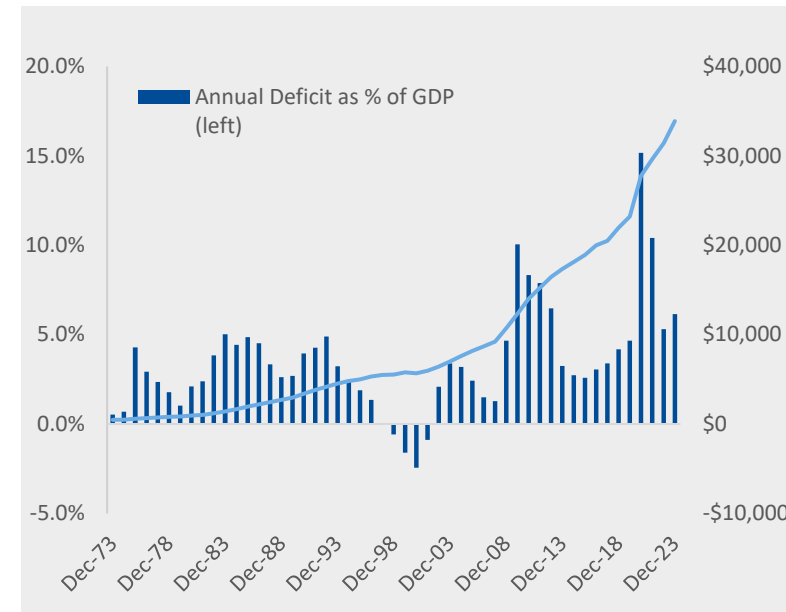
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
18-Dec	GIS	Beat	Beat	-3.1%
	MU	Beat	Miss	-16.2%
19-Dec	ACN	Beat	Beat	3.2%
	CTAS	Beat	Miss	-10.6%
	FDX	Beat	Miss	-0.1%
	LW	Miss	Miss	-20.1%
	NKE	Beat	Beat	-0.2%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	-2.5%	17.9%	18.9%
MSCI Europe	-3.6%	1.1%	1.8%
MSCI APAC	-3.4%	8.0%	11.2%
DXY Index	108.2	6.8%	6.4%
EUR / USD	\$1.04	-7.3%	-7.1%
GBP / USD	\$1.25	-1.6%	-1.3%
USD / JPY	157.2	11.5%	10.4%
USD / CNY	7.30	2.8%	2.3%

Deficit Spending Has Shown No Signs of Abating



Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.



WEALTH MANAGEMENT

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