

Market Update – January 20, 2025

The Weekly Briefing

Stocks and bonds ended the week higher on cooler than expected core inflation data and strong quarterly earnings from the major U.S. banks and chip manufacturer Taiwan Semiconductor. The S&P 500 rose 2.9%, notching its best week since the 2024 Presidential Election. Small cap stocks, as measured by the Russell 2000, fared even better, gaining 4%. After a selloff to start the year, the Bloomberg US Aggregate Bond Index increased by 1%, erasing YTD losses.

In December, the headline CPI rose by 0.4% month-over-month, as expected, driven by a surge in energy prices and a modest increase in food costs. The year-over-year measure increased by 2.9%. The year-end reading shows only a slight improvement from the 3.1% rate recorded at the beginning of 2024, highlighting the gradual progress returning inflation to target levels. Excluding food and energy, core CPI increased by a milder 0.2%, the lowest monthly increase since last summer. Core CPI rose by 3.2% year-over-year, a more significant slowdown from the 3.9% pace at the start of the year but still well above target levels. Long-term bond yields, which had been approaching cycle highs due to fears that fiscal and tariff policies in the forthcoming Presidential administration could stoke inflation, retreated. The 10- and 30-year Treasury yields ended the week 16 and 11 basis points lower, respectively. The CPI data led some futures traders to place a rate cut at the March FOMC meeting back on the table. This is unlikely to materialize unless future CPI readings show continued cooling, employment data disappoints, and policy clarity improves.

Earnings season started strong with major U.S. banks reporting impressive fourth-quarter and annual results. JP Morgan, Citigroup, Wells Fargo, and Bank of America all handily beat earnings estimates. The big four banks had their second most profitable year, exceeding \$115B in combined profits. JP Morgan became the first U.S. bank to surpass \$50B in annual profits. The firm reported fourth quarter year-over-year revenue and earnings per share growth of 10% and 21%, respectively. CEO Jamie Dimon expressed optimism about the regulatory environment under President-elect Trump, while remaining cautious on inflation and geopolitical conditions.

Turning to the chip industry, Taiwan Semiconductor reported better than expected growth in earnings and revenue. TSMC's profits increased 57% year-over-year due to surging demand for high-performance computing chips that are used in AI and 5G applications. In a strong sign for the AI boom, the firm provided a stronger than expected revenue outlook for 2025, calling for 25% growth. TSMC's revenue from AI accelerators is anticipated to double next year.

This week is light on economic data, but investors will have plenty to react to after President-elect Trump's inaugural address on Monday. Earnings season continues to ramp up mid-week with Netflix the highest profile company to report.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
MLK Jr. Day	SCHW PLD PGR NFLX	GEV ABT HAL JNJ PG	Initial Jobless Claims Continuing Claims TXN UNP	Existing Home Sales Consumer Sentiment AXP NEE



WEALTH MANAGEMENT

Market Snapshot

	Last Week	YTD	1yr
S&P 500	2.9%	2.0%	25.6%
DJIA	3.7%	2.3%	16.9%
Nasdaq 100	2.8%	2.1%	24.8%
Russell 2000	4.0%	2.1%	18.7%
S&P 500 E/W	3.9%	2.8%	17.6%
2yr Yield	4.28%	0.04%	-0.08%
10yr Yield	4.63%	0.06%	0.53%
VIX	16.0	(1.4)	2.7
WTI Crude	\$ 77.9	8.6%	7.3%
Gold	\$ 2,703	3.0%	34.7%
Bitcoin	\$ 104,640	11.7%	151.5%

Economic Summary

	Actual	Expected	Prior (r)
Core PPI M/M	0.0%	0.3%	0.2%
Core PPI Y/Y	3.5%	3.8%	3.5%
CPI M/M	0.4%	0.4%	0.3%
CPY Y/Y	2.9%	2.9%	2.7%
Core CPI M/M	0.2%	0.3%	0.3%
Core CPI Y/Y	3.2%	3.3%	3.3%
Initial Jobless Claims	217K	210K	203k
Continuing Claims	1859K	1870K	1877K
Retail Sales M/M	0.4%	0.6%	0.8%

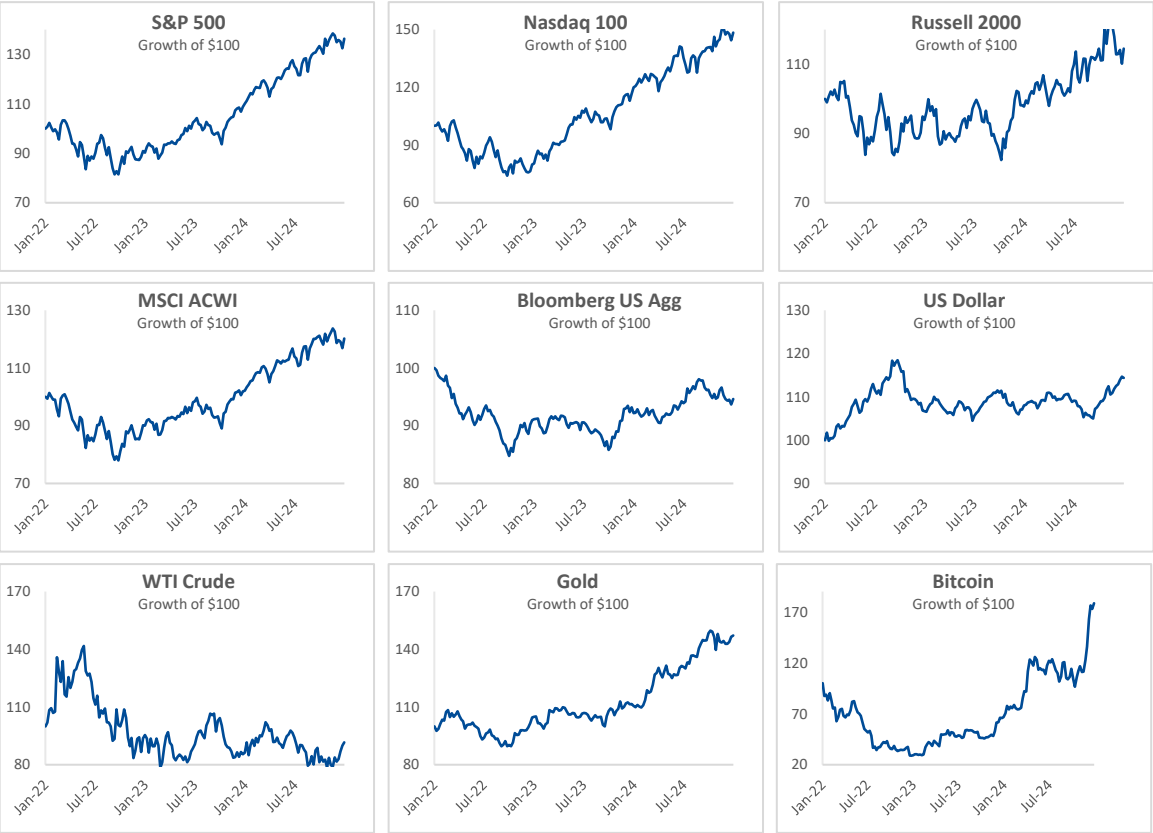
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Markets Monitor



S&P 500 Sector Heatmap
Total Return YTD

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
2.0%	0.6%	2.2%	-1.7%
Energy	Financials	Healthcare	Industrials
9.7%	3.9%	1.9%	4.5%
Materials	Real Estate	Technology	Utilities
5.0%	1.0%	0.7%	4.2%

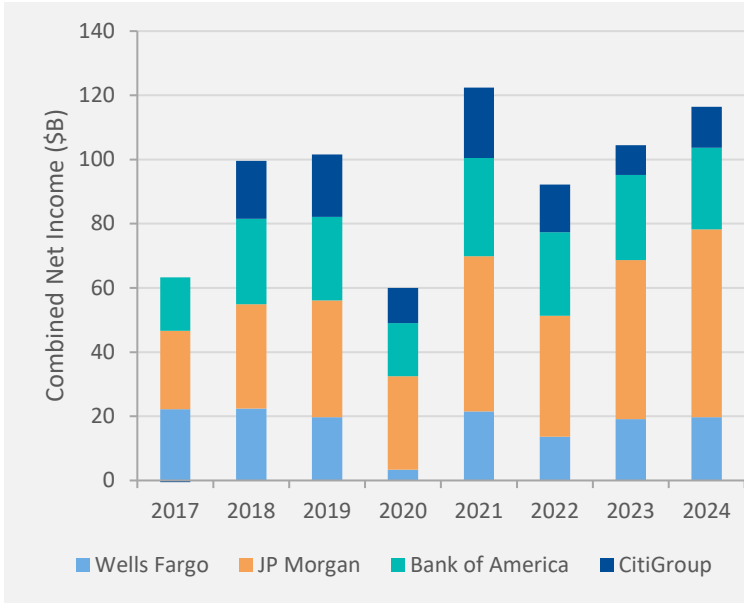
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
15-Jan	BLK	Beat	Beat	5.2%
15-Jan	JPM	Beat	Beat	2.0%
15-Jan	C	Beat	Beat	6.5%
15-Jan	WFC	Beat	Miss	6.7%
15-Jan	GS	Beat	Beat	6.0%
16-Jan	BAC	Beat	Beat	-1.0%
16-Jan	MS	Beat	Beat	4.0%
16-Jan	UNH	Beat	Miss	-6.0%

World Watch

	Last Week	YTD	1yr
MSCI ACWI	2.6%	1.7%	19.9%
MSCI Europe	2.9%	2.8%	8.2%
MSCI APAC	0.6%	-1.5%	11.6%
DXY Index	109.3	0.8%	5.7%
EUR / USD	\$1.03	-0.8%	-6.9%
GBP / USD	\$1.22	-2.8%	-4.0%
USD / JPY	156.3	-0.6%	5.5%
USD / CNY	7.33	0.4%	1.8%

The Big 4 U.S. banks had their second most profitable year on record in 2024.



Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.

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