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## Market Month: January 2025



### The Markets (as of market close January 31, 2025)

Stocks posted strong gains in January after losing ground in December. The gains likely reflected investor optimism that a second Trump administration will favor businesses, with the hope that the president-elect will take a more moderate stance on trade tariffs, although the White House intimated that tariffs may be in the offing for China, Canada, and Mexico. Ten of the 11 market sectors ended January higher, with the exception of information technology. Communication services, financials, and health care outperformed. Over the last 12 months, each of the market sectors showed positive results, led by communication services, financials, and consumer discretionary.

The latest data showed inflation has stubbornly resisted falling lower. The personal consumption expenditures (PCE) price index has risen from a low of 2.1% for the 12 months ended in September to 2.6% for the same period ended in December, which supports the Federal Open Market Committee's assessment that inflation "remains somewhat elevated." Another potential inflationary risk is the impact of looming tariffs threatened by the White House, which gives the Fed ample justification to hold interest rates steady over the next few months.

Growth of the U.S. economy continued at a modest pace. The gross domestic product (GDP) fell marginally short of expectations after increasing 2.3% in the fourth quarter following a 3.1% increase in the third quarter (see below). For 2024, GDP rose 2.8%, 0.1 percentage point less than the 2023 rate. Personal consumption expenditures, the largest contributor in the calculation of GDP, rose 4.2% in December, with spending rising on durable goods, nondurable goods, and services. For 2024, consumer spending rose 2.8%. Despite falling 5.6% in December, gross private domestic investment (including nonresidential and residential investment) climbed 4.0% in 2024.

Job growth rose by 2.2 million in 2024, averaging a monthly gain of 186,000. The unemployment rate remained steady at 4.1%. Wages rose 3.9% over the past 12 months. The number of job openings (8.1 million jobs in November—the latest data), hires (5.3 million), and separations (5.1 million) remained fairly consistent through 2024. The latest unemployment data showed total claims paid at the end of January was only slightly higher than the figure from January 2024 (see below).

The S&P reported better-than-expected fourth-quarter earnings growth early in the reporting season. According to FactSet, the net profit margin for the S&P 500 was 12.1% for the fourth quarter, which is below the previous quarter's net profit margin but above the net profit margin from a year ago.

The real estate sector reversed course in December. Sales of both new and existing homes increased last month. Mortgage rates have begun to trend marginally lower, which has impacted sales. According to Freddie Mac, the 30-year fixed-rate mortgage averaged 6.96% as of January 23. That's down from 7.04% one week ago but up from 6.69% one year ago

Industrial production expanded for the second consecutive month in December (see below). Manufacturing output, mining, and utilities increased for the month. Over the last 12 months, industrial production, mining, and utilities increased, while manufacturing output was unchanged. Purchasing managers reported manufacturing continued to slow in December as new orders decreased, while the rate of decline in production accelerated. On the other hand, the services sector grew higher in December, which saw strengthening of business activity and new orders.

Ten-year Treasury yields closed the month falling to the lowest rate in six weeks as economic data in



**Key Dates/Data Releases**

- 2/3: S&P Global Manufacturing PMI
- 2/4: JOLTS
- 2/5: International trade in goods and services, S&P Global Services PMI
- 2/7: Employment situation
- 2/12: Consumer Price Index, Treasury statement
- 2/13: Producer Price Index
- 2/14: Retail sales, industrial production, import and export prices
- 2/19: Housing starts
- 2/21: Existing home sales
- 2/26: New home sales
- 2/27: GDP, durable goods orders
- 2/28: Personal income and outlays, international trade in goods

general, and inflation data in particular, point to status quo for the Fed's monetary policy. The two-year note closed December at 4.23%, down 3.0 basis points from a month earlier. The dollar index was essentially unchanged from a month earlier. Gold prices rose in December, reaching a new record high. Crude oil prices ticked up by about \$2.00 per barrel by the end of January as investors awaited further insights regarding President Trump's looming tariffs. The retail price of regular gasoline was \$3.103 per gallon on January 27, \$0.097 above the price a month earlier and \$0.008 higher than the price a year ago.

**Stock Market Indexes**

Market/Index	2024 Close	Prior Month	As of 1/31	Monthly Change	YTD Change
DJIA	42,544.22	42,544.22	44,544.66	4.70%	4.70%
NASDAQ	19,310.79	19,310.79	19,627.44	1.64%	1.64%
S&P 500	5,881.63	5,881.63	6,040.53	2.70%	2.70%
Russell 2000	2,230.16	2,230.16	2,287.69	2.58%	2.58%
Global Dow	4,863.01	4,863.01	5,094.27	4.76%	4.76%
fed. funds target rate	4.25%-4.50%	4.25%-4.50%	4.25%-4.50%	0 bps	0 bps
10-year Treasuries	4.57%	4.57%	4.56%	-1 bps	-1 bps
US Dollar-DXY	108.44	108.44	108.49	0.05%	0.05%
Crude Oil-CL=F	\$71.76	\$71.76	\$73.61	2.58%	2.58%
Gold-GC=F	\$2,638.50	\$2,638.50	\$2,833.20	7.38%	7.38%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.

**Latest Economic Reports**


- **Employment:** Job growth was stronger than expected in December, with the addition of 256,000 new jobs after adding only 212,000 (revised) new jobs in November. Monthly job growth has averaged 186,000 over the prior 12 months, compared with 251,000 per month in 2023. In December, the unemployment rate decreased 0.1 percentage point to 4.1%. After increasing earlier in the year, the unemployment rate has been either 4.1% or 4.2% for the past seven months. The number of unemployed persons in December edged down 235,000 from November to 6.9 million. In December, the number of long-term unemployed (those jobless for 27 weeks or more) was 1.6 million, a decline of 103,000 from the November figure. These individuals accounted for 22.4% of all unemployed persons. The labor force participation rate in December was 62.5%, unchanged from the previous month and from December 2023. The employment-population ratio increased 0.2 percentage point to 60.0% in December (60.1% in December 2023). In December, average hourly earnings increased by \$0.10, or 0.3%, to \$35.69. Over the past 12 months ended in December, average hourly earnings rose by 3.9%. The average workweek in December was 34.3 hours for the fifth month in a row.
- There were 207,000 initial claims for unemployment insurance for the week ended January 25, 2025. During the same period, the total number of workers receiving unemployment insurance was 1,858,000. A year ago, there were 225,000 initial claims, while the total number of workers receiving unemployment insurance was 1,829,000.
- **FOMC/interest rates:** As expected, the Federal Open Market Committee maintained the federal funds rate at the current 4.25%-4.50% following its meeting in January. In arriving at its decision, the Committee noted that the economy continued to expand at a solid pace and the labor market remained solid. Inflation, while it had eased, remained somewhat elevated. As to future policy actions, the FOMC stated that "the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks." In addition, "the Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals."
- **GDP/budget:** The economy, as measured by gross domestic product, accelerated at an annualized rate of 2.3% in the fourth quarter following increases of 3.1% in the third quarter. A year ago, GDP expanded at an annualized rate of 3.2% in the fourth quarter. Consumer spending, as measured by the PCE index, rose 4.2% in the fourth quarter, following a 3.7% rise in the third quarter and above the 2023 pace of 3.5%. Spending on services rose 3.1% in the fourth quarter, compared with a 2.8% increase in the third quarter. Consumer spending on goods increased 6.6% in the fourth quarter (5.6% in the third quarter). Fixed investment declined 0.6% in the fourth quarter after increasing 2.1% in the third quarter.



Nonresidential (business) fixed investment declined 2.2% in the fourth quarter after climbing 4.0% in the previous quarter. Residential fixed investment rose 5.3% in the fourth quarter following a 4.3% decrease in the third quarter. Exports fell 0.8% in the fourth quarter, compared with a 9.6% increase in the previous quarter. Imports, which are a negative in the calculation of GDP, also decreased 0.8% in the fourth quarter after rising 10.7% in the third quarter. Consumer prices increased 2.3% in the fourth quarter (1.5% in the third quarter). Excluding food and energy, consumer prices advanced 2.5% in the fourth quarter (2.2% in the third quarter). For 2024, GDP increased 2.8%, compared with an annual increase of 2.9% in 2023. The increase in GDP in 2024 reflected increases in consumer spending, investment, government spending, and exports, while imports increased. The price index for gross domestic purchases increased 2.3% in 2024, compared with an increase of 3.3% in 2023. The PCE price index increased 2.5%, compared with an increase of 3.8% in 2023. Excluding food and energy prices, the PCE price index increased 2.8% last year, compared with a 2023 increase of 4.1%.

- December 2024 saw the federal budget deficit come in at \$87.0 billion, down from the \$129.3 billion deficit for December 2023. The deficit for the first three months of fiscal year 2025, at \$710.9 billion, is roughly \$200.0 billion higher than the first three months of the previous fiscal year. So far in fiscal year 2025, government receipts totaled \$1,083.0 trillion, while government outlays totaled \$1,794.0 trillion. For fiscal year 2024, which ended September 2024, the government deficit was \$1.8 trillion, which was \$137.6 billion above the government deficit for fiscal year 2023. Through the first three months of fiscal year 2025, individual income tax receipts added up to \$518.0 billion, while outlays for Social Security totaled \$374.0 billion.
- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report, personal income and disposable personal income each rose 0.4% in December after both increased 0.3% in November. Consumer spending advanced 0.7% in December after increasing 0.4% the previous month. Consumers spent nearly 30.0% on housing and utilities in December, while costs for transportation services accounted for about 26%. Consumer prices inched up 0.3% in December after ticking up 0.1% in November. Excluding food and energy (core prices), prices rose 0.2% in December. Consumer prices rose 2.6% since December 2023, while core prices increased 2.8%. Over the last 12 months, prices for food rose 1.6%, while energy prices fell 1.1%.
- The Consumer Price Index rose 0.4% in December after ticking up 0.3% in November. Over the 12 months ended in December, the CPI rose 2.9%, up from 2.7% in November. Core prices (excluding food and energy) rose 0.2% in December and 3.2% over the last 12 months. Energy prices rose 2.6% in December, accounting for over 40% of the monthly all items increase. Gasoline prices increased 4.4% over the month. Prices for food also increased in December, rising 0.3% as prices for food at home and for food away from home each increased 0.3%. Prices for products and services that increased in December included shelter, airline fares, used cars and trucks, new vehicles, motor vehicle insurance, and medical care. Prices for personal care, communication, and alcoholic beverages were among the few major categories that decreased over the month. For the 12 months ended in December, energy prices decreased 0.5%, while food prices rose 2.5% and shelter prices advanced 4.6%. Gasoline prices dropped 3.4% over the last 12 months, while fuel oil prices fell 13.1%.
- Prices that producers received for goods and services advanced 0.2% in December following a 0.4% increase in November. Producer prices increased 3.3% for the 12 months ended in December, up from a 1.1% increase for 2023. The December increase in producer prices can be traced to a 0.6% advance in prices for goods. Prices for services were unchanged. Producer prices less foods, energy, and trade services edged up 0.1% in December, the same as in November. Prices less foods, energy, and trade services rose 3.3% in 2024 after advancing 2.7% in 2023.
- **Housing:** Sales of existing homes increased 3.6% in December and were up 9.3% from December 2023. The median existing-home price was \$404,400 in December, unchanged from the November price but 6.0% higher than the December 2023 estimate. Unsold inventory of existing homes represented a 3.3-month supply at the current sales pace, down from November (3.8 months) but above the 3.1-month supply in December 2023. Sales of existing single-family homes increased 1.9% in December and were 6.1% higher than the December 2023 estimate. The median existing single-family home price was \$409,300 in December, essentially the same as the November figure but above the December 2023 estimate of \$385,800.
- New single-family home sales rose 2.2% in December and 6.7% above the December 2023 figure. Sales in 2024 outpaced the 2023 figure by 2.5%. The median sales price of new single-family houses sold in December was \$427,000 (\$402,500 in November) and higher than the December 2023 estimate of \$418,300. The average median sales price for 2024 was \$420,100, lower than the 2023 average median sales price of \$428,600. The December average sales price was \$513,600 (\$485,000 in November), well above the December 2023 average sales price of \$493,000. For 2024, the average sales price was \$512,200, under the 2023 estimate of \$514,000. The inventory of new single-family homes for sale in December represented a supply of 8.5 months at the current sales pace.




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- **Manufacturing:** Industrial production increased 0.9% in December following a 0.2% advance in November. Manufacturing output rose 0.6% in December after gaining 0.4% in November. Mining increased 1.8%, while utilities advanced 2.1%. Over the past 12 months ended in December, total industrial production was 0.5% above its year-earlier reading. For the 12 months ended in December, manufacturing was unchanged, utilities advanced 4.3%, while mining inched up 0.3%.
  - New orders for durable goods, down four of the last five months, decreased 2.2% in December after declining 2.0% in the prior month. For the 12 months ended in December, durable goods orders fell 1.5%. Excluding transportation, new orders increased 0.3% in December. Excluding defense, new orders declined 2.4%. Transportation equipment, down four of the last five months, led the December decrease, falling 7.4%.
  - **Imports and exports:** Import prices rose 0.1% for the third straight month in December and have not risen by more than 0.1% since a 0.9% advance in April. Import prices rose 2.2% from December 2023, the largest 12-month increase since the year ended December 2022. Import fuel prices advanced 1.4% in December, the largest monthly advance since April 2024. Import fuel prices rose 0.3% over the past 12 months, the first year-over-year increase since July 2024. Prices for nonfuel imports ticked up 0.1% in December and advanced 2.4% for the 12 months ended in December. Prices for exports rose 0.3% in December, driven higher by both nonagricultural and agricultural prices. Export prices rose 1.0% over the past year, the largest 12-month advance since the 12-month period ended January 2023.
  - The international trade in goods deficit was \$122.1 billion in December, up \$18.6 billion, or 18.0%, from November. Exports of goods were \$167.5 billion in December, \$7.8 billion, or 4.5% less than November exports. Imports of goods were \$289.6 billion in December, \$10.8 billion, or 3.9%, more than November imports. Over the 12 months ended in December, the goods deficit grew 39.5%. Exports fell 1.6%, while imports increased 12.4%.
  - The latest information on international trade in goods and services, released January 7, is for November and revealed that the goods and services trade deficit was \$78.2 billion, an increase of \$4.6 billion, or 6.2%, from the October deficit. November exports were \$273.4 billion, \$7.1 billion, or 2.7% more than October exports. November imports were \$351.6 billion, \$11.6 billion, or 3.4% more than October imports. Year to date, the goods and services deficit increased \$93.9 billion, or 13.0%, from the same period in 2023. Exports increased \$111.5 billion, or 4.0%. Imports increased \$205.3 billion, or 5.8%.
  - **International markets:** Canada's GDP rose 0.2% in December and 1.4% for 2024, buoyed by strong retail trade, manufacturing, and construction. As for inflationary pressures, Germany's annual consumer inflation rate dropped to 2.3% in January, a 0.1 percentage point from the December figure, as food and energy costs decreased. The annual inflation rate in the United Kingdom unexpectedly declined to 2.5% in December. The European Central Bank lowered interest rates by 25 basis points in January in response to easing price pressures. In January, the STOXX Europe 600 Index rose 6.2%; the United Kingdom's FTSE advanced 5.4%; Japan's Nikkei 225 Index fell 0.8%; and China's Shanghai Composite Index decreased 4.6%.
  - **Consumer confidence:** The Conference Board Consumer Confidence Index® decreased in January to 104.1 following a 109.8 reading in December. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, dropped 9.7 points to 134.3 in January. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, tumbled 2.6 points to 83.9 in January, just above the threshold of 80.0 that usually signals a recession ahead.

## Eye on the Month Ahead

Entering February, much of the focus will be on the economy, inflation, and global unrest, particularly in the Middle East. Recent data has shown that inflationary pressures ticked higher at the end of 2024, prompting much debate as to whether, or when, the Federal Reserve, which does not meet again until March, will decrease interest rates. There will likely be more executive orders from President Trump for investors to consider.

*Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates).*

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