



Detroit, Michigan

WEEK OF JANUARY 13, 2025

Market Update

Minutes from the latest Federal Open Market Committee (FOMC) meeting and worsening consumer expectations hinted at potential inflation concerns to start the year. Stocks and bonds sold off last week due to concerns that the Federal Reserve (Fed) won't continue its rate cut path.

Quick Hits

1. **Report releases:** FOMC minutes and declining consumer confidence suggested potential inflation concerns to start 2025.
2. **Financial market data:** Stocks and bonds sold off due to concerns that the Fed won't continue its rate cut path.
3. **Looking ahead:** Releases this week will focus on inflation, retail sales, and housing.

Report Releases: January 6–10, 2025

ISM Services Index December (Tuesday)

Service sector confidence improved more than expected after experiencing a large decline in November.

- Expected/prior ISM Services index: 53.5/52.1
- Actual ISM Services index: 54.1



FOMC Meeting Minutes December (Wednesday)

Minutes from the most recent FOMC meeting showed that Fed members remained cautious when cutting rates in December due to concerns about rising political uncertainty.



Employment Report December (Friday)

Hiring remained strong in December, with 256,000 jobs added during the month. This marks two consecutive months with stronger-than-anticipated hiring, signaling continued labor market strength.

- Expected/prior change in nonfarm payrolls: +165,000/+212,000
- Actual change in nonfarm payrolls: +256,000
- Actual existing home sales change: +4.8%



Preliminary University of Michigan Consumer Sentiment Survey January (Friday)

Service sector confidence fell modestly to start the year, driven by worsening consumer expectations. In a potentially concerning sign for the Fed, consumer inflation expectations rose notably.

- Expected/prior consumer sentiment: 74.0/74.0
- Actual consumer sentiment: 73.2



>> The Takeaway

- The Fed and consumers noted increased concerns regarding inflation.
- A strong ISM Services index and employment report revealed that the economy continued to show strength despite the Fed issuing multiple rate cuts in the final four months of 2024.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-1.92%	-0.89%	-0.89%	23.48%
Nasdaq Composite	-2.34%	-0.76%	-0.76%	28.95%
DJIA	-1.83%	-1.38%	-1.38%	13.33%
MSCI EAFE	-0.42%	-0.71%	-0.71%	4.93%
MSCI Emerging Markets	-1.50%	-1.62%	-1.62%	9.92%
Russell 2000	-3.49%	-1.82%	-1.82%	12.64%

Source: Bloomberg, as of January 10, 2025

Global markets moved lower as strong economic data led to inflation concerns for the Fed and consumers. As a result, rate cut expectations have been pushed out to the second half of 2025, a marked change from prior expectations of a steadier rate-cutting path. Consequently, the equity market took a risk-off approach, leading to declines for small-caps, along with growth stocks such as Nvidia, Apple, Amazon, Tesla, and Microsoft.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-2.70%	-1.00%	1.18%
U.S. Treasury	-2.37%	-0.87%	0.62%
U.S. Mortgages	-3.04%	-1.24%	0.98%
Municipal Bond	-2.33%	-0.66%	0.65%

Source: Bloomberg, as of January 10, 2025

The Treasury yield curve saw notable steepening beyond the 1-year maturity. Intermediate to long-term bonds sold off as inflation concerns and growth expectations accelerated. The 2-, 10-, and 30-year yields were up 12 basis points (bps), 17 bps, and 15 bps, respectively, closing the week at 4.4 percent, 4.77 percent, and 4.96 percent.

>> The Takeaway

- Inflation concerns caused small-caps and growth stocks to sell off as investors expect the Fed to do less in 2025.
- Bonds also sold off on fresh inflation concerns.

Looking Ahead

Data will pick up in the week ahead, with a slew of economic and earnings releases. The economic data will focus primarily on inflation, retail sales, and housing.

- On Tuesday, we expect the Producer Price Index for December. Producer inflation is set to moderate after rising in November.
- On Wednesday, the Consumer Price Index for December will be released. Year-over-year consumer inflation is expected to rise to 2.9 percent to end the year.
- Finally, on Thursday, we expect the release of retail sales data for December and the NAHB Housing Market Index for January. Headline and core retail sales are set to grow, whereas home builder confidence is expected to remain unchanged.



Greektown, Michigan



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measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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