

# Week in review and ahead (vol.01)



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C2 Capital to resume its weekly newsletter.

Markets were closed on Wednesday to observe New Years Day, with Thursday marking the first trading day of 2025. US equities ended the week down, with the S&P500 and Nasdaq closing lower by -0.5% while the Dow fell -0.6%. Markets saw the continuation of the selloff for most of the week; a selloff that began during the Fed Chair's press conference on December 18th, 2024, with this past Friday, 1/03/2025, however, staging somewhat off a rebound.

The selloff that ensued after the Fed's announcement on December 18th, negated the so-called "Santa Claus Rally" which measures the performance during the last five trading days in December and the first two in January. Statistically, S&P500 equities, on average since 1950, return about half in years without the Santa Claus Rally than years with a Rally (5% vs 10.4% per Investopedia). That said, and not to take away from the importance (or not) the Santa Clause Rally bears for the upcoming year, the outlook from a fundamental perspective for US equities in 2025 are anticipated to remain favorably. Macroeconomic indicators in the US to date, including the Conference Board's Leading Economic Index which turned positive again in November of 2024, continue to show growth of economic activity in 2025 which should support and (further) fuel corporate revenue growth and earnings. In general, corporate earnings expectations for 2025 (of companies in the S&P500) are to increase by at least 10%. Growth in both, revenues and profits, has historically underpinned increased valuations in equities and elevation in stock indices.

## The Stock Market and Earnings

S&P 500 Index price and trailing earnings-per-share since 1990



Sources: Clearnomics, L360,  
Standard & Poor's  
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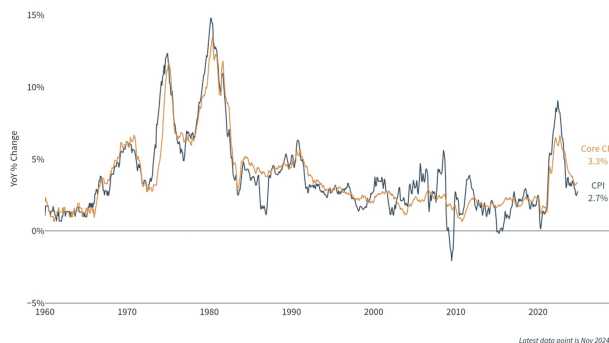
The US labor market continues to show resilient that may allow the Fed to (re-)consider a more restrictive stance of its policies given recent inflation reports and indicators hinting to a resurgence, or at minimum stubborn to reduce, inflationary environment. Not surprisingly, the selloff that carried into the Santa Claus Rally began during the Fed Chairman's press conference that was intended to announce yet another widely expected interest rate cut. The market even expected that the Fed may announce that it may slow down monetary easing until inflation meaningful demonstrates convergence towards its target of 2%. Upon release of its projections, however, the market quickly

interpreted that many on the FOMC may be turning towards a more restrictive monetary policy stance, as evidenced by (their dot plot) reducing the number of expected cuts to two (from four), having many raise the question why the Fed did cut interest rates in the first place.

Given the somewhat elevated valuations, and the overall market performance in 2024 (as well as 2023), many used the opportunity to sell equities, highlighting risks to equity valuations in 2025. Overall, concerns may be valid as the US debt deficit continues to grow and even with a new administration on the verge of taking over the legislative and fiscal policies, market participants are not expecting any material budgetary restraints. Increased fiscal spending, and interest payments taking a greater share of the US budget going forward may indeed add to overall inflationary pressures, as would the likely implementation of additional tariffs.

## Consumer Price Index

CPI and Ex Food and Energy, YoY % Change



Sources: Clearnomics,  
Bureau of Labor Statistics  
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The week ahead will see additional crucial economic data, particularly for the labor market on Tuesday with the report on jobs openings, and Friday with December's non-farm payroll report. Expect some volatility on Wednesday (or leading up to it) as the minutes from the previous Fed meeting (that initiated the recent selloff into the Santa Claus Rally) will be released. Additionally, anticipate corporate headlines moving markets next week as the Consumer Electronics Show (CES) kicks off on Tuesday to Friday, with many corporate leaders expected to speak, including NVIDIA's CEO Jensen Huang, and which should add to the overall optimism of the tech trade, fueled by AI and Quantum.

The markets will be closed on Thursday, January 9th, in honor of former President Jimmy Carter.

If you have questions about how this may impact your investments, or how you should be positioned, please do not hesitate to contact us at [c2info@ccapital2.com](mailto:c2info@ccapital2.com).

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