

# Week in review and ahead (vol.03)



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January 20, 2025

Last week ended with elevated sentiment, following better than expected macroeconomic data for December. Additionally, the earnings season began in earnest with strong quarterly results from major banks.

S&P500 ended the week up 2.9%, the Dow Jones increased 3.7% and the tech heavy Nasdaq Composite ended the week up 2.5%. Not since the US election last November have US equity markets seen a performance as posted this past week. The slightly better than expected wholesale (PPI) and retail (CPI) inflation in the US led to a retracement of the treasury yields as market participants appeared to embrace anew that the Federal Reserve may continue easing monetary policy, despite, FOMC members previously hinting to the same. Retail sales in the US for December continued robustly increasing 0.4% MoM and despite not meeting expectations (of 0.6%) while the labor market continues on solid footing with weekly jobless claims reporting at expected levels. Volatility declined from elevated levels, with the CBOE Volatility Index (VIX) closing below 16 at the end of Friday for the first time in 2025. Virtually all sectors within the S&P500 ended the week in the green as did most equity markets around the world (except for India).

## Interest Rates

10-year and 2-year yields since 2010

Sources: Clearnomics, Federal Reserve  
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The markets in the US will be closed tomorrow for MLK Jr. day. Tomorrow is also Inauguration Day which always takes place on the 20th of January (unless it falls on a Sunday upon which the ceremony takes place the Monday after, while the President is sworn in on the 20th).

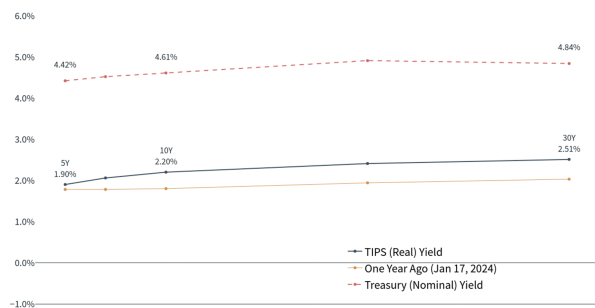
Inflation somewhat will take center stage anew (despite better-than-expected December retail and wholesale inflation reported last week) as market participants will focus on initial fiscal policies under the new administration, specifically any executive orders President Trump may issue during the first days in office. Expect some volatility, including sector specific volatility, as market participants will react

to those orders.

Earnings reports will continue throughout the week and the market will hope for continued strength. On the macroeconomic front, markets will focus on a slew of oil stock change reports, particularly given the recent price increase in crude. Wednesday will report the most recent mortgage rate with market participants in the housing market hoping it retraces (as did treasuries last week) below 7%. The US housing market has still been resilient despite elevated interest rates, with Friday providing an update on existing home sales. Thursday will update on initial jobless claims and Friday concludes with S&P Global Purchasing Managers Indices (Composite, Manufacturing and Services) and the final read on Michigan's consumer sentiment.

## Treasury Real Yield Curve

Real inflation-adjusted yields implied by TIPS



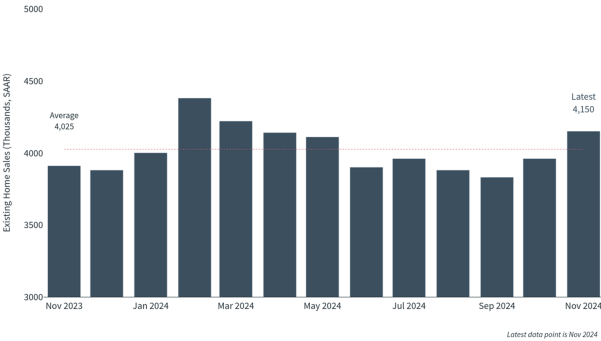
Latest data point is Jan 17, 2025

Sources: Clearnomics, U.S. Treasury  
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# Existing Home Sales

Number of previously owned and occupied homes sold



Sources: Clearnomics,  
National Association of Realtors  
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