



Montpelier, Vermont

WEEK OF JANUARY 6, 2025

Market Update

Manufacturer confidence improved more than expected in December. Equity markets remained risk-averse to start the year amid questions on policy and inflation. This week, we will see the December meeting minutes from the Federal Open Market Committee (FOMC), along with data on employment and consumer sentiment.

Quick Hits

1. **Report releases:** Manufacturer confidence improved more than expected last month.
2. **Financial market data:** Equity markets remained risk-averse to start the year amid questions on policy and inflation.
3. **Looking ahead:** This week, we expect December's FOMC meeting minutes, along with data on employment and consumer sentiment.

Report Releases: December 30, 2024–January 3, 2025

Pending Home Sales
November (Monday)

Pending home sales beat estimates in November, marking five consecutive months with increasing sales growth. The Northeast was the lone region to decline.

- Expected/prior month pending home sales monthly change: +0.7%/+1.8%
- Actual pending home sales monthly change: +2.2%



Construction Spending
November (Thursday)

Construction spending was in line with the revised October figure of \$2,152.3 billion.

- Expected/prior month construction spending monthly change: +0.3%/+0.4%
- Actual construction spending monthly change: +0.0%



Institute for Supply Management (ISM) Manufacturing Index
December (Friday)

Manufacturer confidence improved more than expected, driven in part by a rise in new orders.

- Expected/prior ISM Manufacturing index: 48.2/48.4
- Actual ISM Manufacturing index: 49.3



Auto Sales
December (Friday)

Auto sales reached their highest level since May 2021, totaling 16.8 million on an annualized basis.



>> The Takeaway

- We saw mostly positive data across multiple industries during the holiday-shortened week.
- Construction spending, which remained flat in November, is worth watching.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−0.45%	1.05%	1.05%	28.04%
Nasdaq Composite	−0.49%	1.62%	1.62%	35.46%
DJIA	−0.59%	0.46%	0.46%	16.31%
MSCI EAFE	−0.87%	−0.30%	−0.30%	6.37%
MSCI Emerging Markets	−0.81%	−0.13%	−0.13%	10.04%
Russell 2000	1.13%	1.72%	1.72%	17.37%

Source: Bloomberg, as of January 3, 2025

Global markets started the year lower, except for U.S. small-cap stocks. International markets, facing a strong U.S. dollar and soft economic data in China and Europe, remained under pressure. Two major stories were a 4.9 percent drop in Tesla’s fourth-quarter deliveries and news that Apple would offer a discount in the Chinese market. Energy, utilities, and real estate were the top performing sectors, whereas materials, discretionary, and staples underperformed.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−1.62%	−0.13%	1.56%
U.S. Treasury	−1.48%	−0.11%	0.72%
U.S. Mortgages	−1.64%	−0.18%	1.52%
Municipal Bond	−1.43%	0.29%	1.39%

Source: Bloomberg, as of January 3, 2025

In a week of relatively low volume trading, the Treasury yield curve continued to steepen slightly. The longer end of the curve remained mostly unchanged, with the 30-year planted at 4.81 percent. The 2-year fell 5 basis points (bps) to 4.28 percent and the 10-year dipped 2 bps to 4.6 percent.

>> The Takeaway

- Equity markets remained risk-averse to start the year amid questions on policy and inflation.
- The yield curve continued to steepen after the Federal Reserve (Fed) indicated it would keep rates elevated in 2025.

Looking Ahead

This week, we will see the December meeting minutes from the FOMC, along with data on employment and consumer sentiment.

- Tuesday kicks things off with the release of the **ISM Services index** for December. Service sector confidence is set to improve after falling more than expected in November.
- On Wednesday, minutes from the **FOMC's December meeting** will be released. Economists and investors will analyze them for hints on the path of monetary policy.
- Finally, on Friday, we'll see the **employment report** for December and the **preliminary University of Michigan consumer sentiment survey** for January. The job report is expected to show that a solid 153,000 jobs were added, which would be a sign of continued healthy labor demand.





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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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