

Weekly Recap

Economic Calendar

Monday, January 13

U.S. Federal Budget Deficit.

Tuesday, January 14

Small Business Optimism, Producer Price Index (PPI).

Wednesday, January 15

Mortgage Activity, Consumer Price Index (CPI), Empire State Manufacturing, Homebuilder Confidence, Fed Beige Book.

Thursday, January 16

Jobless Claims, Retail Sales, Import/Export Prices, Philly Fed Manufacturing.

Friday, January 17

Housing Starts, Building Permits, Industrial Production.

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[Weak Breadth Returns](#)

[Job Openings Top Eight Million](#)

[Auto Sales Climb to 16.8 Million Annualized](#)

[The Week Ahead Video](#)

Back-to-Back Weekly Losses

Higher for Longer Rate Outlook

All three major U.S. equity indices ended lower for a second straight week with the S&P 500 down for a fourth week in the past five. Surging bond yields were at the heart of investor angst last week as signposts for a strong economy stirred concerns that Fed policymakers may keep interest rates higher for longer. In key economic data, December job gains rose to a nine-month high while a healthy services activity report was accompanied by rising inflationary trends.

For the Week...

The S&P 500 tumbled 1.91%, the Dow Jones Industrial Average fell 1.83%, and the tech-heavy Nasdaq Composite sank 2.34%. The small cap focused Russell 2000 Index slumped 3.49%, more than fully erasing its 1.13% prior week gain and is now back to pre-election levels.

Services Activity Climbs

The ISM Services PMI rose 2 percentage points to 54.1 in December, signaling sustained growth in the sector for a 52nd time in the past 55 months. However, inflationary pressures ramped up, with the Prices Paid index climbing 6.2 percentage points to a 22-month high of 64.4. Service inflation remains notably stickier than goods inflation.

Weekly Sector Insights

Eight of the 11 S&P 500 sector groups ended negative last week with Real Estate (-4.09%), Technology (-3.10%), and Financials (-2.61%) falling the most. Communication Services (-0.57%) fell the least while Energy (+0.90%), Healthcare (+0.52%), and Materials (+0.14%) posted gains. A total of eight sectors are negative performers on a year-to-date basis, with Real Estate (-3.70%), Consumer Staples (-2.20%), and Financials (-2.04%) down the most.

Treasury Yields Jump

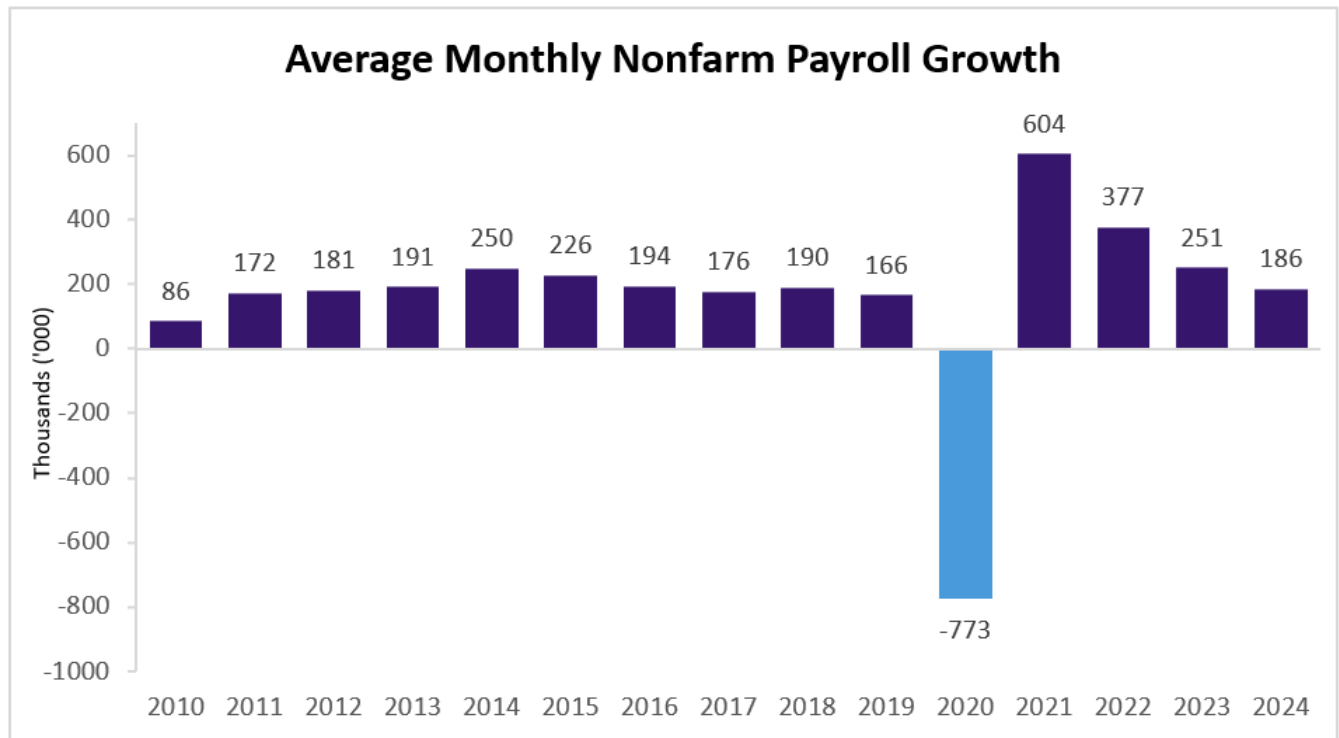
Following Friday's strong payrolls report, the yield on 10-year Treasury notes ended at 4.766%, its highest since October 2023 and up 0.17% for the week. The U.S. Dollar Index rose 0.7% to cap a six-week winning streak, while gold advanced 2.3% to end the week at \$2,715/ounce. U.S. WTI crude oil futures gained 3.5% to close the week at \$76.57/barrel.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-1.83%	-1.38%	-0.80%	-1.38%	13.33%	7.30%
S&P 500	-1.91%	-0.89%	1.14%	-0.89%	23.51%	9.33%
NASDAQ Composite	-2.34%	-0.76%	4.99%	-0.76%	28.93%	9.51%
Russell 3000	-1.98%	-0.83%	1.53%	-0.83%	22.75%	8.56%
Russell 2000	-3.49%	-1.82%	0.36%	-1.82%	12.65%	1.75%
MSCI EAFE	-0.43%	-0.73%	-6.56%	-0.73%	4.32%	1.83%
MSCI Emerging Markets	-1.50%	-1.63%	-8.44%	-1.63%	9.44%	-2.47%
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg US Agg Bonds	-0.87%	-1.00%	-2.63%	-1.00%	1.18%	-2.20%
Bloomberg Municipal Bonds	-0.95%	-0.66%	-1.42%	-0.66%	0.65%	-0.49%
Bloomberg US Corp High Yield	-0.28%	0.04%	0.73%	0.04%	8.74%	3.32%
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	4.15%	3.90%	3.09%	3.90%	10.59%	4.79%
S&P GSCI Crude Oil	2.86%	6.08%	1.09%	6.08%	6.53%	-0.84%
S&P GSCI Gold	2.90%	3.43%	3.50%	3.43%	33.91%	14.90%

Source: Cetera Investment Management, FactSet. Total returns used, which includes dividends and interest.

Chart of the Week: 2024 was a Solid Year for Labor Market



Source: Cetera Investment Management, Federal Reserve Bank of St. Louis, and U.S. Bureau of Labor Statistics. Data as of 12/31/2024.

The U.S. economy added 256,000 jobs in December, marking the largest monthly gain in nine months. While job growth slowed for the third consecutive year in 2024, the average monthly gain of 186,000 slightly exceeded the pre-pandemic 2018-19 average of 178,000. The labor market enters 2025 on solid footing.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

The **Bloomberg US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 8.25 years.

The **Bloomberg US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity.

The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000.