

Market Flash Report

January 2025

Key Takeaways

- **Market News:** The new year started off with a bang with strong job creation, moderating services inflation, and resilient consumer spending driving market confidence. The S&P 500 delivering a solid 2.8% monthly return amid complex geopolitical and fiscal transitions.
- **Tariffs:** President Trump announced new tariffs on imports from Canada (25%), Mexico (25%), and China (10%). Global markets reacted negatively, with US equities selling off on the last day of the month on the news. The US dollar strengthened against affected currencies. Canada and Mexico have announced potential retaliatory measures if the US goes through with this proposal, while China plans to file a WTO lawsuit.
- **AI:** Chinese AI startup DeepSeek's R1 model launched at a fraction of the cost with performance comparable to OpenAI and Meta models. The Tech sector was the only major US industry with negative performance for the month as many of these names sold off in the face of cheap competition abroad.
- **European Market Resilience:** European equities delivered an impressive 6.9% monthly return, defying economic stagnation. Despite the Eurozone's unexpected zero growth in Q4, investors found opportunities in sectors showing underlying strength and potential economic stabilization as the ECB cut rates again in January.

Index Performance (as of 1/31/2025)

| |
|-------------------------|
| ARIZONA |
| CALIFORNIA |
| COLORADO |
| D.C. METRO AREA |
| FLORIDA |
| GEORGIA |
| MASSACHUSETTS |
| NEW JERSEY |
| NEW YORK |
| PHILADELPHIA METRO AREA |
| RHODE ISLAND |
| TEXAS |
| WASHINGTON |
| WYOMING |
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| Equity | January | 3-Month | 1-Year |
|-------------------------------|---------|---------|--------|
| U.S. Large Cap | 2.8% | 6.2% | 26.4% |
| U.S. Small Cap | 2.6% | 4.5% | 19.1% |
| Developed Non-U.S. | 5.3% | 2.3% | 9.2% |
| Emerging Markets | 1.8% | -1.9% | 15.3% |
| Real Assets | | | |
| Real Estate | 1.0% | -3.7% | 11.4% |
| Infrastructure | 0.8% | -2.2% | 14.1% |
| Fixed Income | | | |
| <u>Core Plus</u> | | | |
| U.S. High Yield Debt | 1.4% | 2.1% | 9.7% |
| Emerging Market Debt | 1.1% | 1.0% | 8.3% |
| <u>Core Bonds</u> | | | |
| U.S. Aggregate Bonds | 0.5% | -0.1% | 2.1% |
| U.S. Treasuries | 0.5% | -0.3% | 1.4% |
| U.S. Municipal Bonds | 0.7% | 0.9% | 1.9% |
| Month-End Values/Yield | | | |
| CBOE Volatility Index | 16.4 | 17.4 | 14.4 |
| 10-Year Treasury Yield | 4.5% | 4.6% | 3.9% |

Disclosures

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U.S. Large Cap Equity is represented by the S&P 500 Index. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the FTSE NAREIT Index. Infrastructure is represented by the FTSE Global Core Infrastructure 50/50 Index. U.S. High Yield Debt is represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the Bloomberg EM USD Aggregate Index. U.S. Aggregate Bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Bloomberg Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Bloomberg Barclays Municipal 1-10yr Index.