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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

January 21, 2025

"A word to the wise is not sufficient if it doesn't make sense." James Grover Thurber

MARKETS

Macro Recap: The stock market had a strong week, with the S&P 500 experiencing its best performance since the election. Bonds also saw significant gains. This positive momentum was largely driven by better-than-expected inflation data. Additionally, the announcement of a ceasefire agreement between Israel and Hamas, along with comments from Washington's confirmation hearings about the new administration's focus on lower tax rates, deregulation, energy, and fiscal responsibility, contributed to the market's optimism.

On Wednesday, the Consumer Price Index (CPI) report indicated a pause in the recent trend of higher-than-expected inflation. In December, the core CPI, which excludes volatile energy and food prices, increased at an annual rate of 3.2%, slightly below the previous month's rate and economists' expectations of 3.3%.

On Thursday, U.S. retailers reported a smaller-than-expected increase in December retail sales, with a 0.4% gain compared to economists' expectations of 0.6%. However, November's retail sales gain was revised upward from 0.7% to 0.8%, providing a positive note.

Bitcoin, the most widely traded cryptocurrency, surged near its record level from a month earlier. On Friday, Bitcoin climbed to around $104,700 in afternoon trading, up from $94,500 at the end of the previous week. The cryptocurrency reached its all-time high of approximately $108,000 on December 17.

Equity Recap: After a sluggish beginning to the week, stocks surged on Wednesday and Friday, pushing the major U.S. indexes to weekly gains of approximately 2% to 4%. This marked only the second positive week out of the last six for the S&P 500, which ended Friday less than 2% below its record high set on December 6.

Bond/Rate Recap: Yields on U.S. government debt declined, retreating from their highest levels in over 14 months and halting a surge that started last September. By Friday's close, the yield on the 10-year Treasury note had fallen to around 4.61%, down from 4.77% the previous week. The yield on the 2-year note decreased by 13 basis points to 4.27%.

INDICES

	Jan 17 Close	Jan 13 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	43,488	41,938	3.7%	42,544	2.2%
S&P 500	5,997	5,827	2.9%	5,882	1.9%
NASDAQ	19,630	19,162	2.4%	19,311	1.7%
Russell 2000	2,276	2,189	4.0%	2,230	2.1%
KBW Bank Indx	136.3	126.0	8.2%	127.5	6.9%
Bitcoin	$102,917	$94,772	8.6%	$93,714	9.8%
Oil (WTI)	$76.84	$76.57	0.4%	$71.72	7.1%
Gold	$2,708	$2,690	0.7%	$2,625	3.2%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.30	4.32	-0.02	4.31	-0.01
2yr UST	4.28	4.38	-0.10	4.24	0.04
10yr UST	4.63	4.76	-0.13	4.57	0.06
2-10yr UST Spread	34	38	-4	33	1
2y AAA Muni/10y UST	66.1%	65.0%	1.2%	66.5%	-0.3%
10y AAA Muni/10y UST	69.1%	68.0%	1.2%	68.4%	0.7%
5yr Inflation Forecast	2.54	2.53	0.01	2.42	0.12

Week Ahead

- **Monday:** Market closed
- **Tuesday:** No major reports
- **Wednesday:** Leading Economic Index
- **Thursday:** Weekly unemployment
- **Friday:** U of M Consumer Consent, Existing home sales

Share
Forward
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