



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.



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## 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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