



Providence, Rhode Island

WEEK OF FEBRUARY 3, 2025

# Market Update

In part because of lower inventory levels, gross domestic product (GDP) growth slowed to 2.3 percent in the fourth quarter. International markets fared better than their U.S. counterparts; AI competition from China led to a sell-off in U.S. technology and semiconductor firms. Bond yields moved slightly lower.

## Quick Hits

1. **Report releases:** GDP growth slowed to 2.3 percent in the fourth quarter of 2024.
2. **Financial market data:** AI competition from China led to a semiconductor sell-off.
3. **Looking ahead:** Economic data this week will focus on business confidence, employment, and consumer sentiment.



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## Report Releases: January 27–31, 2025

### Conference Board Consumer Confidence Index January (Tuesday)

Consumer confidence fell more than expected to start the year.

- Expected/prior month consumer confidence: 105.7/109.5
- Actual consumer confidence: 104.1



### Federal Open Market Committee (FOMC) Rate Decision January (Thursday)

As widely expected by economists and investors, the Federal Reserve (Fed) left rates unchanged after its January meeting.

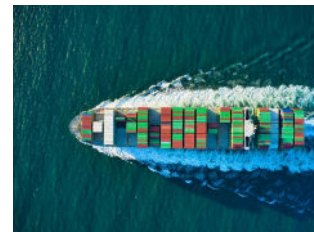
- Expected/prior federal funds rate upper limit: 4.50%/4.50%
- Actual federal funds rate upper limit: 4.50%



### Advance Estimate of GDP Fourth Quarter (Thursday)

Although economic growth slowed, the 2.3 percent annualized growth during the period represented solid economic growth on a historical basis.

- Expected/prior quarter GDP growth: +2.6%/+3.1%
- Actual GDP growth: +2.3%



### Personal Income and Personal Spending December (Friday)

Personal income and spending continued to rise in December. Income growth fell in line with economist estimates, whereas spending growth exceeded expectations.

- Expected/prior personal income monthly change: +0.4%/+0.3%
- Actual personal income change: +0.4%
- Expected/prior personal spending monthly change: +0.5%/+0.4%
- Actual personal spending change: +0.7%



## >> The Takeaway

- Consumers showed mixed signals to start the year; consumer confidence was lower than expected but personal spending beat expectations.
- As widely anticipated, the Fed kept rates steady. Fourth-quarter GDP was lower than expected, partly due to a decline in inventories.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.99%	2.78%	2.78%	26.35%
Nasdaq Composite	-1.63%	1.66%	1.66%	30.39%
DJIA	0.27%	4.78%	4.78%	18.93%
MSCI EAFE	0.80%	5.27%	5.27%	9.29%
MSCI Emerging Markets	0.32%	1.81%	1.81%	15.29%
Russell 2000	-0.86%	2.62%	2.62%	19.08%

Source: Bloomberg, as of January 31, 2025

The Nasdaq Composite led U.S. averages lower. China’s DeepSeek AI application, which competes with AI applications such as OpenAI’s ChatGPT, moved to the top of the Apple App store. Initial reports indicated the app was developed at a fraction of the cost of OpenAI’s model, leading to sell-offs in semiconductors and the energy sector because of its potential to lead to lower demand for Nvidia GPUs and hardware, which would in turn lead to lower energy demand. The MSCI EAFE Index fared better amid the implementation of U.S. tariffs.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.53%	0.53%	2.07%
U.S. Treasury	0.52%	0.52%	1.38%
U.S. Mortgages	0.51%	0.51%	2.19%
Municipal Bond	0.50%	0.50%	2.08%

Source: Bloomberg, as of January 31, 2025

Treasury yields moved modestly lower amid DeepSeek news and tariff uncertainty. Intermediate and long-term yields were most affected. The 2-year moved lower 3.4 basis points (bps), closing at 4.24 percent. The 10- and 30-year dipped 5.6 bps and 3.5 bps, respectively, closing at 4.57 percent and 4.81 percent, respectively.

### >> The Takeaway

- The MSCI EAFE Index, which does not carry exposure to Canada, Mexico, or China, led the way.
- Bonds moved slightly lower amid DeepSeek and tariff concerns.

## Looking Ahead

Economic data this week will focus on business confidence, employment, and consumer sentiment.

- On Monday, the week kicks off with the **ISM Manufacturing index** for December. Economists expect to see modestly higher manufacturer confidence.
- The **ISM Services index** for December is expected on Wednesday. Service sector confidence is set to improve for the second consecutive month.
- Finally, on Friday, the **employment report** for December and the preliminary **University of Michigan consumer sentiment survey** for February will be released. The job report is expected to show that a solid 158,000 jobs were added during the month, which would be a sign of continued healthy labor demand.





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**Matt Glova, CFP®, CEO, Wealth Consultant**

LifeTime Asset Management, LLC

801 Corporate Center Drive | Suite 110 | Raleigh, NC 27607

919.845.5315 | 919.845.5346 fax | [www.lifetimeasset.com](http://www.lifetimeasset.com) | [matt@lifetimeasset.com](mailto:matt@lifetimeasset.com)

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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.

Authored by the Investment Research team at Commonwealth Financial Network®

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