

# WEEKLY MARKET COMMENTARY

January 6, 2025

## WEEK IN REVIEW

Major U.S. equity indices were mostly lower this week after finishing 2024 with double-digit annual gains. For the week ending January 3, 2025:

- The S&P 500 closed down **-0.48**
- The Dow Jones Industrial Average declined by **-0.60%**
- The tech-heavy Nasdaq fell **-0.51%**
- The 10-Year Treasury yield concluded at **4.59%**

Initial jobless claims fell to an eight-month low of 211,000 in the week ending December 28, 2024, down from 219,000 in the previous week. This decrease, along with a drop in continuing claims to 1.84 million, suggests a resilient labor market.

The National Association of REALTORS® reported that pending home sales rose by 2.2% in November 2024, marking the fourth consecutive month of increases. This growth, exceeding the forecast of 0.9%, indicates a potential rebound in the housing market. Year-over-year, pending home sales increased by 6.9%, with improvements across all four U.S. regions.

The Institute for Supply Management (ISM) reported a Manufacturing Purchasing Managers Index (PMI) of 49.3, which was slightly higher than the previous reading but still indicating contraction. The S&P Global Manufacturing PMI for December 2024 came in at 49.4, surpassing expectations but below the prior reading. The Atlanta Fed's GDPNow model estimates fourth-quarter 2024 real GDP growth at 2.4%, a slight decrease from its previous projection of 2.6% on January 2, 2025.

## SPOTLIGHT

### A Resilient 2024 – In the Rear View Mirror

Equity markets performed strongly in 2024, driven by economic growth and solid corporate earnings, particularly in the technology sector. Fixed income saw modest gains, with leveraged loans, high-yield bonds, and asset-backed securities demonstrating strong performance against the backdrop of a robust economy. Inflation remained a persistent concern throughout 2024. The Federal Reserve cut interest rates three times, shifting to a more accommodative stance to support economic stability amid cooling inflation.

## Economic Highlights

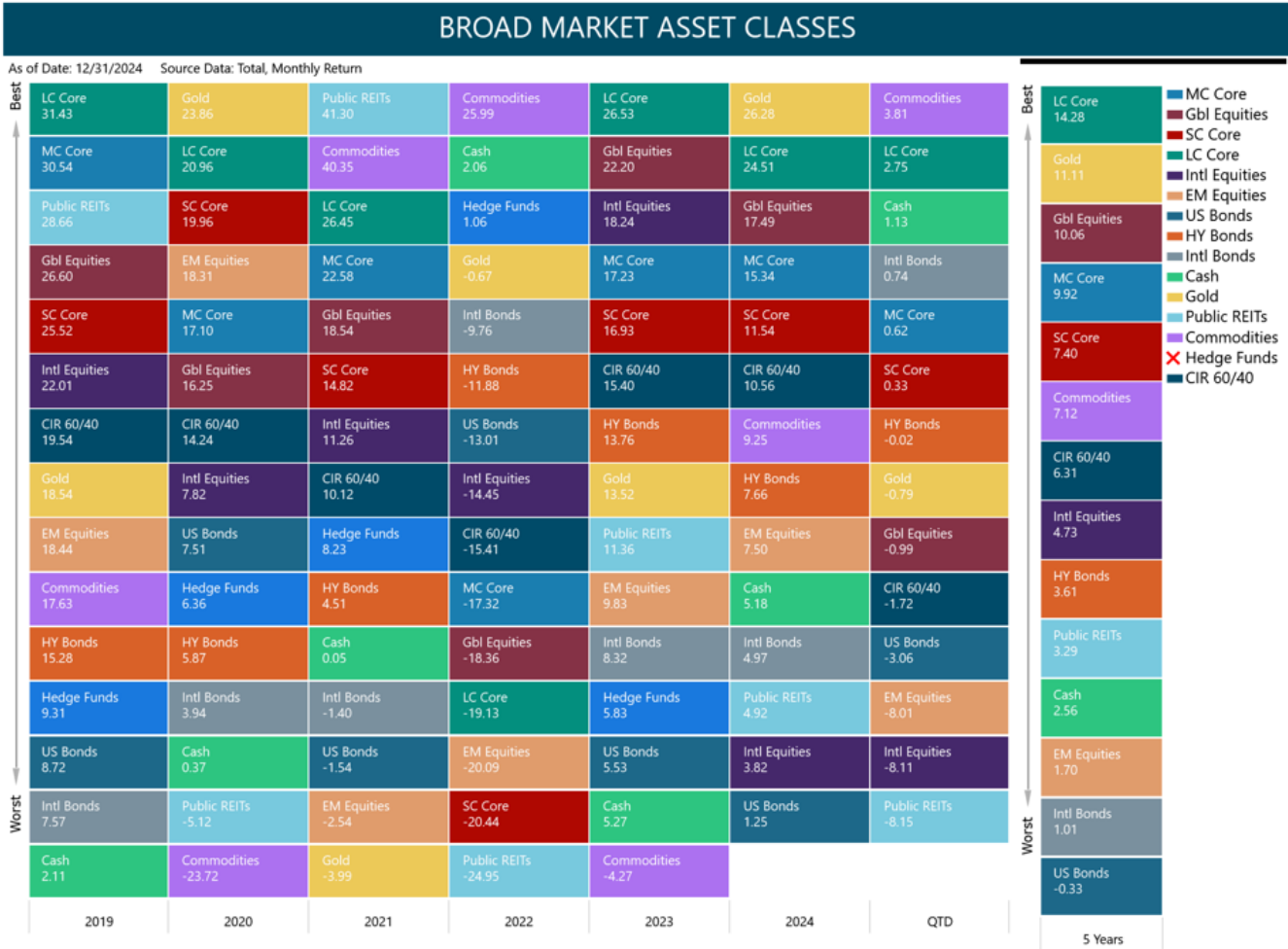
Inflation remained a persistent concern in 2024, with U.S. headline inflation at 2.7% in November, above the Fed's 2% target. In response, the Federal Reserve implemented three 25 basis point rate cuts, bringing the federal funds rate to 4.25%-4.5% by December, while projecting only two rate cuts for 2025.

The 10-year Treasury yield, a key economic indicator, fluctuated throughout 2024, starting below 3.9% and ending at 4.57%. Geopolitical tensions in Israel and Ukraine had a modest impact on capital markets, contributing to the dollar’s safe-haven status and influencing investor sentiment.

The U.S. dollar showed strength in early 2025, continuing its robust performance from 2024. Its strength was also partly attributed to the Fed’s stance, interest rate differentials, and expectations surrounding President-elect Trump’s pro-growth policies. Despite these challenges, the U.S. economy demonstrated resilience, with GDP growth reaching 3.1% in the third quarter of 2024.

Broad Asset Class Performance

In 2024, Gold, Large Cap Core equities, and Global Equities emerged as top performers. U.S. Bonds underperformed, while Commodities, represented by the S&P GSCI, rallied in the fourth quarter. This rally was driven by gains in industrial metals, gold, and various agricultural commodities. U.S. real estate investment trusts (REITs) lagged behind the broader market in the last quarter of the year.



**LEGEND, CATEGORY, MARKET INDEX**

**LC Core, Large Cap Core, Russell 10000 TR USD**  
Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

**SC Core, Small Cap Core, Russell 2000 TR USD**  
Measures the performance of the small-cap segment of the U.S. equity universe, represents approximately 10% of the total market capitalization and includes approximately 2000 of the smallest securities.

**MC Core, Mid Cap Core, Russell Midcap TR USD**  
Measures the performance of the mid-cap segment of the U.S. equity universe, represents approximately 31% of the total market capitalization and includes approximately 800 of the smaller securities.

**Gbl. Equities, Global Equities, MSCI All Country Weighted Index (ACWI) NR USD**  
A free float-adjusted market capitalization weighted index that measures the equity market performance of developed and emerging markets. It consists of 44 country indices comprising 23 developed and 21 emerging market country indices

**Intl. Equities, Developed International Equities, MSCI EAFE NR USD**  
Measures the performance of the developed equity markets of Europe, Australasia and the Far East

**EM Equities, Emerging Market Equities, MSCI EM NR USD**  
Measures the performance of emerging equity markets.

**Public REITs, US Public Real Estate, FTSE NAREIT All REIT TR USD**  
Measures the performance of all tax-qualified REITs with common shares that trade on the New York Stock Exchange, the American Stock Exchange or the NASDAQ National Market List.

**Hedge Fund, Hedge Fund, Credit Suisse Hedge Fund USD**  
The index measures the performance of approximately 9,000 funds. It is an asset-weighted hedge fund index and includes only funds with a minimum of US\$50 million under management, a 12-month track record, and audited financial statements.

**CIR 60/40, Traditional 60/40 proxy TR USD**  
This index is a blended benchmark that serves as a proxy for the traditional 60/40 model portfolio. It is composed of the following allocations: 36% Russell 3000 TR USD, 24% MSCI ACWI ex USA NR USD, 30% Barclays US Aggregate Bond TR USD, and 10% Barclays Global Aggregate Bond ex USA TR Hedge USD. This benchmark is rebalanced quarterly.

**Cash, Cash and Cash Equivalents, US 3-Month Treasury Bills**  
This index is the performance of treasury bills transaction that takes place in the United State secondary market with 3 months maturity periods. Its return type is yield since the treasury bills are traded at a certain percentage yield in this particular market.

**SP GSCI, SP Commodity Index (Production Weighted), S&P GSCI Commodity TR USD**  
Measures the performance of the commodity sector representing an unleveraged, long-only investment in commodity futures that is broadly diversified, production weighted.

**Intl. Bonds, International Bond, Bloomberg Barclays ex-U.S. Aggregate Bond -Hedged TR USD**  
The index tracks the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities, and is hedged to the US dollar.

**US Bonds, US Bonds Core, Bloomberg Barclays U.S. Aggregate Bond TR USD**  
Measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS, and CMBS.

**High Yield, High Yield, Bloomberg Barclays US High Yield Very Liquid Index (VLI) TR USD**  
The index tracks a liquid subset of USD-denominated, high-yield, fixed-rate corporate bonds. It includes bonds with at least \$500 million outstanding and less than five years from issuance, while capping issuer exposure at 2% of total market value. This index is a more liquid component of the broader US Corporate High Yield Index, using the same eligibility criteria but with additional liquidity constraints

**Gold, Gold, LBMA Gold Price PM Index USD**  
The LBMA Gold Price PM Index measures the performance of setting price of gold, determined twice each business day on the London bullion market by the five members of The London Gold Market Fixing Ltd. It is designed to fix a price for settling contracts between members of the London bullion market, but informally the gold fixing provides a recognized rate that is used as a benchmark for pricing the majority of gold products and derivatives throughout the world's markets.

Source: Morningstar Direct

## Equity Markets Broad Equity Markets

For 2024 and Q4 2024, Growth outperformed Core and Value, while U.S. Equities (represented by the Russell 3000) outperformed International Equities and Emerging Markets and (represented by MSCI EM and MSCI EAFE) on a Total Return basis (24.51% versus 7.50% versus 3.82%).

This outperformance was driven by the continued dominance of large tech companies, higher liquidity in the U.S. market, and faster earnings growth of U.S. companies compared to global counterparts. Notably, in Q4 2024, Mid Cap Growth (represented by Russell Mid Cap Growth) outperformed both Large Cap Growth and Small Cap Growth (8.14% versus 7.07% versus 1.70%).

PERIOD TABLE - EQUITY MARKETS												
As of Date: 12/31/2024		Source Data: Total, Monthly Return										
Best ↑	LC Growth 36.39	MC Growth 38.49	MC Value 28.34	LC Value -7.54	LC Growth 42.68	LC Growth 33.36	MC Growth 8.14	Worst ↓	LC Growth 18.96	MC Core	Gbl Equities	SC Core
	MC Growth 35.47	MC Growth 35.59	SC Value 28.27	MC Value -12.03	LC Core 26.53	LC Core 24.51	LC Growth 7.07		LC Core 14.28	Intl Equities	EM Equities	LC Growth
	LC Core 31.43	SC Growth 34.63	LC Growth 27.60	Intl Equities -14.45	MC Growth 25.87	MC Growth 22.10	LC Core 2.75		MC Growth 11.47	LC Value	MC Growth	LC Growth
	MC Core 30.54	LC Core 20.96	LC Core 26.45	SC Value -14.48	Gbl Equities 22.20	Gbl Equities 17.49	SC Growth 1.70		Gbl Equities 10.06	MC Core	SC Value	SC Growth
	SC Growth 28.48	SC Core 19.96	LC Value 25.16	MC Core -17.32	SC Growth 18.66	MC Core 15.34	MC Core 0.62		MC Core 9.92	LC Value	MC Value	MC Value
	MC Value 27.06	EM Equities 18.31	MC Core 22.58	Gbl Equities -18.36	Intl Equities 18.24	SC Growth 15.15	SC Core 0.33		LC Value 8.68	MC Value	MC Value	MC Value
	Gbl Equities 26.60	MC Core 17.10	Gbl Equities 18.54	LC Core -19.13	MC Core 17.23	LC Value 14.37	Gbl Equities -0.99		MC Value 8.59	SC Core	SC Value	SC Value
	LC Value 26.54	Gbl Equities 16.25	SC Core 14.82	EM Equities -20.09	SC Core 16.93	MC Value 13.07	SC Value -1.06		SC Core 7.40	SC Value	SC Value	SC Value
	SC Core 25.52	Intl Equities 7.82	MC Growth 12.73	SC Core -20.44	SC Value 14.65	SC Core 11.54	MC Value -1.73		SC Value 7.29	SC Growth	SC Growth	SC Growth
	SC Value 22.39	MC Value 4.96	Intl Equities 11.26	SC Growth -26.36	MC Value 12.71	SC Value 8.05	LC Value -1.98		SC Growth 6.86	Intl Equities	EM Equities	EM Equities
	Intl Equities 22.01	SC Value 4.63	SC Growth 2.83	MC Growth -26.72	LC Value 11.46	EM Equities 7.50	EM Equities -8.01		Intl Equities 4.73	EM Equities	EM Equities	EM Equities
	EM Equities 18.44	LC Value 2.80	EM Equities -2.54	LC Growth -29.14	EM Equities 9.83	Intl Equities 3.82	Intl Equities -8.11		EM Equities 1.70			
		2019	2020	2021	2022	2023	2024	QTD		5 Years		

#### LEGEND, CATEGORY, MARKET INDEX

##### LC Growth, Large Cap Growth, Russell 1000 Growth TR USD

Measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

##### LC Core, Large Cap Core, Russell 1000 TR USD

Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth values.

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A free float-adjusted market capitalization weighted index that measures the equity market performance of developed and emerging markets. It consists of 44 country indices comprising 23 developed and 21 emerging market country indices

##### Intl. Equities, Developed International Equities, MSCI EAFE NR USD

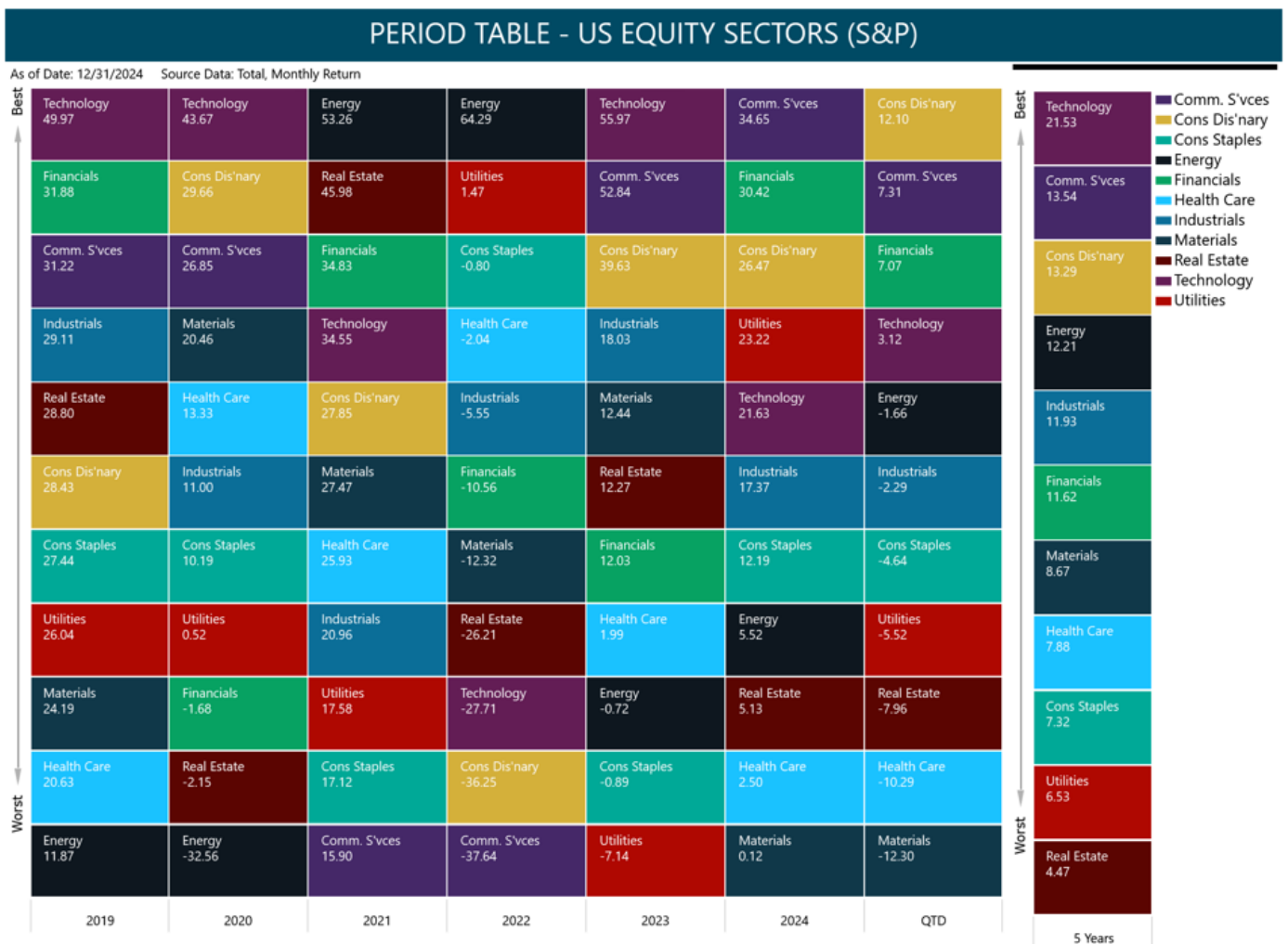
Measures the performance of the developed equity markets of Europe, Australasia and the Far East

##### EM Equities, Emerging Market Equities, MSCI EM NR USD

Measures the performance of emerging equity markets.

Source: Morningstar Direct

## S&P Equity Sectors



#### MARKET INDEX SERIES

S&P US Equity Sectors, US Equity Sectors, S&P US Equity Sector Series

The S&P U.S. Select Sector indices are designed to reflect the U.S. equity markets and, through the markets, the U.S. economy.

The Select Sector Indices follow a modified market capitalization weight methodology. All components of the S&P 500® are assigned to at least one of 10 Select Sector Indices, which seek to track major economic segments and are highly liquid benchmarks. Stock classifications are based on the Global Industry Classification Standard (GICS®).

There are 11 GICS sectors in the S&P 500:

- Information Technology (Legend - Technology)
- Health Care
- Financials
- Consumer Discretionary (Legend - Cons. Dis'nary)
- Communication Services (Legend - Comm. S'vces)
- Industrials
- Consumer Staples (Legend - Cons. Staples)
- Energy
- Utilities
- Real Estate
- Materials

Source: Morningstar Direct

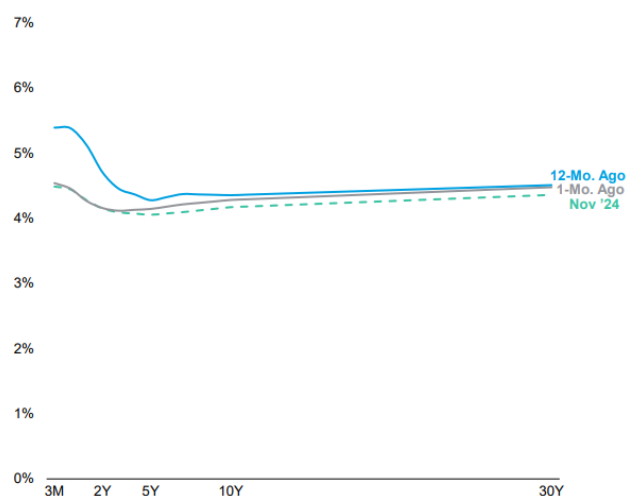
Communication Services, Financial Services, and Consumer Discretionary sectors emerged as the top performers for both the full year and the fourth quarter of 2024. The Communication Services sector delivered an impressive ~34% gain on a total return basis in 2024, significantly outpacing other sectors, primarily driven by strong investor interest in mega-cap tech companies and the advancements in artificial intelligence (AI) technologies. However, the Technology sector continues to outperform the other equity sectors on a trailing 5-year total return basis.

## Fixed Income

### Yield Curve and Corporate Spreads

The U.S. Treasury yield curve was deeply inverted at the start of 2024 with short-term rates exceeding long-term rates. However, as the year progressed and towards the year end, the yield curve began to normalize slightly as long-term yields increased relative to short-term yields. This shift reflected market expectations for a more supportive monetary policy environment and reduced recession concerns.

U.S. Treasury Yield Curves



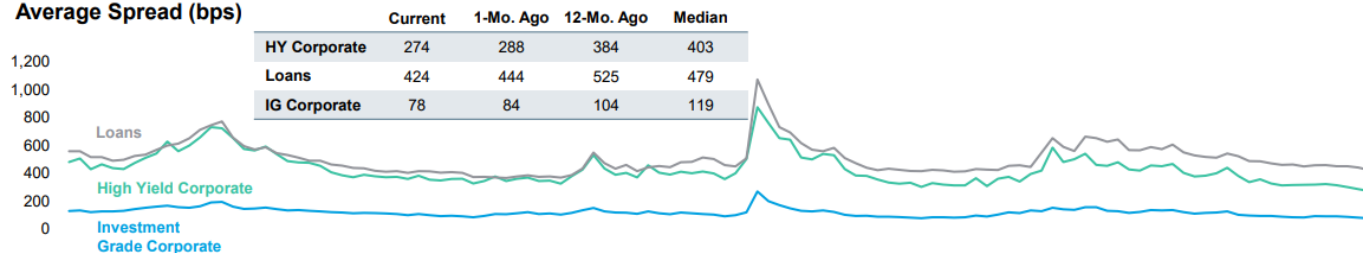
Security	Yields & Performance				
	Yield (%)			Total Return (%)	
	Current	1-Mo. Ago	12-Mo. Ago	1-Mo.	12-Mo.
3-mo. Treasury	4.49	4.54	5.39	0.38	5.32
6-mo. Treasury	4.44	4.46	5.38	0.37	5.44
2-yr. Treasury	4.15	4.16	4.71	0.26	4.70
3-yr. Treasury	4.09	4.12	4.46	0.34	4.69
5-yr. Treasury	4.06	4.15	4.28	0.59	4.61
10-yr. Treasury	4.17	4.28	4.36	1.03	5.11
30-yr. Treasury	4.36	4.48	4.51	1.97	6.16

Source: Morgan Stanley (As of November 30, 2024)

Corporate credit spreads across all segments—including high yield bonds, investment-grade bonds, and leveraged loans—remained relatively stable throughout the fourth quarter of 2024. However, these spreads tightened significantly over the trailing 12-month period. This compression was due to improved risk appetite, expectations of continued economic growth, and anticipation of a supportive monetary policy environment.



## Average Spread (bps)



Source: Morgan Stanley (As of November 30, 2024)

## Fixed Income Sectors

In 2024 and Q4 2024, leveraged loans, high-yield bonds, and asset-backed securities demonstrated strong performance, as reflected by their respective indices. The Morningstar Leveraged Loan LSTA TR index returned 8.95%, outpacing the Barclays US High Yield Very Liquid index at 7.66% and the ICE BofA ABS TR index at 5.93%. The strong performance of these riskier fixed-income assets can be attributed to factors such as expectations of Fed rate cuts, improving economic outlook, and investors' search for yield in a changing rate environment.

## PERIOD TABLE - FIXED INCOME MARKETS

As of Date: 12/31/2024 Source Data: Total, Monthly Return

Best	High Yield 15.28	Long Term 17.55	TIPS 5.96	Cash 2.06	High Yield 13.76	Loans 8.95	Loans 2.27	Best
	Long Term 14.75	TIPS 10.99	Loans 5.20	Loans -0.77	Loans 13.32	High Yield 7.66	Cash 1.13	
	EM Debt 14.31	Corporates 9.81	High Yield 4.51	Short Term -3.82	EM Debt 11.92	ABS 5.93	Int'l Bonds 0.74	
	Corporates 14.23	US Govt 8.00	Munis 1.52	ABS -4.43	Corporates 8.40	Cash 5.18	ABS 0.40	
	US Bonds 8.72	Int. Term 7.67	ABS 0.34	Munis -8.53	Int'l Bonds 8.32	Int'l Bonds 4.97	High Yield -0.02	
	Loans 8.64	US Bonds 7.51	Cash 0.05	Int'l Bonds -9.76	Munis 6.40	Short Term 4.03	Short Term -0.10	
	TIPS 8.43	High Yield 5.87	Short Term -0.60	Int. Term -10.50	ABS 6.28	Corporates 2.76	Munis -1.22	
	Int'l Bonds 7.57	Munis 5.21	Corporates -0.95	TIPS -11.85	US Bonds 5.53	EM Debt 2.01	Corporates -2.84	
	Munis 7.54	MBS 4.09	MBS -1.21	High Yield -11.88	Cash 5.27	TIPS 1.84	Int. Term -2.86	
	US Govt 6.86	EM Debt 4.02	Int'l Bonds -1.40	MBS -11.88	MBS 4.98	MBS 1.33	TIPS -2.88	
	MBS 6.51	Int'l Bonds 3.94	US Bonds -1.54	US Govt -12.46	Short Term 4.29	Int. Term 1.26	US Bonds -3.06	
	Int. Term 6.43	ABS 3.82	US Govt -2.32	US Bonds -13.01	Int. Term 4.27	US Bonds 1.25	US Govt -3.14	
	ABS 4.22	Short Term 3.16	Int. Term -2.49	EM Debt -14.75	US Govt 4.05	Munis 1.05	MBS -3.18	
	Short Term 3.59	Loans 3.12	Long Term -4.57	Corporates -15.44	TIPS 3.90	US Govt 0.58	EM Debt -4.48	
	Cash 2.11	Cash 0.37	EM Debt -5.32	Long Term -29.19	Long Term 3.11	Long Term -6.37	Long Term -8.60	
Worst	2019	2020	2021	2022	2023	2024	QTD	Worst
								5 Years
								Loans 5.86
								High Yield 3.61
								Cash 2.56
								ABS 2.31
								TIPS 1.87
								Short Term 1.36
								Int'l Bonds 1.01
								Munis 0.99
								Corporates 0.48
								Int. Term -0.16
								US Bonds -0.33
								US Govt -0.68
								MBS -0.73
								EM Debt -0.84
								Long Term -5.17

#### LEGEND, CATEGORY, MARKET INDEX

**US Bonds, US Bonds Core, Bloomberg Barclays U.S. Aggregate Bond TR USD**

Measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS, and CMBS.

**Int'l. Bonds, International Bond, Bloomberg Barclays ex-U.S. Aggregate Bond -Hedged USD**

The index measures the performance of global investment grade fixed-rate debt markets that excludes USD-dominated securities, and is hedged to the US dollar.

**Treasuries, US Government, Bloomberg Barclays U.S. Treasury TR USD**

Measures the performance of public obligations of the U.S. Treasury. Treasury bills, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

**Short Term, Short Term, Bloomberg Barclays U.S. Treasury 1-3 YR TR USD**

This index tracks the performance of short-term U.S. government notes and typically includes Treasury securities with maturities between 1 to 3 years.

**Int. Term, Intermediate Term, Bloomberg Barclays U.S. Treasury 3-10 YR TR USD**

The index tracks the performance of intermediate-term U.S. government notes and typically includes Treasury securities with maturities between 3 to 10 years.

**Long Term, Long Term, Bloomberg Barclays U.S. Long Government Bond TR USD**

The index tracks the performance of long-term U.S. government bonds and typically includes Treasury securities with maturities of 10 years or longer.

**Munis, Municipals, Bloomberg Barclays U.S. Municipal TR USD**

Measures the performance of 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 prefunded bonds.

**Corporates, US Corporates, ICE BofA US Corporate TR USD**

The index measures the performance of investment grade rated corporate debt issued in the United States. Securities must have an investment grade rating, a maturity greater than 1 year, a fixed coupon schedule, and minimum outstanding amount of \$250 million.

**High Yield, High Yield, Bloomberg Barclays US High Yield Very Liquid Index (VLI) TR USD**

The index tracks a liquid subset of USD-denominated, high-yield, fixed-rate corporate bonds. It includes bonds with at least \$500 million outstanding and less than five years from issuance, while capping issuer exposure at 2% of total market value. This index is a more liquid component of the broader US Corporate High Yield Index, using the same eligibility criteria but with additional liquidity constraints

**Loans, Leveraged Loans, Morningstar LSTA Leveraged Loan TR USD**

The Morningstar LSTA Leveraged Loan Index is a market value-weighted index designed to track the performance of the U.S. leveraged loan market based on market weightings, spreads, and interest payments. The index tracks the investable market of U.S. dollar-denominated leveraged loans, consisting of issues rated below investment grade (typically rated 'BB+' or lower)

**Cash, Cash and Cash Equivalents, US 3-Month Treasury Bills**

This index is the performance of treasury bills transaction that takes place in the United State secondary market with 3 months maturity periods. Its return type is yield since the treasury bills are traded at a certain percentage yield in this particular market.

**ABS, Asset Backed Securities, ICE BofA ABS TR USD**

The index measures the performance of US issues fixed rate asset backed securities (ABS).

**MBS, Mortgage Based Securities, ICE BofA MBS TR USD**

The index tracks the performance of US dollar-denominated fixed-rate and hybrid residential mortgage pass-through securities issued by US agencies. It includes 30-year, 20-year, 15-year, and interest-only fixed-rate mortgage pools with at least one year remaining to maturity and a minimum outstanding amount of \$5 billion per generic coupon and \$250 million per production year within each coupon.

**EM Debt, EM Local, 50% JPM GBI-EM GD and 50% JPM EMBI GD**

This is blended index consisting of 50% J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) Global Diversified and 50% J.P. Morgan Emerging Markets Bond Index (EMBI) which contain bonds denominated in local currency.

**TIPS, Treasury Inflation Protection Securities, Bloomberg Barclays U.S. Treasury Inflation-Protected Securities TR USD**

Measures the performance of a market value-weighted index that tracks inflation-protected securities issued by the U.S. Treasury.

Source: Morningstar Direct

## WEEK AHEAD

Next week, employment data will be a key focus for investors. Several crucial economic reports will be released, providing insights into the labor market. On Tuesday, the Job Openings and Labor Turnover Survey (JOLTS) report will be released, followed by the ADP Nonfarm Employment Change report on Wednesday and Initial Jobless Claims on Thursday. However, Friday will be the most data-rich day, with the release of December's figures for Average Hourly Earnings, Bureau of Labor Statistics Nonfarm Payrolls, Unemployment Rate, U6 Unemployment, and Participation Rate. It's worth noting that initial jobless claims ended last year on a positive note, beating estimates for three consecutive weeks. Additionally, last month saw a divergence between ADP data and Nonfarm Payrolls, markets will monitor whether this discrepancy will persist.

On Friday, the University of Michigan will release four key consumer sentiment reports. The first two focus on consumer inflation expectations over one and five years. One-year expectations have recently remained within a narrow range of 2.6% to 2.8%, while five-year expectations have fluctuated between 3.0% and 3.2%. Markets will closely watch these figures for any signs of a shift in inflation expectations. The remaining two reports measure consumer expectations and overall sentiment. As the backbone of the economy, consumer confidence is a crucial indicator of economic activity. A positive surprise in these reports would bode well for both current and future economic growth.

Early next week, markets will focus on the service sector with the release of the S&P Global and ISM Services PMIs on Monday and Tuesday. As the U.S. economy is heavily reliant on services, these surveys will provide crucial insights into the health of the broader economy. A strong reading will likely boost confidence and support asset prices, while a weaker reading could raise concerns about economic growth.

## DISCLOSURES

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange.

Securities offered through Cambridge Investment Research, Inc., a broker-dealer, member FINRA/SIPC, and investment advisory services offered through Cambridge Investment Research Advisors, Inc., a Registered Investment Adviser. Both are wholly-owned subsidiaries of Cambridge Investment Group, Inc. V.CIR.0125-0053