

# MARKET VIEW WEEKLY

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## ECONOMIC REVIEW<sup>1</sup>

- The Federal Reserve (Fed) met on Wednesday to set interest rate policy, deciding that the current level of rates was sufficient and held them steady.
  - This move was largely anticipated by investors, who expected a pause in the rate-cutting cycle by Fed officials as inflation has remained sticky.
- The first estimate of the Gross Domestic Product (GDP) for the fourth quarter of last year was released, showing an expanding economy, rising 2.3% at an annualized rate.
  - This is above the long-term trend of 2.0%, but slightly below expectations of 2.6%
    - This brought the full-year growth for 2024 to 2.5%, mainly driven by strong consumer spending throughout the year.
- The Personal Consumption Expenditures Price Index (PCE), the Fed's preferred measure of inflation, showed that prices rose for the third straight month on a year-over-year basis, up to 2.6%.
  - Core PCE, which excludes the volatile food and energy sectors, remained unchanged at 2.8%.
    - The main factor driving headline PCE's increase last month was rising energy prices.

### How do inflation, GDP, and Fed meetings impact you?

- All of the major aforementioned data points signal a strong economy, defined by above-average growth and rising prices.
  - Such robust economic strength convinced the Fed to hold interest rates steady so as to not provide further momentum and overheat the economy.



## A LOOK FORWARD<sup>1</sup>

- The ISM services and manufacturing indices will be released this week. These should provide greater depth on how the individual portions of the economy are faring.
- The jobs report is also slated for release on Friday, which includes the unemployment rate, and the number of jobs added to the economy in January.

### How do ISM and jobs data impact you?

- The economy has largely been propped up by the service sector over the past two years. ISM should provide more detail on the strength and endurance of that trend and the American consumer.
- The jobs report will provide the Fed with key insights on the health of the labor market, wages, and the broader economy.



## MARKET UPDATE<sup>2</sup>

Market Index Returns as of 1/31/2025	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-0.99%	2.78%	2.78%	24.81%	11.65%	15.16%
NASDAQ	-1.63%	1.66%	1.66%	28.69%	11.90%	17.40%
Dow Jones Industrial Average	0.27%	4.78%	4.78%	17.79%	10.16%	11.78%
Russell Mid-Cap	-0.56%	4.25%	4.25%	20.46%	7.62%	11.02%
Russell 2000 (Small Cap)	-0.86%	2.62%	2.62%	17.46%	5.24%	8.66%
MSCI EAFE (International)	0.80%	5.26%	5.26%	9.50%	4.68%	6.25%
MSCI Emerging Markets	0.32%	1.79%	1.79%	14.01%	-0.87%	3.04%
Bloomberg Barclays US Agg Bond	0.44%	0.53%	0.53%	1.50%	-1.50%	-0.60%
Bloomberg Barclays High Yield Corp.	0.20%	1.37%	1.37%	9.42%	4.20%	4.49%
Bloomberg Barclays Global Agg	0.11%	0.57%	0.57%	0.03%	-3.71%	-2.10%



## OBSERVATIONS

- U.S. equities moved lower on the week, driven by technology as the NASDAQ and S&P 500 were down (-1.63%), and (-0.99%) respectively.
  - The Dow rose slightly suggesting that the market had pockets of outperformance.
- In the U.S., smaller-sized companies outperformed their larger-sized counterparts, as the Russell 2000 index decreased -0.86% on the week, less than the S&P 500 or NASDAQ.
- International stocks as measured by the MSCI EAFE were positive on the week, up +0.80% and overperforming domestic stocks year-to-date.
- Emerging market stocks were slightly positive on the week with the MSCI EM index up 0.32%.
- Fixed income had a broadly positive week, with U.S. investment grade, high yield, and international bonds all rising on the week.



## BY THE NUMBERS

**Trump Imposes Tariffs on Mexico, Canada, and China:** President Donald Trump has made good on his campaign promise to impose tariffs on imports from the United States' three largest supplier countries—Canada, China, and Mexico. Trump signed orders on Saturday evening, imposing 25% tariffs on imports from Mexico and Canada (though Canadian energy faces a lower tariff of 10%) and 10% tariffs on goods from China. Trump signed an Executive Order titled: “Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border.” Trump discussed the tariffs in a series of posts on his social media platform, Truth Social. One update announced the official orders of the tariffs, stating that the decision was made to “protect” Americans “because of the major threat of illegal aliens and deadly drugs killing our Citizens, including fentanyl”.<sup>3</sup>

**New AI Startup DeepSeek Disrupts U.S. Market:** Chinese startup DeepSeek's launch of its latest AI models, which it says are on a par or better than industry-leading models in the United States at a fraction of the cost, is threatening to upset the technology world order. The company has attracted attention in global AI circles after writing in a paper last month that the training of DeepSeek-V3 required less than \$6 million worth of computing power from Nvidia H800 chips. DeepSeek's AI Assistant, powered by DeepSeek-V3, has overtaken rival ChatGPT to become the top-rated free application available on Apple's App Store in the United States. This has raised doubts about the reasoning behind some U.S. tech companies' decision to pledge billions of dollars in AI investment and shares of several big tech players, including Nvidia, have been hit.<sup>4</sup>

## *Economic Definitions*

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

**Nonfarm Payrolls:** This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

**Unemployment Rate:** The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

**ISM Manufacturing Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

**ISM Services Index:** PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Where as per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

## *Index Definitions*

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**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Barclays Municipal Bond Index:** The Bloomberg Barclays U.S. Municipal Index covers the 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 prerefunded bonds.

#### *Disclosures*

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 1/31/2025.

<sup>2</sup> Data obtained from Morningstar as of 1/31/2025.

<sup>3</sup> [What Are Tariffs and Why Is Trump In Favor of Them? | TIME](#)

<sup>4</sup> [What is DeepSeek and why is it disrupting the AI sector? | Reuters](#)