

EAGLE FOCUS

weekly

January 21, 2025

MARKET PERFORMANCE RECAP

WEEK ENDING
January 17, 2025

| INDEX | LAST FRIDAY'S CLOSE | % CHANGE YTD |
|------------------------------|---------------------|--------------|
| S&P 500 | 5996.66 | 1.96% |
| Dow Jones Industrial Average | 43487.83 | 2.22% |
| Nasdaq Composite | 19630.2 | 1.65% |
| S&P MidCap 400 | 3239.76 | 3.81% |
| Russell 2000 | 2280.82 | 2.05% |

The U.S. government reported an \$87 billion budget deficit in December, partly reduced by shifted benefit payments, but marking a record \$711 billion deficit for the first quarter of fiscal year 2025. This represents a 39% increase from the previous year's \$510 billion deficit, driven by higher spending and slightly lower revenues, according to the Treasury's final report before President-elect Donald Trump takes office next week. (Source: Reuters)



Mortgage rates rose to around 7% last week, the highest since May 2024. Despite this, purchase applications jumped 26.9%, and refinance applications surged 43.5%, likely due to seasonal factors. However, longer-term trends show subdued mortgage demand, with purchase applications declining year-over-year and refinance growth slowing. (Source: Ned Davis Research)

Leading financial institutions started the earnings season positively last Wednesday, highlighting the benefits of interest rate cuts. JPMorgan Chase reported a

50% surge in quarterly profits, exceeding expectations with strong investment banking and trading results. Goldman Sachs more than doubled its profit, while BNY and Citigroup beat forecasts, and Wells Fargo posted a 47% rise in net income. BlackRock attracted a record \$641 billion in annual client inflows. (Source: LinkedIn News)

The Producer Price Index (PPI) for final demand rose 0.2% in December, below expectations. Most of the increase came from a 0.6% rise in goods prices, driven by energy, vehicles, and certain foods, while services prices remained flat. Excluding food and energy, PPI was largely unchanged. Year-over-year, PPI for final demand increased to 3.3% from 3.0% the previous month, and PPI excluding food and energy edged up to 3.5%. Both rates marked the highest inflation since February 2023, aligning with expectations. (Source: Ned Davis Research)

Asset managers overseeing trillions warn clients to adopt a defensive strategy, favoring bonds as equity prices rise and Fed rate cuts appear limited. Vanguard's 2025 outlook advises reducing stock allocations to 38% and increasing fixed income, a shift from 41% in 2024 and 50% in 2023, reversing the traditional 60/40 portfolio mix. (Source: Financial Times)

U.S. import prices rose just 0.1% in December for the third consecutive month, as higher fuel and food costs were offset by declines elsewhere, supporting a favorable inflation outlook. Year-over-year, import prices increased 2.2%, up from November's 1.4%. Recent data shows producer inflation easing while consumer prices rose due to energy and food costs. (Source: Reuters)

December retail sales rose 0.4%, slightly below the 0.5% forecast, while November's gain was revised up to 0.8%. A smaller increase in car sales (+0.7%) contributed to the December slowdown after November's 3.1% surge. Despite this, the report indicates strong consumer momentum heading into 2025, supported by stable incomes. (Source: Barron's)

The International Monetary Fund (IMF) now projects the U.S. economy will grow by 2.7% in 2025, up from its earlier estimate of 2.2%, outpacing other major Western nations. In contrast, growth forecasts for Germany, France, Italy, and Canada have been downgraded. This highlights the U.S.'s strong productivity, resilient labor market, and effective Federal Reserve policies in navigating global challenges. (Source: Wall Street Journal)

Goldman Sachs CEO David Solomon noted a surge in CEO confidence and business optimism following Donald Trump's election and the Republican power shift in Washington. Speaking last Wednesday, Solomon highlighted increased dealmaking appetite and improved regulatory expectations. Supporting this, the Chicago Fed Survey predicts a stronger 12-month outlook, and the NFIB Small Business Optimism Index hit its highest since October 2018 in December. (Source: CNBC)

The S&P 500 looks expensive, with a forward price-to-earnings ratio of 21.4 for 2025, near its highest since spring 2021, per FactSet. Relative to sales, it's the priciest since the post-dot-com bubble period. Some suggest evaluating stock costs against consumer purchasing power for a clearer perspective. (Source: MarketWatch)



The year-end Consumer Price Index (CPI) showed mixed inflation signals. CPI rose 0.4% in December, driven by higher energy and food prices, while core CPI, excluding these, increased just 0.2%. Shelter costs rose 0.3%, slightly lower due to declines in lodging away from home, though rents and owners' equivalent rent edged up 0.3%. Notable price hikes included new vehicles (+0.5%), used cars (+1.2%), vehicle insurance (+0.4%), and airfares (+3.9%), while personal care, communication, and alcoholic beverages saw declines. (Source: Ned Davis Research)

OPEC maintained its oil demand forecast for 2025, expecting a 1.45 million barrels per day (bpd) increase this year and 1.43 million bpd in 2026, driven by transportation fuels. This outlook is more optimistic than the International Energy Agency's estimate of 1.05 million bpd growth for 2025. Global demand is projected to average 105.2 million bpd this year and 106.6 million bpd next year. (Source: Wall Street Journal)

Employers ended the year on a high note by boosting year-end bonuses after a stretch of job and wage growth. According to data from HR provider Gusto, the average December bonus rose to \$2,503, a 2% increase from \$2,447 in 2023. The report analyzed over 400,000 small- to medium-sized businesses nationwide. (Source: CNBC)

On January 21, 1977, President Jimmy Carter granted an unconditional pardon to hundreds of thousands who evaded the Vietnam War draft. Around 100,000 fled abroad, mostly to Canada, which welcomed them as immigrants after initial controversy. About 1,000 U.S. military deserters also

sought refuge in Canada, where authorities chose not to prosecute them. (Source: History.com)

The word "tycoon" entered English from the Japanese *taikun*, meaning "great ruler," with Chinese roots. In the 1850s, Commodore Matthew Perry, seeking a meeting with Japan's top authority, was introduced to the shogun, the true power in Japan then. Officials used *taikun* to emphasize the shogun's status. The term caught on in the U.S. and broadened in meaning. (Source: Mental Floss)

Canada may not seem like a baseball hub, but Labatt Memorial Park in London, Ontario, holds a special place in history as the world's oldest continuously operating baseball field. Dating back to 1877, the park, originally Tecumseh Park, has been a community and cultural landmark. Located at the Forks of the Thames River, the site was historically a hub for trade and gatherings, with baseball believed to have been played there as early as 1870. (Source: Village Life)



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