PHOENIX
ASSET ADVISORS, LLC

# Weekly Market Recap

## January 3, 2025

## Market Commentary

**Last Week's Highlights:** While some sectors were strong during the period, the S&P 500 failed to deliver a "Santa Rally" this year. The Dow was up 0.44% last week, while the S&P 500 added 1.03%, the Nasdaq was up 1.61%, while the Russell 2000 gained 1.72%. Bond yields were mixed for the week, with bonds moving lower. The BBgBarc Agg Bond Index was down 0.15% for the week, while short-term bonds down only 0.01%. The US dollar was higher for the week, causing international equities to lag. The MSCI EAFE Index was down 0.31%, while the MSCI Emerging Markets Index lost 0.21%. **Economic Data:** Economic data will be plentiful this week, with most focusing on the Jobs Report. The key economic data releases this week are Total Vehicle Sales, S&P Services PMI, Factory Orders, ISM Non-manufacturing PMI, JOLTS Job Openings, Initial Jobless Claims, Continuing Claims, Consumer Credit, NFIB Small Business Optimism, Wholesale Inventories, Challenger Job Cuts, Average Hourly Earnings, Nonfarm Payrolls, Unemployment Rate, & UoM Consumer Sentiment. **Earnings Releases:** There are few notable earnings releases before next week's onslaught of Q4 earnings season. The key earnings releases this week are PKE, CALM, APOG, ACI, AYI, KBH, SMPL, STZ, SAL, WBA, & FRCB. **Takeaways:** Breadth continues to be an issue for equities as the percent of stocks in the S&P 500 trading above their respective 200-day and 50-day moving averages rebounded on Friday, the numbers are still well below average. Bond yields continue to climb, which poses a risk to equities. However, it's typically a mistake to "fight the tape" as they say. Most economists and forecasters get it wrong when trying to guess the final return for markets by year-end. With that being said, there are several challenges for equities in the New Year. Despite rate cuts by the Fed in 2024, the 30-year mortgage rate has crept back up to 6.91% and the 10-year Treasury Yield has risen nearly 100 basis points since the Fed first began cutting. That poses a risk to consumer spending as certain elements of inflation remain high. The latest outlook for 4th quarter GDP by the Atlanta Fed dropped from 3.1% the previous week to only 2.4% last week. In addition, the S&P 500 tends to be lower in a year followed by more than 50+ all-time-highs in a calendar year, lower in the 1st year of a GOP presidency, and lower in year 3 of a Bull Market cycle. Given low volatility last year, we could see more volatility in 2025.

## Market Returns

| Sectors | 1 Week Return | YTD Return |
|---|---|---|
| Technology | 1.69% | 1.69% |
| Industrials | 0.72% | 0.72% |
| Energy | 2.00% | 2.00% |
| Communication Svcs | 1.55% | 1.55% |
| Basic Materials | -0.98% | -0.98% |
| Consumer Cyclical | 0.92% | 0.92% |
| Financial Svcs | 0.69% | 0.69% |
| Real Estate | 0.45% | 0.45% |
| Consumer Defensive | -0.13% | -0.13% |
| Healthcare | 1.09% | 1.09% |
| Utilities | 2.15% | 2.15% |

| Key Indices | 1 Week Return | YTD Return |
|---|---|---|
| S&P 500 | 1.03% | 1.03% |
| Dow Jones Industrial Average | 0.44% | 0.44% |
| Russell 2000 | 1.72% | 1.72% |
| Nasdaq | 1.61% | 1.61% |
| MSCI EAFE | -0.31% | -0.31% |
| BBgBarc Agg Bond | -0.15% | -0.15% |
| 60% S&P / 40% BB Agg Bond | 0.56% | 0.56% |

| Key Rates—as of 1/3/2025 | |
|---|---|
| 3mth T-bills | 4.31% |
| 2yr U.S. Treasury | 4.29% |
| 10yr U.S. Treasury | 4.60% |
| Fed Funds | 4.25%-4.50% |

**Investment Styles—1 Week Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 0.51% | 0.47% | 2.48% |
| Mid | 0.76% | 0.56% | 2.09% |
| Small | 0.59% | 0.90% | 2.06% |

**Investment Styles—YTD Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 0.51% | 0.47% | 2.48% |
| Mid | 0.76% | 0.56% | 2.09% |
| Small | 0.59% | 0.90% | 2.06% |

*See important disclosures on last page.*

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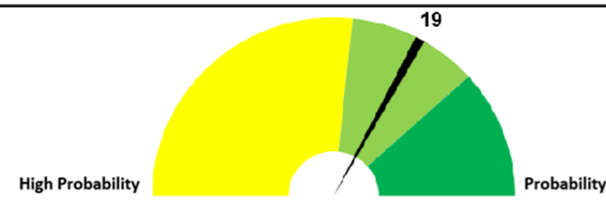
## Recession Indicator

The current score of our Recession Indicator suggests that there is a <u>moderate probability</u> of a recession in the next 6-12 months. The Indicator was unchanged last week. It stands at a level of 19. The ANCFI, and the Financial Stress Index are at a positive levels. The Weekly Economic Index, CPI, KC Labor Market Index, & S&P 200 DMA are at moderate levels. The Yield Curve, Consumer Sentiment, Sahm Rule, Housing Starts, & the Savings Rate are at warning levels.




| *Probability of Recession* | |
|---|---|
| Low | 30-24 |
| Moderate | 23-17 |
| High | 16-10 |

*Source: Eudaimonia Asset Management*

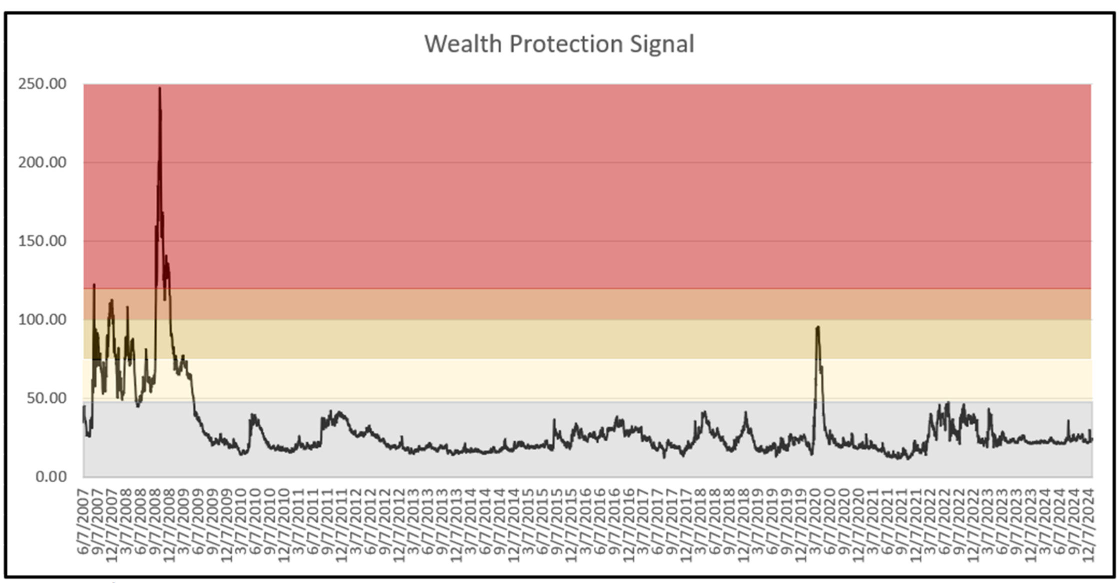
## Wealth Protection Signal

**<u>Description</u>**

The Wealth Protection Signal measures panic or "fear" among investors, as well as, "volatility" in the market. The Signal is comprised of a proprietary weighting to the VIX Index (volatility) and to the TED Spread (fear). When these indices spike, major market meltdowns tend to follow. The Signal is also measured against the Yield Curve. When the 1st Cash Raise Level is reached, the Yield Curve (2yr Treasury Bond Yields > than 10yr Treasury Bond Yields) must also be inverted or have been inverted within the past 90 days in order for the 1st Cash Raise to trigger.

**<u>Current Level</u>**

The current level of the Wealth Protection Signal is at 23.68 as of Friday's close on January 3rd, 2024. The Signal increased 0.4% last week. Volatility eased late in the week last week. The Signal would have to increase 90% to reach the first cash raise trigger. The Wealth Protection Signal is currently indicating that investors should have a <u>0% cash-weighting</u> as a defensive position within their respective asset allocation at this time.




*Source: Eudaimonia Asset Management*

| Cash Raise Level |
|---|
| 40% |
| 30% |
| 20% |
| 10% |
| 0% |

**Current Level**
23.68
1/3/2025

*See important disclosures on last page.*

## Disclosures

*Sources: Investment Style returns are derived from Morningstar, Inc. (https://indexes.morningstar.com/indexdata#). Key Rates table derived from Bloomberg. (https://www.bloomberg.com/markets/rates-bonds/government-bonds/us). Sectors and Key Indices tables are derived from Charles Schwab Advisor Center.*

*Recession Indicator is comprised of 10 economic measurements including, the Yield Curve, GDP, Inflation, Wage Growth, Unemployment, Housing Starts, Consumer Sentiment, Adjusted National Financial Conditions Index, the Fed's Financial Stress Index, U.S. Savings Rate, and the NAAIM (National Association of Active Investment Managers) Index.*

*Wealth Protection Signal is comprised of the VIX and the TED Spread Indices. The VIX Index is the Chicago Board of Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. The TED Spread is the price difference between 3-month futures contracts for U.S. Treasuries and 3-month futures contracts for Eurodollars having identical expiration months.*

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*Any market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.*

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### Risk Disclosure

No investment strategy or risk management technique can guarantee returns or eliminate risk in any market environment.

All investments include a risk of loss that clients should be prepared to bear.