

1/13/2025

The Week Ahead



THINGS TO WATCH

December Inflation Situation

After last Friday's upside surprise in December nonfarm payrolls (256,000 vs 156,000 median Bloomberg estimate), both stock and bond markets will be rooting for tame producer price index (PPI) and consumer price index (CPI) readings tomorrow and Wednesday, respectively. PPI, a measure of wholesale price inflation, has increased by 0.2%-0.4% for 4 straight months for the first time since June 2022. Year-over-year headline CPI is projected to have accelerated to 2.9% last month, which would be the highest reading since July. Hotter-than-expected inflation data this week could put further upward pressure on bond yields and weigh on the major U.S. equity averages.

Bank Earnings

Financial guidance from bank management teams could make headlines this week as lenders prepare for a likely change in the regulatory environment with the incoming Trump administration. On Wednesday morning, Wells Fargo (WFC), JPMorgan Chase (JPM), Goldman Sachs (GS), and Citigroup (C) deliver fourth quarter results. Bank of America (BAC), Morgan Stanley (MS), US Bancorp (US), and PNC Financial Services (PNC) take their turns on Thursday. Truist Financial (TFC) and Citizens Financial Group (FNC) wrap up the week on Friday. Management commentary on demand trends in dealmaking and middle-market commercial lending units will probably be among the most newsworthy items from this group.

Key S&P 500 Levels

The S&P 500 finished last week at 5,827.04, down 3.3% from its all-time closing high of 6,090.27 on December 6. The benchmark has not closed below its 100-day moving average (currently 5,820) since August 8 in the immediate aftermath of the Japanese yen carry trade turmoil. If the benchmark can hold above the 5,820 level this week, it would raise the odds that the current bout of market weakness ends up being a period of consolidation rather than the beginning of a deeper correction – perhaps back to test the 200-day moving average of 5,573.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
JOLTS Job Openings (Millions)	8.10	7.86	▲
ISM Services PMI	54.1	54.9	▼
Non-Farm Payrolls (Thousands)	256	255	▲
Unemployment Rate	4.1%	4.1%	-
Average Hourly Earnings (Y/Y)	3.9%	3.9%	-
U. of Mich. Consumer Sentiment	73.2	70.5	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	41938.45	-1.83%	-1.38%	13.33%
NASDAQ	19161.63	-2.34%	-0.76%	28.95%
S&P 500	5827.04	-1.91%	-0.89%	23.49%
MSCI EAFE	2271.21	-0.82%	-0.73%	3.55%
BB U.S. Aggregate	2178.80	-0.90%	-0.99%	1.21%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.32%	4.36%	5.37%
10-Year Treasury	4.76%	4.23%	4.03%

REPORTS DUE THIS WEEK	LATEST
NFIB Small Business Optimism	101.7
Producer Price Index (Y/Y)	3.0%
Consumer Price Index (Y/Y)	2.7%
Core Consumer Price Index (Y/Y)	3.3%
Retail Sales (M/M)	0.7%

Total returns are as of 1/10/25. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

38.5 million

According to the U.S. Geological Survey, the number of metric tons of rare earth metal and oxide reserves believed to be in Greenland, more than 20 times the proven reserves in the U.S. These minerals, which include lithium, niobium, hafnium, and zirconium, are critical inputs to high-end battery cells and cutting-edge military equipment. President-elect Trump has recently suggested the U.S. may purchase the semi-autonomous island nation from Denmark due to its geostrategic importance and mineral wealth.

\$50 billion

According to a JPMorgan analysis, southern California's recent wildfires have caused an estimated \$50 billion in total losses. More than 2,000 structures have been destroyed and 30,000 acres have been scorched. Hundreds of thousands of people have been left without power and 180,000 forced to evacuate as of last Friday. The estimated insured losses of \$8 billion currently remain below the 2018 Camp Fire in north-central California, which caused an inflation-adjusted \$12.5 billion in losses, the costliest wildfire on record.

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