

US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	4.305 (0.8 bps)	Bond Buyer 40 Yield:	4.47 (-2 bps)
6 Mo. T-Bill:	4.280 (-2.3 bps)	Crude Oil Futures:	74.66 (-3.22)
1 Yr. T-Bill:	4.157 (-4.6 bps)	Gold Spot:	2,770.58 (+67.33)
2 Yr. T-Note:	4.266 (-1.7 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	4.326 (-2.2 bps)	U.S. High Yield:	7.40 (-5 bps)
5 Yr. T-Note:	4.426 (-0.5 bps)	BB:	6.36 (-4 bps)
10 Yr. T-Note:	4.621 (-0.6 bps)	B:	7.47 (-4 bps)
30 Yr. T-Bond:	4.845 (-1.1 bps)		

Treasury yields remained relatively flat over the course of the week as investors weighed the impact of potential tariffs from the Trump administration along with spending on artificial intelligence (AI). President Donald Trump assumed office on Monday, and did not immediately impose tariffs on China as many feared, along with saying that he wouldn't consider tariffs on Mexico or Canada until next month. Overall, he presented a much softer stance on free trade, leading to optimism in the markets. President Trump also called for OPEC to lower crude oil prices while Russian President Vladimir Putin said he would discuss energy issues with Trump. This led oil prices to drop 4% over the course of the week. Together, these policy positions eased investors' concerns about future inflation. The administration also announced dramatic initiatives to build out AI datacenters, which included significant spending that could put upward pressure on inflation, but also help fuel growth. Altogether, the market implied probability of a cut to the Federal Funds Rate by the Federal Reserve Bank remained at essentially 0% at the January 29th meeting, and the chances of a cut at the March meeting dropped slightly from 30% to 27%. The implied rate for the end of 2025 also dropped slightly from 3.95 to 3.91. Major economic reports (related consensus forecasts, prior data) for the upcoming week include: Monday: December New Home Sales (670k, 664k); Tuesday: December Prelim. Durable Goods Orders (0.4%, -1.2%), January Conf. Board Consumer Confidence (105.6, 104.7); Wednesday: January 24 MBA Mortgage Applications (n/a, 0.1%), December Prelim. Wholesale Inventories MoM (n/a, -0.2%), January 29 FOMC Rate Decision (Upper Bound) (4.50%, 4.50%); Thursday: 4Q Advance GDP Annualized QoQ (2.7%, 3.1%), January 25 Initial Jobless Claims (223k, 223k); Friday: December Personal Income (0.4%, 0.3%), December Personal Spending (0.5%, 0.4%), January MNI Chicago PMI (40.0, 36.9)

US Equities

Weekly Index Performance:

Market Indicators:

The Dow®	44,424.25 (2.19%)	Strong Sectors:	Comm. Services, Health Care
S&P 500®	6,101.24 (1.76%)		Industrials
S&P MidCap 400®	3,275.64 (1.11%)	Weak Sectors:	Cons. Discretionary, Materials
S&P SmallCap 600®	1,455.30 (0.93%)		Energy
Nasdaq Composite®	19,954.30 (1.65%)	NYSE Advance/Decline:	1,854 / 985
Russell 2000®	2,307.74 (1.4%)	NYSE New Highs/New Lows:	262 / 52
		AAll Bulls/Bears:	43.4% / 29.4%

The S&P 500 gained 176 basis points last week experiencing robust strength as all sectors besides the Energy sector finished the week in the green. The best performing sector was the Communications Services sector which return 4.02%. The sector was led higher by **Netflix Inc** which returned 13.92% following its 4th quarter results. The streaming company beat on both the top and bottom line, but the primary focus was the firm's subscription numbers. In the quarter the firm added 18.9 million paid subscribers compared to estimates of 9.8 million subscribers. Live sporting events such as the Jake Paul – Mike Tyson fight and NFL games were attributed to the robust subscriber growth. The Energy sector fell 2.89% last week experiencing broad based weakness as only 3 of the 22 constituents had a positive return. Comments from President Trump weighed on energy prices as he announced plans to boost domestic production and demanded that OPEC move to lower crude prices. President Trump's comments regarding tariffs also impacted energy prices as they could lead to softer economic activity. Outside of tariffs and energy production President Trump also moved markets as he announced an AI venture called "Stargate." The President was accompanied by the CEOs of OpenAI, Softbank, and Oracle last Tuesday to announce the venture which has the goal to invest \$500 billion in AI infrastructure over the next four years. The goal of the project will be to construct data centers to support AI development in the United States. The initial goal is to build 10 data centers, with the first one already started in Texas, and eventually expanding to 20 locations each about a half a million square feet in size. **Oracle** rose 14.02% while **SoftBank Group** rose 16.30% following the announcement. Inadvertently, following the Stargate press conference **Moderna Inc** rallied 21.58% last week making it the top performing company in the S&P 500. The embattled biotech firm finally caught a bid after Oracle CEO, Larry Ellison, explained how AI may offer breakthroughs in cancer treatments specifically using RNA based vaccines which is the platform Moderna used for its Covid vaccine. Upcoming this week there will be plenty of news for investors to parse through. 102 companies in the S&P 500 are expected to report results, notable names include: **General Motors, Tesla, Eaton, Mastercard, Meta Platforms, and Microsoft.**

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