WEEKLY MARKET UPDATE | JANUARY 31, 2025

Stocks end mixed "in the mode of waiting to see".

The economy

- U.S. equities saw mixed performance during the week ending January 31 in reaction to a significant development in the artificial intelligence (AI) industry, the Federal Reserve's (Fed) pause in its interest-rate-cutting cycle, and generally favorable economic data. Additionally, stocks declined on Friday afternoon in response after the Trump administration announced the assessment of tariffs on imported goods from Canada, Mexico, and China, set to take effect tomorrow.
- The week began with a steep market decline following news that China-based DeepSeek has developed complex, high-performance AI models at substantially lower costs compared to its U.S.-based counterparts. This led to a sharp selloff in the technology sector amid investors' fears that U.S. companies will not be able to compete with DeepSeek. The tech-heavy Nasdaq Composite Index and the broad-market S&P 500 Index moved lower during the week. In contrast, the Dow Jones Industrial Average—which has relatively smaller exposure to mega-cap tech stocks and no position in U.S. chipmaker Nvidia Corp., whose shares tumbled nearly 17% on Monday—posted a gain for the week. Tech stocks subsequently recovered some of their losses as some market analysts and tech company executives stated that less expensive AI will accelerate the adoption of the technology, benefiting the industry.
- The Federal Open Market Committee (FOMC) left the federal-funds rate unchanged in a range of 4.25% to 4.50% during its meeting on Tuesday and Wednesday, ending a streak of three consecutive rate cuts totaling 100 basis points (1.00%) in September, November, and December of last year. In a statement announcing the rate decision, the FOMC noted, "The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate." The Committee also said that it "would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals."
- Deviating from recent policy statements, the FOMC did not include any reference to inflation progressing toward the Fed's 2% target rate. At a news conference following the Committee meeting on Thursday, Fed Chair Jerome Powell commented that "this was not meant to send a signal." Regarding the possible economic impact of Trump administration's policies and how the central bank would respond, Powell said. The Committee is very much in the mode of waiting to see."
- The Department of Commerce reported that the personal-consumption-expenditures (PCE) price index rose 0.3% in December, up from the 0.1% increase in November and in line with expectations. The index's annual increase of 2.6% was slightly higher than the 2.4% increase in November. Costs for energy goods and services climbed 2.7% during the month. The core PCE price index, which excludes volatile food and energy prices, rose 0.2% in December, up marginally from the 0.1% uptick for the previous month. The year-over-year advance of 2.8% matched the annual upturn in November. The PCE price index is widely considered the Fed's preferred measure of inflation as it tracks the prices that consumers pay for goods and services to reveal underlying inflation trends.
- According to the initial estimate from the Department of Commerce, U.S. gross domestic product (GDP) grew at an annualized rate of 2.3% in the fourth quarter of 2024—down from the 3.1% increase in the third quarter. The U.S. economy expanded by 2.5% for the 2024 calendar year, lagging the 3.2% annual gain in 2023. The largest contributors to GDP growth for the fourth quarter included consumer spending and federal government spending. This was partially offset by a decline in nonresidential fixed investment (purchases of both nonresidential structures and equipment and software).

Stocks

- Global equities were flat over the week. Developed markets outperformed emerging markets.
- U.S. equities were mixed during the week. Communication services and consumer staples were the top-performing sectors, while information technology and energy were the primary market laggards.
- Value stocks led growth, while small caps outperformed large caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 4.55% over the week.
- Global bond markets posted gains for the week.
- Government bonds led the markets, followed by corporate bonds and high-yield bonds.

The Numbers as of January 31, 2025	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.0%	3.7%	18.6%	872.7
MSCI EAFE ($)	0.9%	5.4%	6.8%	2382.9
MSCI Emerging Mkts ($)	0.5%	1.9%	11.6%	1095.7
US & Canadian Equities				
Dow Jones Industrials ($)	0.3%	4.7%	15.6%	44544.7
S&P 500 ($)	-1.0%	2.7%	23.1%	6040.5
NASDAQ ($)	-1.6%	1.6%	27.8%	19627.4
S&P/ TSX Composite (C$)	0.3%	3.3%	20.9%	25533.1
UK & European Equities				
FTSE All-Share (£)	2.0%	5.4%	13.2%	4710.6
MSCI Europe ex UK (€)	1.4%	7.0%	10.4%	1889.5
Asian Equities				
Topix (¥)	1.4%	0.1%	10.0%	2788.7
Hong Kong Hang Seng ($)	0.8%	0.8%	29.9%	20225.1
MSCI Asia Pac. Ex-Japan ($)	0.2%	1.3%	14.5%	576.8
Latin American Equities				
MSCI EMF Latin America ($)	2.7%	10.3%	-20.4%	2042.6
Mexican Bolsa (peso)	-0.3%	3.4%	-11.5%	51189.6
Brazilian Bovespa (real)	3.1%	5.0%	-1.7%	126241.2
Commodities ($)				
West Texas Intermediate Spot	-3.0%	1.4%	-1.5%	72.7
Gold Spot Price	1.3%	7.0%	36.7%	2808.8
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.3%	0.7%	0.2%	466.8
JPMorgan Emerging Mkt Bond	0.5%	1.3%	7.8%	908.6
10-Year Yield Change (basis points*)				
US Treasury	-8	-3	67	4.55%
UK Gilt	-9	-3	79	4.54%
German Bund	-11	9	31	2.46%
Japan Govt Bond	1	14	54	1.25%
Canada Govt Bond	-21	-15	-20	3.07%
Currency Returns**				
US$ per euro	-1.3%	0.1%	-4.7%	1.036
Yen per US$	-0.6%	-1.3%	5.9%	155.13
US$ per £	-0.7%	-1.0%	-2.7%	1.240
C$ per US$	1.3%	1.0%	8.6%	1.453

Source: Bloomberg. Equity-index returns are price only, others are total returns.
*100 basis points = 1 percentage point.
**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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