

Market and Economic Highlights

- ▶ Hawkish 25 basis point rate cut by the Federal Reserve
- ▶ Fed dot plots projected only 50 basis points of cuts in 2025
- ▶ U.S. equities were mostly lower but the Nasdaq was positive
- ▶ Strong performance from big tech
- ▶ Inflation in line, nonfarm payrolls higher, but unemployment also higher

Sources: FactSet, Bloomberg

Market Returns

Market Index	1-Month	3-Month	YTD	1-Year
Bloomberg 9-12 Month T-Bill	0.48%	0.95%	5.12%	5.12%
Bloomberg 1-5 Year Government	-0.09%	-0.81%	3.32%	3.32%
Bloomberg Intermediate U.S. Gov/ Credit A or Better	-0.59%	-1.65%	2.74%	2.74%
Bloomberg Intermediate U.S. Agg.	-0.93%	-2.07%	2.47%	2.47%
S&P 500	-2.39%	2.39%	25.00%	25.00%
Russell 2000	-8.26%	0.33%	11.53%	11.53%

Source: Bloomberg; As of 12/31/24

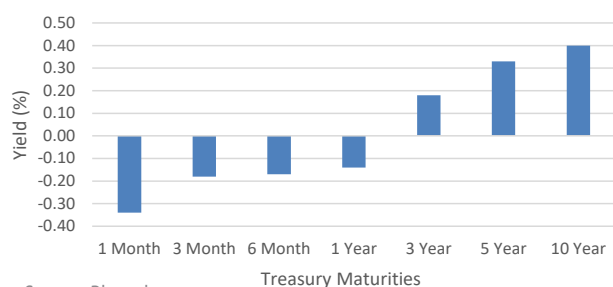
FEATURED MARKET DATA

Steepening Yield Curve

The Federal Reserve cut rates by 0.25% as expected in December to a range of 4.25-4.50%, yet longer-term yields rose for the month. The shift up in longer term yields was due in part to a hawkish tone from the Federal Reserve. In its statement following the December meeting, the Federal Open Markets Committee said it would consider the “extent and timing” of additional rate cuts. In addition, the Fed’s dot plot showed a decrease to two expected rate cuts in 2025 and a continued increase in the “longer run,” or neutral rate, of interest rates to 3.0%. These factors contributed to rising longer term rates and resulted in negative bond returns for December. Overall, a positively sloping yield curve is considered healthy for markets and the economy.

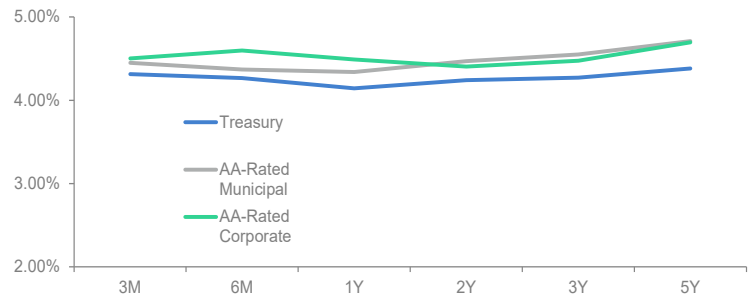
Source: Bloomberg

December Change in Treasury Yields



Source: Bloomberg

Market Yields



Source: Bloomberg Finance L.P. 12/31/24

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Consumer Price Index (YoY)	12/11/24	NOV	2.7%	2.7%	2.6%
Personal Income	12/20/24	NOV	0.4%	0.3%	0.7% (R)
Personal Spending	12/20/24	NOV	0.5%	0.4%	0.3% (R)
Core PCE (MoM)	12/20/24	NOV	0.2%	0.1%	0.2%
Core PCE (YoY)	12/20/24	NOV	2.9%	2.8%	2.8%
Chicago Fed National Activity Index	12/23/24	NOV	-0.15	-0.12	-0.50 (R)
Consumer Confidence	12/23/24	DEC	113.2	104.7	112.8 (R)
Change in Nonfarm Payrolls	01/10/25	DEC	153K	--	227K
Unemployment Rate	01/10/25	DEC	4.2%	--	4.2%

Source: Bloomberg Finance L.P. 1/2/25. Glossary terms on following page.

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Glossary of Terms

Term	What is it:
Building Permits	Records the number of permits for future housing construction.
Capacity Utilization	Tracks the extent to which capacity is being used in the production of goods and services.
Change in Nonfarm Payrolls	This indicator measures the change in the number of employees on business and government payrolls.
Chicago Fed National Activity Index	A nationwide measure of economic activity and inflation pressures. An index value of zero indicates that the national economy is expanding at its historical trend rate of growth.
Consumer Confidence	Index examines how consumers feel about jobs, the economy and spending.
Consumer Price Index (CPI)	Measures the average change in retail prices over time for a basket consisting of more than 200 categories of assorted goods and services paid directly by consumers.
Core Consumer Price Index (Core CPI)	This measure of CPI excludes food and energy costs.
Durable Goods Orders	A measure of new orders placed with domestic manufacturers for durable goods, which are items that last three years or more.
Existing Home Sales	Measures monthly sales of previously owned single-family homes.
GDP Annualized QoQ	Measures the annualized quarterly growth of the final market value of all goods and services produced within a country. GDP is the foremost report on how fast or slow the economy is growing.
Housing Starts	Records the number of new housing units started during a period.
Index of Leading Economic Indicators (LEI)	An index designed to predict the direction of the economy.
Initial Jobless Claims	Tracks new filings for unemployment insurance benefits.
ISM Manufacturing	Measures manufacturing activity based on a monthly survey of purchasing managers.
MBA Mortgage Applications	The Mortgage Bankers Association's weekly mortgage application survey includes home loan application activity for conventional and government loans for home purchases and refinances.
Mortgage Delinquencies	A measure of the percent of total conventional and government loans which are at least one payment past due, but not in the process of foreclosure.
Personal Consumption Expenditure (PCE)	The Federal Reserve's preferred measure of inflation tracks overall price changes for goods and services. Core PCE excludes food and energy.
Personal Income and Spending	Index records the income Americans receive, how much they spend, and what they save.
Retail Sales	Tracks the sale of new and used goods for personal or household consumption.
Retail Sales Ex. Auto	Retail sales excluding motor vehicles and parts.
S&P Case-Shiller Home Price Index	Tracks the value of single-family housing within the U.S. There are multiple indexes including the 20-City Composite.
Unemployment Rate	The U-3 unemployment rates tracks the percentage of the civilian workforce that is unemployed.

Source: Bloomberg, The Secrets of Economic Indicators by Bernard Baumohl; PMA Asset Management, LLC

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