



The Weekly Market Update – 1/21/25: New President, But Earnings Are Important Too

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,996.66	2.91%	1.96%	1.96%	25.72%	6,090.27	1.6%
Dow Jones Industrial Average	43,487.83	3.69%	2.22%	2.22%	15.38%	45,014.04	3.5%
NASDAQ Composite	19,630.20	2.45%	1.65%	1.65%	30.77%	20,173.89	2.8%
Russell 2000	2,275.88	3.96%	2.05%	2.05%	12.27%	2,442.74	7.3%
MSCI EAFE (USD)	2,288.56	1.94%	1.18%	1.18%	2.34%	2,506.69	9.5%
MSCI Emerging Markets (USD)	1,070.12	1.23%	-0.50%	-0.50%	4.53%	1,444.93	35.0%
Bloomberg Commodity Index	103.70	1.18%	5.00%	5.00%	5.12%	237.95	129.5%
Barclays U.S. Aggregate Bond	90.25	0.97%	-0.21%	-0.21%	-1.58%	112.07	24.2%

Source: FactSet

As investors debate the potential impact from a range of expected policy actions in President Trump’s Administration, keep an eye on corporate earnings reports, which we view as an important driver of early 2025 equity market performance. In our opinion, strong fourth quarter (4Q24) S&P 500 earnings reports, now underway, can drive positive investor sentiment and near-term equity market performance. Earnings report volume ramps slowly as many companies work to complete audits of full-year results but the schedule heats up in late January through mid-February. As of 1/17/25, just 9% (43 companies) of S&P 500 companies had reported 4Q24 financial performance, and another 43 are scheduled this week. Largely due to strong early results from several large financial institutions, the 4Q24 FactSet consensus blended earnings growth estimate has moved higher, and now reflects year-over-year (Y/Y) expected growth of +12.3%, up modestly from an estimate of +11.6% at the end of December. The S&P 500 has not reported a quarter above +12% Y/Y earnings growth in three years (since 4Q21), and if sustained, this above-trend growth provides an important input supporting estimates for 2025 full-year earnings growth accelerating to +14.7% (consensus estimate, as of 1/17/25). We believe that accelerating earnings growth in 2025 is underpinning solid positive investor sentiment that is also supported by pro-growth optimism. The increase in 4Q24 S&P 500 earnings estimates is attributed to strong early results in the Financials sector. As more companies report results in the weeks ahead, we look for other sectors to also report better-than-expected results, providing more foundation to support 2025 earnings growth optimism.

The U.S. economy also enters 2025 with positive momentum as solid consumer data contributes to upward revisions to 4Q24 gross domestic product (GDP) estimates. As of 1/17/25, the FactSet consensus estimate for 4Q24 real (inflation-adjusted) GDP growth was +2.2%, up from an estimate of +1.6% at the end of October. An alternative estimate, the Federal Reserve Bank of Atlanta’s GDPNow estimate, was +3.0% as of 1/17. The GDPNow number tracks quarterly GDP growth as data is reported and becomes more reliable as more full-quarter data is available. With most, but not all, 4Q24 data reported, consumer spending in the quarter was tracking at +3.8% as 4Q24 jobs gains, retail sales, and November personal consumption expenditures (PCE) each exceeded expectations. If the +3.8% holds (December PCE has not been reported yet), it becomes the strongest annualized quarterly growth for consumer spending in seven quarters (since 1Q23) and reported 4Q24 GDP growth could exceed 3Q24’s +3.1%. While growth trends are expected to moderate in 1Q25 to +2.0%, that estimate as well has increased since the November election. Potential GDP upside can be attributed to enthusiasm for a pro-growth agenda pushed by President Trump, which prioritizes deregulation and low energy costs. We still expect headwinds from tariff uncertainty and budget battles, but for now, earnings and economic data is positive.

Following Monday’s MLK federal holiday, investors face a four-day market week, coinciding with the return of President Trump. While the second Trump Administration waits for the Senate to confirm and fill cabinet positions, the President has wasted little time in immediately signing executive orders. Perhaps most important for investors, the President declared a national energy emergency to find ways to encourage domestic energy production, expand exports, and find ways to expedite energy infrastructure projects. He also has rolled back climate commitments and clean energy incentives. Oil prices traded modestly lower on Tuesday.

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today, the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at <https://www.bea.gov/data/gdp/gross-domestic-product>.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics; the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey are drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

U.S. Personal Consumption Expenditures (PCE) is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis (BEA). Part of consumer spending is outlays made at retail stores and the U.S. Census Bureau reports monthly data on Advance Monthly Sales for Retail and Food Services.

2024 Election Day was 11/5/24. On the national level, voters selected the next president of the U.S. and state elections determined the party control (Democratic or Republican) of Congress, both the U.S. House of Representatives and the U.S. Senate. Inauguration Day is 1/20/25, and the Republican party will control the Presidency and both chambers of Congress. On the campaign trail, President-elect Trump had promised the use of widespread (global) tariffs to counter tariffs on U.S. goods in other countries, as well as to incentivize more U.S. manufacturing. In addition, Trump intends to limit illegal immigration and asylum seekers and to deport immigrants that did not use proper channels. The impact this may have on the U.S. labor market is uncertain.

Martin Luther King Jr. (MLK) Day is a federal holiday in the U.S. occurring on the third Monday of January. U.S. financial markets are closed.