

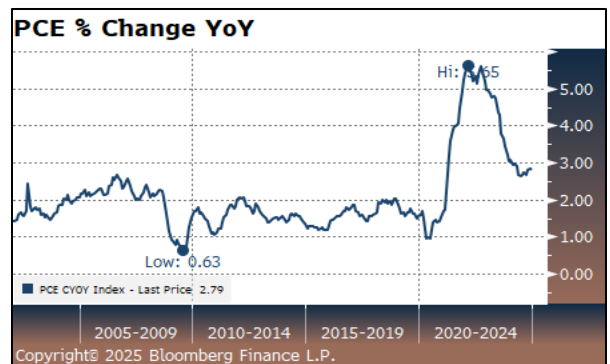
Executive Summary:

- While inflation is trending lower, the deceleration has slowed. How much will the Fed continue to ease?
- Companies are reporting their Q4 numbers and results have been mixed.
- Stock market volatility has increased in recent months due to greater uncertainty about the economy, the impact of tariffs, and the Fed’s decisions on monetary policy.

February is off to an interesting start, and the markets are keeping us on our toes. As we move past the first month of the year, investors are trying to wrap their heads around a couple of big themes that will shape the coming months. Between inflation, interest rates, and earnings reports, there is no shortage of noise to filter through.

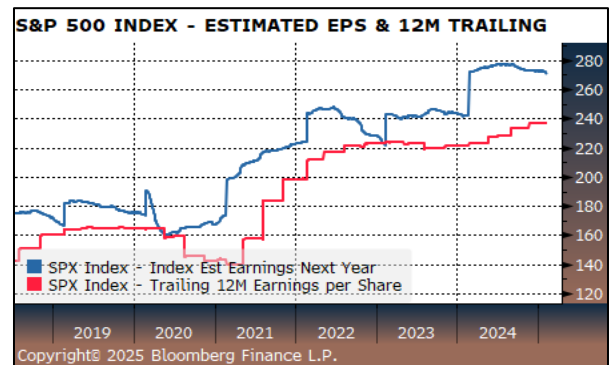
Inflation Interest Rates

Over the past couple of years, inflation has been on the minds of investors, and while there has been solid improvement, it is still lurking in the foreground. The Fed's interest rate moves have made their mark, but the question now is: *Are they done?* The market is expecting a 25 bps rate cut mid-year, then a 50% chance of another 25 bps cut by the end of 2025. While inflation is trending lower, the deceleration has slowed. Economic indicators show resilience in employment, which could allow for the Fed to pause for an extended period. That means we need to keep an eye on every Fed statement and employment report, because the central bank is likely not ready to call it quits just yet.



Earnings Season

At this point in the quarter, we are right in the thick of earnings season. Companies are reporting their Q4 numbers and while results have been reasonably solid, future guidance has been mixed. Tech is still flexing, but not quite as strong as it used to. The big names are hanging in there, but there is more talk about cost-cutting, layoffs, and slowing growth. Meanwhile, sectors like energy are holding up better than expected, benefiting from high commodity prices. The key takeaway here is: we are not in a one-size-fits-all environment anymore. It is about finding those companies that can weather the storm and adapt to shifting market conditions. This type of environment lends itself well to active and customized investment solutions.



Volatility is the Name of the Game

If you are feeling whiplash, you are not alone. The market’s volatility index, or VIX, has moved higher, which means we are likely in for continued swings. Investors are clearly grappling with the unknowns ahead. Will inflation continue to cool? Can earnings keep pace while economic growth slows? Will tariffs be implemented? There is a lot of uncertainty out there, and that is



going to keep volatility front and center in the conversation. Buckle up! The next few months will require some patience.

The Bottom Line

So, where do we go from here? The key is balance. We are looking at a market that is at numerous inflection points. As your portfolio managers, we will stay sharp and focus on long-term fundamentals, looking for companies with solid growth prospects that are not overly reliant on external factors like interest rates or supply chain disruptions.

While there is more to come before we get any clear answers, the market is showing us that it is still alive, kicking, and full of opportunities—if you know where to look.

SECTORS	2024	YTD	EQUITY INDICES	2024	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	55.80%	7.00%	S&P 500 INDEX	25.00%	2.59%	WTI CRUDE FUTURE Mar25	70.61	-0.35%
S&P 500 CONS DISCRET IDX	42.30%	0.90%	DOW JONES INDUS. AVG	14.99%	4.27%	BRENT CRUDE FUTR Apr25	74.29	0.57%
S&P 500 CONS STAPLES IDX	0.52%	3.67%	NASDAQ COMPOSITE	29.60%	1.11%	NATURAL GAS FUTR Mar25	3.41	7.33%
S&P 500 ENERGY INDEX	-1.42%	3.85%	S&P 400 MIDCAP INDEX	13.89%	2.83%	LME COPPER 3MO (\$)	9,276.50	5.80%
S&P 500 FINANCIALS INDEX	12.10%	7.36%	RUSSELL 1000 GROWTH INDX	33.35%	1.78%	Gold Spot \$/Oz	2,859.38	9.59%
S&P 500 HEALTH CARE IDX	2.06%	6.70%	RUSSELL 1000 VALUE INDEX	14.35%	4.58%	Silver Spot \$/Oz	31.96	10.12%
S&P 500 INDUSTRIALS IDX	18.08%	4.32%	RUSSELL MIDCAP RT INDEX	15.34%	4.37%	Euro Spot	1.04	-0.84%
S&P 500 INFO TECH INDEX	57.84%	-2.33%	RUSSELL 2000 INDEX	14.28%	2.27%	British Pound Spot	1.24	-1.14%
S&P 500 MATERIALS INDEX	12.55%	5.11%	MSCI ACWI ex US	5.53%	4.85%	Japanese Yen Spot	152.53	3.68%
S&P 500 REAL ESTATE IDX	12.35%	3.23%	MSCI EAFE	4.44%	6.06%	DOLLAR INDEX SPOT	107.69	-0.35%
S&P 500 UTILITIES INDEX	-7.08%	3.36%	MSCI EM	8.00%	2.65%			

Source: Bloomberg

As of: 2/7/2025

Total Return

Bloomberg Barclays Bond Indices	2023	2024	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	5.53%	1.25%	1.22%	6.21	8.51	4.80%	Effective Fed Funds	4.33%
Intermediate	5.24%	3.00%	0.84%	3.88	4.32	4.52%	2-yr Treasury	4.27%
Global Agg ex USD	5.72%	-4.22%	1.34%	7.10	8.65	2.57%	10-yr Treasury	4.48%
Inv Grade Corporate	8.52%	2.13%	1.28%	7.07	10.66	5.25%	10-yr German Bund	2.37%
U.S. Corporate High Yield	13.45%	8.19%	1.54%	3.35	4.73	7.17%	Prime Rate	7.50%
Tax Exempt							30 Year Fixed Mortgag	6.94%
Muni 1-10 Yr Blend (1-12)	4.61%	0.91%	1.13%	3.99	6.31	3.15%		

Source: Bloomberg

As of: 2/7/2025

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