



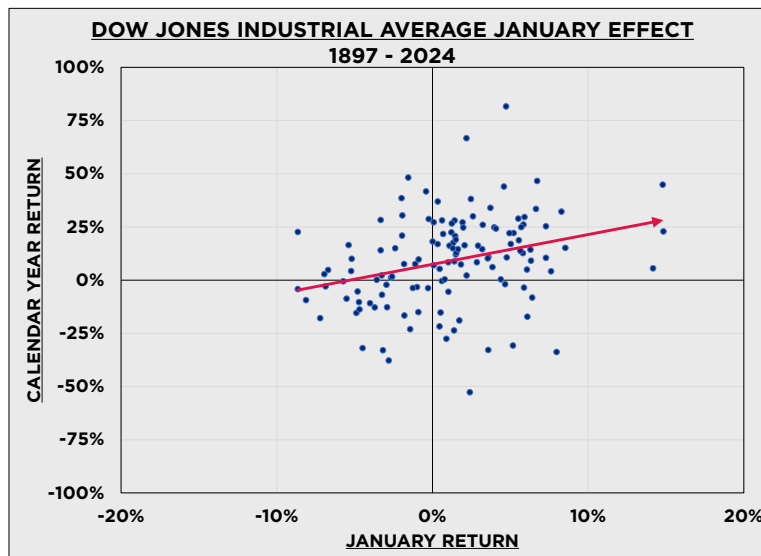
Market update

February 5, 2025

A sizable stock market rally in January more than offset December losses and came amidst heightened uncertainties over economic policies around the world. The new U.S. administration began with a blizzard of executive orders, many of which were read as supportive of economic growth although the impact of higher tariffs was unclear. The Federal Reserve left its policy rate unchanged, and the bond market responded favorably.

	<u>January</u>	<u>Twelve Months</u>
• U.S. Taxable Bonds	+0.5%	+2.1%
• U.S. Stocks	+3.1%	+26.3%
• Foreign Stocks	+4.1%	+11.5%

Investor concerns over growth, inflation, interest rates and stock market valuations have carried over from 2024. Added to this mix is an aggressive agenda from the U.S. administration that has been met with an array of reactions from foreign governments. It is believed that some of the U.S. tariff proposal is part of a negotiating strategy and early outcomes support such a view. Nevertheless, the more aggressive the proposals, the greater the risk of equally dramatic counterproposals, the end points of which could be most unproductive. So far, there is more speculation than reality to help inform investment strategy.



An old adage is, “As the market performs in January, so will it perform for the full year.” The chart here shows this relationship over the past 128 years for the Dow Jones Industrial Average (“DJIA”). While the correlation is high, the relationship is not perfect. In 67 years (52%), the DJIA posted positive returns in both January and the full year. In 24 years (19%) returns were negative in both periods. The DJIA return of +4.8% this January is a hopeful signal for the full year. Of added interest is the January effect for years such as 2025 that follow a U.S. presidential election. The outcome is a little less certain with less than half (47%) of those years posting positive returns in both January and the full year. Certainly, much more determines stock market returns in any period than simple correlations. But at 70%, the odds are favorable for a positive DJIA return in 2025.