Daily Market Notes

January 6 , 2025

After five straight lower days for the S&P and Nasdaq, things made a terrific upside turnaround to end the week on Friday, which made what could have been an awful week into a sluggish lower week again.

The Dow gained 340 to 42,732 as NVDA made nice gains for the second day in a row and the financials also helped the upside while the group of losers like BA, MRK, NKE and PG continued to sag again.

The S&P rose by a strong 74 points up to 5942 as the recently suffering large technology leaders did very well, especially TSLA which had declined by 22%, with help from the financials and energy issues. It was the first gain since Christmas and its best day in nearly two months and as a result, it trimmed its loss for the week to 0.5%.

The Nasdaq did the best with a 340 point gain to 19,621 despite another loss by AAPL but a large gain from TSLA as previously mentioned. In addition to NVDA, other high tech items such as SMCI and PLTR did very well also. And ironically, now many of the technology experts who thought that the rally in these items had gone too far, they are getting bullish again.

RIVN jumped by 25% after saying it delivered more than 14,000 vehicles during the latest quarter, which was more than analysts expected.

On the losing end was X, which dropped after President Biden blocked the nearly $15 billion deal proposed by Japan’s Nippon Steel to buy its Pittsburgh-based rival.

Beer, wine and liquor companies sank after the U.S. Surgeon General warned about the direct link between alcohol consumption and increased cancer risk. He called for an update on the health warning label on alcoholic drinks, as well as for a reassessment of guidelines for alcohol consumption to account for cancer risk. As a result, stocks like TAP and BF.B, the Brown-Forman, the distillery behind Jack Daniel’s, lost 2.5%.

The Russell 2000 Index of small stocks, after doing poorly lately, came back up with a 37 point gain to 2268 on strength in small financials and the VIX got slammed down to 16.13.

The recent post-Christmas pullback dimmed its shine by only a bit following two stellar years for U.S. stock indexes. They had vaulted to records after the U.S. economy managed to keep growing despite high interest rates that have helped push inflation nearly all the way down to the Federal Reserve's 2% target.

But even though the economy and job market still look solid at the moment, the path ahead is not assured. Part of the reason the S&P set 57 new highs in 2024 was because of the expectation that the Fed would keep cutting interest rates through 2025, after it began easing them in September.

Traders are now pulling back their hopes for coming cuts to rates. Inflation is proving to be stubborn as the Fed tries to wring out the last percentage point of improvement to get inflation down to 2%. Worries are also rising that tariffs and other policies coming from the new President could put upward pressure on inflation. All the while, critics say U.S. stock prices simply look too expensive after rising so much faster than corporate profits.

The threat of new tariffs has also hurt stock markets overseas. For China, it has compounded worries about the world's second-largest economy, which is already contending with a struggling property market and other challenges.

Stocks dropped 1.6% in Shanghai to bring their loss for the week to 5.6%, though they climbed 0.7% in Hong Kong to trim their weekly loss to 1.6%. European stock indexes also fell.

South Korea jumped 1.8% after the acting president and finance minister promised to do more to stabilize the economy. The country is in the midst of a political crisis that has seen two heads of state impeached in under a month.

In the bond market, Treasury yields climbed after a report on U.S. manufacturing came in better than feared.

The report from the Institute for Supply Management showed another month of contraction for manufacturers, the 25th in the last 26. But it wasn't as severe as economists expected. Manufacturing has been one of the areas of the economy hit hardest by the high interest rates of recent years.

The 10-year Treasury yield rose to 4.59% from 4.56% late Thursday. The two-year Treasury yield, which more closely tracks expectations for Fed action, also rose, up to 4.28% from 4.25% late Thursday.

Let it also be remembered that in the Santa Clause rally the prior year of late 2023 into early 2024, the S&P fell by around 1% and look what happened on the upside in 2024, so perhaps a second year of this lower period might not be so awful once again as 4Q earnings are expected to gain 12% and around 15% in 2025. And if today's potential higher start can hold like it did on Friday, perhaps this year can do better as well.

Earnings this week begin slightly for the 4Q with early-birds starting out: Tuesday – CALM; Thursday, when the market is closed for the President Carter memorial – KBH, STZ, WDFC, WBA; Friday – DAL.

Economic reports will see: today – November factory orders; Tuesday – November JOLTS report, November trade balance; Friday – weekly jobless claims, December non-farms payroll report which is expected to show 160,000 and an unchanged unemployment rate of 4.2%; Friday – January preliminary U. of Michigan Consumer Sentiment Survey.

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