US Economy and Credit Markets

Yields and Weekly Changes:

3 Mo. T-Bill:	3.630 (3.8 bps)	Bond Buyer 40 Yield:	4.78 (2 bps)
6 Mo. T-Bill:	3.613 (3.1 bps)	Crude Oil Futures:	59.44 (0.32)
1 Yr. T-Bill:	3.535 (3.8 bps)	Gold Spot:	4,596.09 (86.59)
2 Yr. T-Note:	3.586 (5.4 bps)	Merrill Lynch High Yield Indices:	
3 Yr. T-Note:	3.653 (6.6 bps)	U.S. High Yield:	6.96 (-6 bps)
5 Yr. T-Note:	3.815 (6.5 bps)	BB:	5.85 (-5 bps)
10 Yr. T-Note:	4.223 (5.8 bps)	B:	7.22 (-7 bps)
30 Yr. T-Bond:	4.837 (2.4 bps)		

The Consumer Price Index (CPI) rose 2.7% in December from a year earlier, matching expectations. Although still elevated, December's increase marks an improvement from last year's 2.9% pace. The core CPI, which excludes food and energy, increased 2.6%, matching the lowest year-over-year gain in more than four years and coming in below forecasts. The market's reaction to the report was muted, with Treasury yields and rate-cut expectations largely unchanged. Producer prices increased in line with expectations in both October and November. Meanwhile, the housing market showed signs of life based on data released last week. Both new and existing home sales exceeded expectations, supported by gradually easing mortgage rates, lower prices, and builder incentives. Existing home sales rose in each of the final four months to close out the year. November retail sales topped expectations, posting broad-based gains. However, November's gain reflected a rebound in auto sales following the expiration of the EV tax credit in October. Major economic reports (related consensus forecasts, prior data) for the upcoming week include Wednesday: January 16 MBA Mortgage Applications (N/A, 28.5%), October Construction Spending MoM (0.1%, N/A); Thursday: January 17 Initial Jobless Claims (213k, 198k), 3Q GDP Annualized QoQ (4.3%, 4.3%), November Personal Income (0.4%, N/A), November Personal Spending (0.5%, N/A); Friday: January Final U. of Mich. Sentiment (54.0, 54.0), January Preliminary S&P Global US Manufacturing PMI (52.1, 51.8), November Leading Index (N/A, -0.3%).

US Equities

Weekly Index Performance:		Market Indicators:	
The Dow®	49,359.33 (-0.28%)	Strong Sectors:	Real Estate, Cons. Staples
S&P 500®	6,940.01 (-0.36%)		Industrials
S&P MidCap 400®	3,505.84 (1.34%)	Weak Sectors:	Comm. Services, Cons. Discretionary
S&P SmallCap 600®	1,569.62 (1.71%)		Financials
Nasdaq Composite®	23,515.39 (-0.66%)	NYSE Advance/Decline:	1,780 / 1,037
Russell 2000®	2,677.74 (2.05%)	NYSE New Highs/New Lows:	481 / 62
		AAII Bulls/Bears:	49.5% / 28.2%

Large Caps continued to lag last week as the S&P 500 fell 36 basis points versus a 1.71% return on the S&P 600. The S&P 500's best performing sectors last week were the Real Estate and Consumer Staples sectors, returning 4.09% and 3.69%, respectively. Similar to Small Caps' strength, this marked a reversal from recent trends as the Real Estate and Consumer Staples sectors were the worst performing sectors in the S&P 500 in 2025. The Real Estate sector experienced broad-based strength as 30 of its 31 constituents ended the week with a positive return. The best performer in the sector was **Costar Group Inc** which surged 11.71%. The Real Estate sector's broad-based strength can be attributed to a rotation into industries which have lagged recently. In addition, the sector saw strength late last week as the Trump administration announced a proposal to allow individuals to take money out of their 401k retirement plans to use for the down payment on a house. The worst performing sector in the S&P 500 was the Financials sector which fell 2.33%. The sector experienced mostly down performance as 51 of its 76 constituents ended the week with a negative return. The worst performing stock in the sector was **Allstate Corporation** which ended the week down 9.39%. The Financials sector has faced a volatile start to year after the Trump administration has proposed several populist policies that would impact various financial institutions. Insurance companies have faced pressure due to lower premium concerns as the administration focuses on housing affordability. Payment processors fell following the administration's critique of high fees, and credit card companies fell following the proposal of interest rate caps. In other news, **JPMorgan Chase & Co** kicked off earnings season last week. The world's largest bank ended the week down 5.08% despite beating estimates and providing a solid macroeconomic outlook. Management mentioned increased geopolitical and competitive risks, but also highlighted consumers remain mostly healthy despite weakening a little bit. Even with the shortened trading week due to MLK day there will still be plenty of news for investors to parse. Thirty companies in the S&P 500 are expected to report earnings results this week. Notable companies include: **US Bancorp**, **United Airlines**, **Johnson & Johnson**, **General Electric**, and **Intel**.