

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned 2.78% and 3.15% respectively in January.
- ▶ Within the S&P, 10 of the 11 sectors posted positive returns. The Communications sector was the best performer for the month, returning 9.12%. The second-best performing sector was Healthcare, which posted a return of 6.79%, while Information Technology was the worst performing sector, returning -2.90%.
- ▶ Positive returns were seen across all capitalizations, with small-caps (Russell 2000) returning 2.62%, mid-caps (Russell Mid Cap Index) returning 4.26%, and large-caps (Russell 1000 Index) returning 3.18%. Growth stocks outperformed value stocks in mid- and small-caps during the month but underperformed in large-caps.
- ▶ According to FactSet Earnings Insight (as of January 31, 2025), the blended year-over-year (YoY) earnings growth for the S&P 500 in Q4 was 13.2%, the highest level since Q4 2021. For calendar year 2024, S&P 500 companies are reporting YoY earnings growth of 9.4%. For calendar year 2025, analysts are projecting YoY earnings growth of 14.3%.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned 4.03%. Developed markets, represented by the MSCI EAFE Index returned 5.26%, as Europe (MSCI Europe Index) returned 6.82% in January. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned 1.79% in January, driven by weak gains from China (MSCI China Index) and negative returns from India (MSCI India Index), which returned 0.63% and -3.64%, respectively.
- ▶ Within the ACWI ex-U.S. Index, all 11 sectors posted positive returns. Information Technology was the best performing sector for the month, returning 5.14%, while the Financials sector was the second-best performer, returning 5.01%. Utilities was the worst performing sector, posting a return of 0.53%.

Fixed Income

- ▶ The U.S. Treasury market experienced a whipsaw in January. At month end, Treasury yields dipped after the U.S. reinstated tariffs, stirring up inflation and economic growth concerns. On the shorter end of the yield curve, the yield on the 2-year was down 4 basis points (bps), the 5-year was down 5 bps and the 10-year was down 3 bps. However, the 30-year U.S. Treasury bond yield rose 1 bps.

- ▶ The Bloomberg U.S. Aggregate Index (Aggregate) returned 0.53% in January. Investment-grade (IG) credit returned 0.56%, AAA-rated bonds returned 0.52%, AA-rated bonds returned 0.47%, A-rated bonds returned 0.55%, and BBB-rated bonds returned 0.60%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index saw a return of 1.37% during the month, while the Broad Treasury Index returned 0.55%.

Diversifying Assets

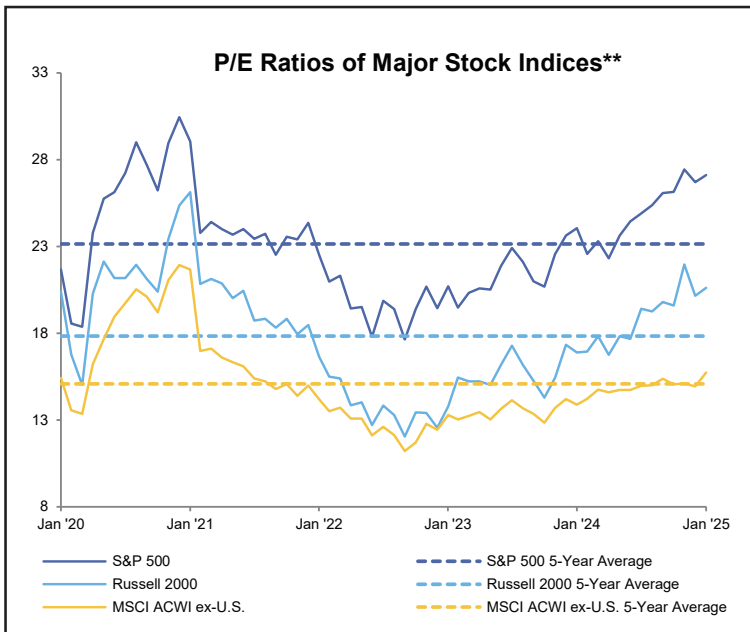
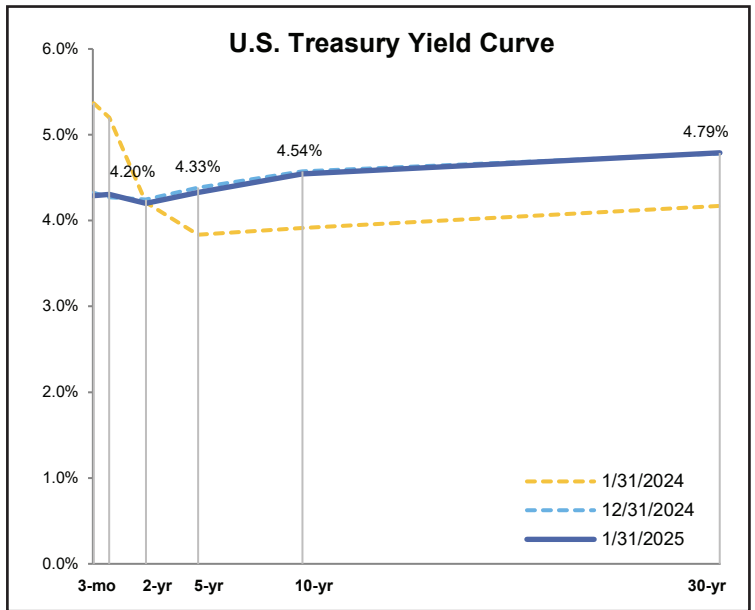
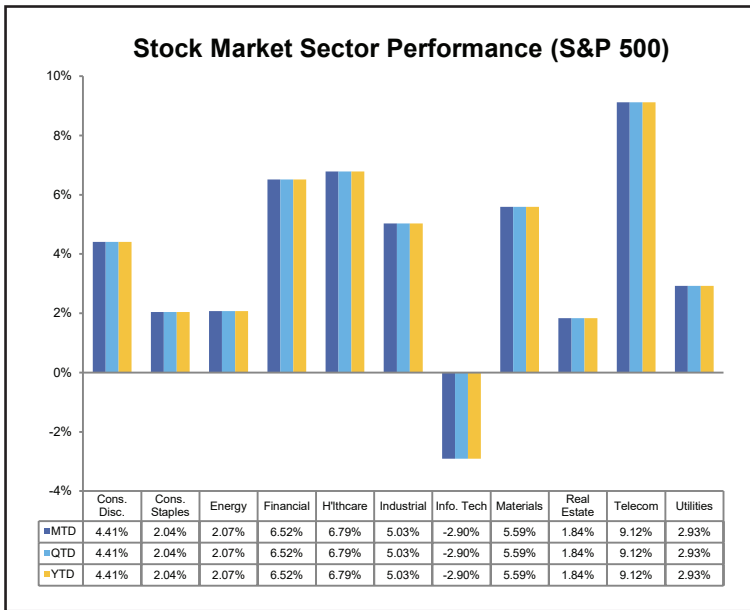
- ▶ During January, real estate investment trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned 1.00% and 1.04% respectively. Industrials performed relatively better than other sectors during the month, while the Data Centers sector was challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned 1.70% for the month.

Items to Watch

- ▶ As expected, the Federal Open Market Committee (FOMC) left the target range for the federal funds rate unchanged at 4.25-4.50% at its January meeting. The FOMC statement indicated that labor market conditions “remain solid” (changed from “generally eased”) and inflation “remains somewhat elevated” (changed from “has made progress toward the Committee’s 2% objective”). Fed Chair Jerome Powell repeatedly emphasized that the Fed is “not in a hurry” to make further policy rate adjustments. Some economists predicted that a rate cut at the next FOMC meeting is less likely, and dependent on what tariffs may be implemented by March.
- ▶ Non-farm payrolls rose by 256,000 in December and the unemployment rate has been remarkably stable in the last six months, fluctuating between 4.1% and 4.2%. The latest initial jobless claims for the week of January 25 eased by 16,000 to 207,000. Continuing claims have held steady at just under 1.9 million in recent months but remain near three-year highs, reflecting a muted hiring environment. Year-over-year hourly earnings decreased slightly to 3.9% in December from 4% in November.
- ▶ Headline inflation (CPI) came in at 0.4% in December and 2.9% on an annual basis, in line with forecasts. Core CPI, which excludes volatile food and energy, declined to 3.2% on an annual basis. Part of December’s decelerating inflation was a function of core goods slowing, and the shelter CPI reading was mild for a second straight month in December.
- ▶ In Europe, the European Central Bank (ECB) lowered its key interest rates by 25 bps as anticipated. ECB Chair Lagarde said that as inflation eases, policymakers will probably cut rates further in the new year.

| Total Return of Major Indices | | | | |
|--------------------------------|-------|-------|-------|--------|
| Domestic Equity | MTD | QTD | YTD | 1 YR |
| S&P 500 | 2.78% | 2.78% | 2.78% | 26.35% |
| Russell 3000 | 3.15% | 3.15% | 3.15% | 26.30% |
| Russell 2000 | 2.62% | 2.62% | 2.62% | 19.08% |
| Russell 1000 | 3.18% | 3.18% | 3.18% | 26.69% |
| International Equity | MTD | QTD | YTD | 1 YR |
| MSCI ACWI ex-U.S. | 4.03% | 4.03% | 4.03% | 10.89% |
| MSCI EAFE | 5.26% | 5.26% | 5.26% | 8.65% |
| MSCI Emerging Markets | 1.79% | 1.79% | 1.79% | 14.75% |
| Fixed Income | MTD | QTD | YTD | 1 YR |
| Bloomberg Barclays U.S. Agg | 0.53% | 0.53% | 0.53% | 2.07% |
| Bloomberg Barclays Global Agg | 0.57% | 0.57% | 0.57% | 0.25% |
| Bloomberg Barclays U.S. HY | 1.38% | 1.38% | 1.38% | 9.67% |
| Alternatives and Diversifying | MTD | QTD | YTD | 1 YR |
| MSCI U.S. REIT | 1.00% | 1.00% | 1.00% | 13.28% |
| FTSE NAREIT Index | 1.04% | 1.04% | 1.04% | 14.62% |
| MSCI World Core Infrastructure | 1.70% | 1.70% | 1.70% | 11.00% |
| Bloomberg Commodity | 3.95% | 3.95% | 3.95% | 9.11% |

| Economic Indicators | | |
|--|-----------|----------------|
| Domestic | Current | Previous Month |
| Unemployment Rate (%) | 4.1% | 4.2% |
| Initial Jobless Claims (4 week average) | 224.3 K | 225 K |
| CB Leading Economic Indicators | -0.1 | 0.4 |
| Capacity Utilization | 77.6% | 77.0% |
| GDP (annual growth rate) | 2.3% | 3.1% |
| University of Michigan Consumer Confidence | 71.1 | 74.0 |
| New Home Starts | 698 K | 674 K |
| Existing Home Sales | 4.2 MM | 4.2 MM |
| Retail Sales (YoY) | 3.9% | 4.1% |
| U.S. Durable Goods (MoM) | -2.2% | -2.0% |
| Consumer Price Index (YoY) | 2.9% | 2.7% |
| Producer Price Index (MoM) | 1.0% | 0.9% |
| Developed International* | 9/30/2024 | 6/30/2024 |
| Market GDP (annual rate) | 1.1% | 0.6% |
| Market Unemployment | 4.5% | 4.5% |



Source: Bloomberg. Data as of January 31, 2025, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2024 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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