

Weekly Market Recap

Jan 14, 2025



Our model portfolio returns

Model Portfolio	Last Week			Year-to-Date (YTD)		
	Optimize	Benchmark	Outperformance	Optimize	Benchmark	Outperformance
All Growth Portfolio	-2.12%	-1.36%	-0.76%	-2.18%	-0.87%	-1.31%
Growth Balanced Portfolio	-2.05%	-1.36%	-0.69%	-2.11%	-0.87%	-1.24%
Balanced Growth Portfolio	-1.98%	-1.34%	-0.64%	-2.03%	-0.86%	-1.17%
Income Balanced Portfolio	-1.79%	-1.33%	-0.46%	-1.82%	-0.85%	-0.97%
Income Portfolio	-1.61%	-1.32%	-0.29%	-1.61%	-0.85%	-0.76%

As of January 10, 2025

Key drivers to our outperformance

▪ Top Company: Chevron Corp

Chevron Corp. posted strong third-quarter results, reporting \$4.5 billion in earnings alongside a record \$7.7 billion returned to shareholders. The company’s focus on higher-margin oil production has been a key driver of profitability, supported by efficient operations and strategic asset expansions. Chevron’s successful asset sales and growing production capacity further strengthen its position for long-term growth. Our allocation to Chevron reflects its financial strength, operational efficiency, and continued value creation for shareholders.

▪ Top Sector: Energy

Energy equities were the best-performing sector last week, posting a gain of 0.61%. Last week’s fresh U.S. sanctions against Russia pushed oil prices higher, propelling energy stocks. The sector also anticipates regulatory easing from President-elect Donald Trump. The U.S. emerged as a net energy exporter largely during Trump’s first term. In his second term, Mr. Trump prioritized America’s energy independence through higher production and lower costs, making the U.S. a net energy-product exporter.

▪ Top Asset Class: U.S Equities

U.S. equities continue to lead as our top asset class, supported by unmatched market depth, stability, and consistent earnings growth that outpaces global peers. The U.S. retains its dominant share of the global equity market, driven by leadership in key sectors such as Technology, Financials, and Consumer Goods. This strength is bolstered by a resilient economic backdrop, characterized by solid consumer spending and robust corporate earnings. With a proven track record of navigating evolving market conditions, U.S. large-cap equities remain a cornerstone of our strategy, offering compelling opportunities for long-term growth and global investor confidence.

Model Portfolio	Returns (YTD)	Outperformance (YTD)	Upside Capture	Downside Capture
All Growth Portfolio	26.60%	5.91%	114.24%	37.65%
Growth Balanced Portfolio	25.71%	7.23%	120.20%	45.18%
Balanced Growth Portfolio	24.76%	8.63%	114.20%	54.20%
Income Balanced Portfolio	21.69%	11.20%	156.77%	65.51%
Income Portfolio	18.65%	12.47%	150.99%	48.61%

As of November 30, 2024

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Weekly insights

- U.S. Treasury Yields Have Stabilized After Touching The Highest Level Since Nov 2023

After Friday's strong nonfarm payroll report, the dust has settled, and bond investors are feeling more at ease, partly due to treasury yields stabilizing after reaching their highest levels since November 2023. The U.S. economy added 256,000 jobs in December, smashing the economists' expectations of 155,000. This marks the strongest job creation since March of last year. Driven by this surge in job creation, the unemployment rate fell to 4.1%. December's job data reinforces the U.S. economy's resilient growth, pushing treasury yields higher. The U.S. economy remains strong despite elevated interest rates, persistent inflation, and political uncertainty.

- S&P 500 Historically Delivered Positive Returns After a 20% Gain Year

After two years (2023, 2024) in a row of more than 20% gains for the S&P500, it is reasonable to wonder what happens in the third year. If history is a guide, there are reasons to rejoice as the S&P 500 historically delivered positive average returns after a 20% gain year. From 1950 to 2024, the S&P 500 averaged a 9.5% return annually, with positive returns in 72% of the years. When the index posted a gain of at least 20% in a given year, the average return the next year rose to 10.6%, with 81% of the time seeing higher returns. After two consecutive years of 20% gains, the average return in the third year was 20%, with every instance showing a positive return. As we approach 2025, the case for American Exceptionalism grows stronger, with historical market returns reinforcing this belief.

- U.S. Money Supply to Nominal GDP Ratio Returns to Long-Term Trend

The U.S. Money Supply (M2) to Nominal Gross Domestic Product (GDP) ratio returns to its long-term trend. This is a significant event and a positive indicator of the resilience of the U.S. economy. This alignment reflects a healthier balance between the money supply and economic output, signaling a more stable and sustainable economic growth path. A balanced ratio supports a steady economic expansion by ensuring that the growth of the money supply is in line with the increase in goods and services produced. As a result, the U.S. economy is better positioned to avoid inflationary pressures, while promoting job creation, investment, and rising living standards. This stability offers greater confidence for businesses and investors alike, reinforcing the strength and resilience of the U.S. economy.

What to look for next week

- U.S. Producer Price Index (PPI)

The U.S. Producer Price Index (PPI) for December will be released on Tuesday, January 14, providing key insights into inflation trends at the producer level. With November's PPI rising 0.4%, the highest in five months, markets will closely watch the data for continued pricing pressures and their potential influence on future Federal Reserve policy decisions.

- U.S. Inflation Rate (CPI)

The U.S. Consumer Price Index (CPI) for December will be released on Wednesday, January 15, offering critical insights into inflation trends as the Fed evaluates its monetary policy stance. With November's CPI rising 0.3%, led by higher shelter and food prices, markets will be watching closely to assess whether inflationary pressures are easing or persisting, which could impact future rate decisions.

- Key Corporate Earnings: Major Banks such as JP Morgan, Bank of America, Wells Fargo, Morgan Stanley, Goldman Sachs, and United Health Group.

This week, the focus will be on key companies releasing their earnings reports, including Delta Airlines (before market close on January 10, 2025), Walgreens (before market close on January 10, 2025), and Aritzia (after market close on January 9, 2025).

Source of All Economic Data: Bloomberg

“Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble.”

- Warren Buffett