Optimize Wealth Management

Weekly Market Recap

Jan 21, 2025

Our model portfolio returns

	Last Week			Year-to-Date (YTD)		
Model Portfolio	**Optimize**	**Benchmark**	**Outperformance**	**Optimize**	**Benchmark**	**Outperformance**
All Growth Portfolio	**3.10%**	2.27%	**0.83%**	**0.85%**	1.37%	**-0.52%**
Growth Balanced Portfolio	**2.98%**	2.12%	**0.86%**	**0.81%**	1.23%	**-0.42%**
Balanced Growth Portfolio	**2.87%**	1.95%	**0.92%**	**0.77%**	1.06%	**-0.29%**
Income Balanced Portfolio	**2.57%**	1.53%	**1.04%**	**0.69%**	0.66%	**0.03%**
Income Portfolio	**2.26%**	1.21%	**1.05%**	**0.61%**	0.35%	**0.26%**

As of January 17, 2025

Key drivers to our outperformance

- ### Top Company: Goldman Sachs

Goldman Sachs delivered impressive fourth-quarter results, reporting $4.11 billion in earnings, with diluted EPS climbing to $11.95—a 42% year-over-year increase. Strength in its Global Banking & Markets division drove record equity revenues and robust investment banking fees, showcasing the firm's ability to capitalize on market opportunities. Additionally, Goldman Sachs returned $2 billion to shareholders last quarter through share buybacks, reinforcing its commitment to shareholder value. With the stock gaining 11.60% last week, the firm's strategic focus and strong execution align with our overweight on Financials, reinforcing its position as a leader in the sector and a key contributor to long-term portfolio growth.

- ### Top Sector: Financials

Financials stood out as a strong performer last week, fueled by robust earnings from major U.S. banks. The S&P 500 Financials sector gained 6.24%, while Dow Jones Financials equities surged 7.84%. Earnings reports highlighted strength in loan growth, net interest income, and stable credit quality, reflecting the sector's resilience. Our strategic overweight on Financials continues to deliver value, as the sector benefits from a favourable macroeconomic backdrop and consistent performance in key areas like asset management and lending.

- ### Top Asset Class: U.S Equities

U.S. equities remain our top asset class, supported by their unparalleled market depth, stability, and consistent earnings growth that outpaces global peers. Dominating the global equity market, the U.S. attracts investors with leadership in sectors such as Technology, Financials, and Consumer Goods. Strong consumer spending, a resilient economic environment, and steady corporate profitability reinforce the long-term growth potential of U.S. large-cap equities, making them a cornerstone of our strategy and a reliable source of 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

Optimize Wealth Management

Weekly Market Recap

Jan 21, 2025

Weekly insights

- ### S&P 500 Had the Best Week Since U.S. Election in November

A rally among the world's largest technology companies propelled stocks toward their best week since the November U.S. presidential election, just ahead of Donald Trump's inauguration. Most major sectors in the S&P 500 posted gains throughout the week, with the index rising close to 3%. Last week's easing inflation data and positive response to strong earnings from major U.S. banks fueled the rally. Additionally, market sentiment was buoyed by reports that President-elect Trump and Chinese President Xi Jinping held discussions on Trade and TikTok, —issues that could influence the future of relations between the world's two largest economies.

- ### U.S. Core CPI Eases, Boosting Expectations for Sooner Fed Rate Cut

U.S. consumer prices rose less than expected in December, marking a welcome slowdown that helped halt a steep selloff of Risk Assets, and renewed expectations that the Federal Reserve could cut interest rates sooner than anticipated. The Core Consumer Price Index (Core CPI), which excludes food and energy costs—rose 0.2%, below economists' forecasts, after rising 0.3% for four consecutive months. Economists view the Core CPI as a more reliable measure of underlying inflation trends compared to the Headline CPI, which includes often volatile food and energy prices. The headline measure increased 0.4% from the previous month, while the year-over-year Headline CPI rose 2.9%, in line with expectations. The year-over-year core CPI rose 3.2%, below economists' forecasts.

December's surprisingly soft Core CPI print reinforces the view that inflation is easing, keeping the possibility of rate cuts in 2025 on the table. Risk assets responded positively to the easing inflation data, with the S&P 500, Nasdaq 100, and Dow Jones gaining 2.91%, 2.85%, and 3.69%, respectively, last week.

- ### USD Weakens Ahead of Trump Inauguration, Reducing Expectations for Immediate Tariffs

The U.S. dollar fell sharply on Monday following reports that President Donald Trump would not implement aggressive tariffs immediately after his inauguration. The euro, Canadian dollar, New Zealand dollar, and Australian dollar all strengthened, with the euro posting its largest daily gain since November 2023. A Friday phone call between Trump and Chinese President Xi Jinping had already alleviated concerns over trade tensions between the two countries. Expectations of a more measured approach to tariffs helped ease inflationary pressures, bringing relief to equity markets. A weaker dollar also serves as a tailwind for U.S. multinationals, as approximately 30% of S&P 500 revenues come from overseas. When foreign earnings are converted back into dollars, it provides a boost to their bottom lines.

What to look for next week

- ### U.S. Initial Jobless Claims

On Thursday, the U.S. Initial Jobless Claims report will offer key insights into the labour market's strength, with claims recently increasing to 217,000, remaining below late 2024 averages. Notably, the four-week moving average declined to 212,750, highlighting ongoing stability. Markets will closely monitor this data for potential shifts in employment trends and their impact on economic growth.

- ### U.S Existing Home Sales

The U.S. Existing Home Sales report on January 24 will provide critical insights into housing market trends, following a 4.8% rise in November to an annualized rate of 4.15 million homes sold, the highest in eight months. With momentum building due to growing inventory and resilient buyer demand despite elevated mortgage rates, markets will watch for further stabilization in housing activity and price trends.

- ### Key Corporate Earnings: Procter & Gamble, Netflix, American Express

This week, the focus will be on key companies releasing their earnings reports, including Procter & Gamble (before market close on January 22, 2025), Netflix (after market close on January 21, 2025), and American Express (before market close on January 24, 2025).

Source of All Economic Data: Bloomberg

"Price is what you pay. Value is what you get."

- Warren Buffett