# ResourceTrust

A DEPARTMENT OF RESOURCE BANK, N.A.

# Weekly Insight

January 3, 2025

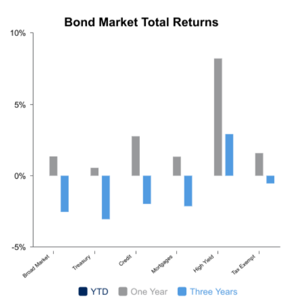
## Double 20's Equities as Year Closes up 25.7%

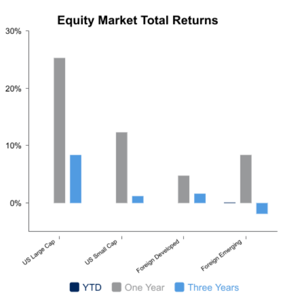
Equity markets were down 2.6% this week, closing out the year with an advance of 25.7%. Prior to this week's pullback, the markets were ahead of the 26.3% return the S&P 500 posted for 2023. Two consecutive years of returning more than 20% has only occurred six times since 1930, with the last time in 1998. Promises of increased productivity through adoption of innovative technologies were the drivers both then and now. Today, promises of efficiency gains through the application of artificial intelligence are the driver while in the 1990's it was widespread adoption of internet commerce. The Communications Services sector (+40.2%) enjoyed 2024's strongest return, followed by Consumer Discretionary sector (+36.6%), both led by members of the Magnificent 7. Only the Materials sector (-0.4%) ended in the red, while Health Care (+2.6%), Real Estate (+5.2%) and Energy (+5.7%) also lagged.

Bonds advanced 0.3% for the week following a month when bond returns fell -1.5% as the 10-year United States Treasury yield climbed 40 basis points to 4.57%. For the year, bond markets returned +1.4%, with coupon returns generating +3.5%, and price returns -2.1% as long maturity bond yields rose from the start of the year. Over the quarter bond yields have risen as employment remains stronger than expected and progress toward lower inflation levels has stalled. Economists have raised their 2025 GDP estimates from 1.7% to 2.1% as the probability of recession in 2025 has declined to 20%. This improved outlook has led policymakers on the Federal Reserve's Open Market Committee to rethink the number of 2025 rate cuts from four to two, with future markets signaling June and September as target months for future cuts.

U.S. continuing claims for unemployment benefits rose to 1.91 million, the highest in more than three years. This signaled that it is taking longer for individuals to find a job. Initial claims ticked down to 219,000 as fewer workers applied for benefits, a trend in 2024 as fewer are eligible and others have felt confident of finding a job quickly given recent Job Openings and Labor Turnover Survey (JOLTS) data that showed 7.7 million openings.

The Pending Home Sales Index increased for the fourth month to the highest level since early 2023 as homebuyers pressed ahead with purchases of existing homes despite higher mortgage rates. Buyers appear to be taking advantage of a rising inventory of home availability. Home prices rose 4.2% year-over-year according to the latest reading of the S&P CoreLogic Case-Shiller 20 City Composite down from a peak of 7.3% posted last March.




| Interest Rates (%) | Current | 12M Ago | 3YR Ago |
|---|---|---|---|
| Fed Funds Rate (Upper | 4.50 | 5.50 | 0.25 |
| 3-Month T-Bill | 4.31 | 5.36 | 0.03 |
| 10-Year Treasury | 4.57 | 3.93 | 1.51 |
| 30-Year Treasury | 4.78 | 4.07 | 1.90 |
| 10-Year Corporate AA | 5.31 | 4.84 | 2.09 |
| 10-Year High Yield Corp | 6.73 | 6.51 | 3.90 |
| **Commodity Prices ($)** | **Current** | **12M Ago** | **3YR Ago** |
| Gold ($/oz.) | 2,625 | 2,059 | 1,829 |
| Oil (WTI, $/barrel) | 71.72 | 70.38 | 75.21 |
| **Currencies** | **Current** | **12M Ago** | **3YR Ago** |
| USD (Dollar Index Spot) | 108.49 | 102.20 | 95.67 |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