

Last Week at a Glance

Global equity and fixed income markets declined last week. Investors dialed back odds of further Federal Reserve rate cuts amid resilient economic data, sending ten-year US Treasury yields up 17 bps to 4.77%. Globally, rate-sensitive equity sectors, growth stocks, and small caps all lagged given the upward yield trajectory.

- Several factors impacted yield levels. The US economy added a consensus-beating 256,000 jobs in December, while service sector activity expanded more than expected. Minutes from the Fed's December meeting noted that officials saw increased upside risk to the inflation outlook, portending a slower pace of policy easing in the coming months.
- The yield increase was most pronounced in the UK, where ten-year gilt yields rose 24 bps to 4.84%, closing at their highest level since 2008. The outsized move was exacerbated by mounting fiscal concerns following last year's budget release that increased spending and borrowing. UK sterling declined 1.4% versus the US dollar on the week.
- Euro area inflation picked up to 2.4% YOY in December, as expected, owing largely to energy price dynamics. Core inflation was steady at 2.7% YOY. Still, policymakers pointed to a softening in underlying inflationary pressures, as German manufacturing and eurozone retail sales missed expectations.
- Chinese equities (-4.3%) lagged. Index heavyweight Tencent was the leading detractor as the US Department of Defense added the company, among others, to a list of Chinese firms with alleged military ties. Despite a recent rebound in Chinese services activity, inflation data (0.1% YOY) suggested weak domestic demand, while manufacturing data underwhelmed.

MARKET PERFORMANCE

As of January 12, 2025 • Local Currency • Percent (%)

| Equities | Last Week | This Month | This Year |
|--------------------------|-----------|------------|-----------|
| Global | -1.4 | -0.6 | -0.6 |
| Developed Markets | -1.4 | -0.5 | -0.5 |
| United States | -1.9 | -0.8 | -0.8 |
| Euro Area | 1.7 | 1.3 | 1.3 |
| United Kingdom | 0.3 | 1.0 | 1.0 |
| Japan | -2.5 | -2.5 | -2.5 |
| Emerging Markets | -1.4 | -1.4 | -1.4 |
| Fixed Income | | | |
| US Aggregate | -0.9 | -1.0 | -1.0 |
| US Treasuries | -0.8 | -0.9 | -0.9 |
| US Corporate IG | -1.0 | -1.1 | -1.1 |
| US Corporate HY | -0.3 | 0.0 | 0.0 |
| Real Assets | | | |
| Global Equity REITs | -3.6 | -3.1 | -3.1 |
| Global Natural Resources | 1.4 | 3.0 | 3.0 |
| Gold Bullion | 1.8 | 2.5 | 2.5 |
| Currencies | | | |
| EUR/USD | -0.4 | -1.0 | -1.0 |
| GBP/USD | -1.4 | -2.4 | -2.4 |
| USD/JPY | 0.1 | 0.3 | 0.3 |