Week Ending 1/24/25

WEEK IN **PERSPECTIVE**

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Politics and Earnings Drive New Record High for the S&P 500

It was an historic week for the country and the stock market.

Donald J. Trump was inaugurated Monday as the 47th President of the Unites States of America. His inauguration happened to line up with Martin Luther King, Jr. Day, which was a market holiday.

When markets reopened on Tuesday, they wasted little time picking up where they left off in terms of last week's bullish bias. They did so digesting President Trump's declaration of a national energy emergency and a barrage of executive orders that, strikingly, did not include any implementation of tariffs for China. There was a suggestion by the president, though, that he is thinking of 25% tariffs for Canada and Mexico starting February 1.

It was the lack of a hard-hitting tariff on China, however, that spurred a relief trade that boosted the broader market along with the news of a $500 billion AI infrastructure initiative, dubbed Stargate, that involved OpenAI, Softbank, and Oracle (ORCL).

The positive price action continued Wednesday after Netflix (NFLX) wowed the street with its earnings report and paid subscriber growth. Dow components Procter & Gamble (PG) and Travelers (TRV) also provided earnings-related leadership. The price action pushed the S&P 500 to a new all-time high that was ultimately followed by a record closing high on Thursday.

The latter was driven by blue chip stocks and coincided with President Trump's virtual address to the World Economic Forum in Davos in which he said he will be pressuring OPEC and Saudi Arabia to lower oil prices, that he expects NATO countries to spend 5% of their GDP on defense, and that foreign companies that manufacture their products in the U.S. will enjoy a lower tax rate while those that don't face the prospect of tariffs.

The president also added that he will demand that interest rates come down immediately. That was interpreted as a tacit shot at Fed Chair Powell, who will be leading the FOMC meeting January 28-29.

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Bloomberg noted that the president later told reporters that he believes he knows more about interest rates than Fed Chair Powell, that he will speak to him “at the right time,” and that he believes the Fed will listen to him.

The FOMC meeting will be a focal point in a big week next week that will include earnings reports from Apple (AAPL), Microsoft (MSFT), Meta Platforms (META), Amazon.com (AMZN), and Tesla (TSLA), as well as the Advance Q4 GDP Report and the Fed’s preferred inflation gauge in the form of the PCE Price Index.

The FOMC meeting is not expected to produce a rate cut, but with President Trump’s statement on interest rates, the intrigue surrounding the press conference went way up.

In terms of the week we’re leaving behind, it was a good week for the broader market. The major indices increased between 1.1% and 2.2%. Ten of the 11 S&P 500 sectors registered gains ranging from 0.8% (consumer discretionary) to 4.0% (communication services). The missing link was the energy sector (-2.9%), which traded down along with oil prices on some worries that a “drill, baby, drill” approach could lead to a supply-demand imbalance.

The Treasury market maintained a relatively calm disposition, which also helped support stocks. The 2-year note yield was unchanged for the week at 4.27% while the 10-year note yield rose just two basis points to 4.63%. The U.S. Dollar Index was down 1.7% to 107.47.

- S&P Midcap 400: +1.1% for the week / +5.0% YTD
- Dow Jones Industrial Average: +2.2% for the week / +4.4% YTD
- S&P 500: +1.7% for the week / +3.7% YTD
- Russell 2000: +1.4% for the week / +3.5% YTD
- Nasdaq Composite: +1.7% for the week / +3.3% YTD

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