

Weekly Update - January 13, 2024

Market Returns Ending 1/10/2025						
Category	1 Week	YTD	1 Year			
US						
Large Cap	-1.9%	-0.9%	23.6%			
Mid Cap	-2.5%	-1.2%	13.4%			
Small Cap	-3.5%	-1.8%	13.5%			
International.						
Developed	0.7%	0.4%	6.4%			
Emerging	-0.6%	-0.8%	10.2%			
Bonds						
Aggregate	-0.3%	-0.5%	1.3%			
High Yield	0.0%	0.3%	8.9%			

US Equity Style Returns				
Weekly				
	Value	Core	Growth	
Large	-1.5	-1.9	-2.2	
Mid	-2.0	-2.0	-2.2	
Small	-3.6	-3.5	-3.3	
		<u>YTD</u>		
	Value	Core	Growth	
Large	-0.8	-0.8	-0.8	
Mid	-1.2	-0.8	0.3	
Small	-2.7	-1.8	-1.0	
Source: Bloomberg				

<u>Key Events:</u> Strong jobs report underscores solid economy

The nonfarm payrolls report revealed a healthy increase of 256,000 jobs for December and an unemployment rate that edged back down to 4.1%. This is good news for the labor market and supportive for general economic activity at the start of the year.

While this may be 'good' for employment and the economy, it presents challenges for risk assets. Inflation expectations rose from 2.8% to 3.3% for the year ahead according to the preliminary University of Michigan Survey and the expectations for the number of interest rate cuts in 2025 have been reduced.

<u>Market review</u>: Rising rates exposed vulnerable valuations

Bond markets sold off on strong economic data and rising inflation expectations. As a result, stock multiples declined on higher real rates.

The US dollar continued to strengthen due to the underlying resilience of the US economy. Even though the dollar ended the week on a high note, international equities managed to outperform domestic equities. Perhaps the extreme valuation differences have finally reached a level that discerning investors can no longer ignore.

<u>Outlook:</u> Vigilant of risks; maintaining disciplined approach

Fear of rising inflation expectations continues to weigh on the markets. As shown in the chart below, inflation expectations have risen by more than 1% since last September and have resumed the uptrend at the start of the year following several weeks of consolidation.

Higher inflation expectations have pulled real rates forward as well and that has acted as a depressant for risk asset pricing. These issues are well understood, but



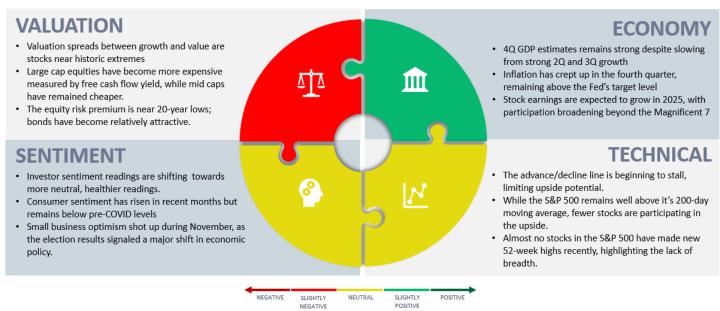
a stronger economy should also lead to resilient earnings growth and that should support the theme of market broadening throughout 2025.

Inflation Expectations and Real Rates



Source: Bloomberg

OneAscent Navigator Outlook: January 2025



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¹ Source: Bloomberg Economic Data; University of Michigan Consumer Survey (Preliminary data)

ii Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield