

MONDAY MORNING RECAP - February 3, 2025

Last Week

Dow Jones Industrial Average (DJIA)	44,544.66	+120.41	+0.27%
S&P 500 Index	6,040.53	-60.71	-1.00%
NASDAQ Composite Index	19,627.44	-326.86	-1.64%
U.S. 10 yr. Treasury Note Yield	4.58%	-5 Basis Points	
Gold (\$ per troy oz.)	\$2,812.50	+\$47.50	+1.72%
WTI Oil (\$ per barrel)	\$72.53	-\$2.13	-2.85%

Market Summary

GLOBAL EQUITIES: US equities ended last week lower following Chinese AI firm DeepSeek's rise to prominence, which came at odds with recent announcements of significant investment in AI infrastructure from both the Trump administration and the mega-cap tech space. The index ended the week down -1.00% after posting its worst day since December 2024 on Monday. Elsewhere, the STOXX Europe 600 and FTSE 100 rose 1.79% and 2.02%, respectively, despite growth in the Euro Area coming in softer than expected in the fourth quarter.

COMMODITIES: Oil prices fell for the second consecutive week as ongoing policy uncertainty continued to raise questions around the future trajectory of oil production. WTI and Brent Crude ended the week at \$72.53 and \$76.76 / bbl, respectively. Meanwhile, gold prices rose to \$2812.50 / troy oz last week, delivering the best month of performance in dollar terms since August 2011.

FIXED INCOME: US Treasury yields fell last week as the FOMC continued to pause on cutting its policy rate further during its January meeting. The 2- Year and 10-Year US Treasury yields ended the week at 4.24% and 4.58%, respectively, amid commentary from the central bank indicating that further inflation progress will remain a key focus in 2025. In Europe, the 10- Year German Bund yield followed suit, ending the week lower at 2.46% after the ECB cut its policy rate for the first time in 2025.

FX: The US dollar strengthened against a basket of currencies last week as the market continued to assess the potential implications of increased US tariffs on Canada and Mexico by the Trump administration. The US dollar index ended the week up 0.79%. Outside the US, the euro depreciated against the dollar, closing the week at \$1.04.

Economic Summary

MONETARY POLICY: The FOMC left the target range for the federal funds unchanged at 4.25-4.50% at its January meeting, while updating its statement to note that the unemployment rate had “stabilized at a low level” and the labor market remained “solid.” The FOMC also dropped a clause from its statement indicating that inflation had “made progress” toward the Fed’s 2% target and continued to note that inflation “remains somewhat elevated.” Elsewhere, the ECB cut its policy rate by 25bp to 2.75% and sent a steady message on the policy outlook. President Lagarde's language on growth was balanced and the tone on inflation remained confident.

GROWTH: In the US, real GDP grew 2.3% annualized in 4Q 2024, somewhat below consensus expectations. The composition was stronger, however, as consumption grew 4.2%, well above consensus expectations, while the volatile inventories component delivered a 0.9pp drag on growth this quarter. On another note, Euro area GDP growth came in at 0% quarter-over-quarter in 4Q 2024, below consensus expectations, resulting in a 0.9% growth for 2024. Headline quarterly growth missed expectations in Germany, France, and Italy, while it surprised to the upside in Spain. Furthermore, the region's unemployment rate printed at 6.3%, up 0.1pp from November.

INFLATION: The US core PCE index rose 0.16% month-over-month in December while the year-over-year rate ticked down to 2.79%, both roughly in line with consensus expectations. Furthermore, headline prices increased 0.26% month-over-month while the year-over-year rate edged up to 2.55%.

Key Economic Releases

Monday, February 3:

US Manufacturing PMI (Cons: 50.1, Prior: 49.4)

Euro Area CPI YoY (Cons: 2.4%, Prior: 2.4%)

Tuesday, February 4:

US Job Openings (Cons: 7.880M, Prior: 8.098M)

Wednesday, February 5:

US Services PMI (Cons: 53.1, Prior: 56.8)

Thursday, February 6:

BoE Rate Decision

Friday, February 7:

US Nonfarm Payrolls (Cons: 154K, Prior: 256K)

US Unemployment Rate (Cons: 4.1%, Prior: 4.1%)

US Avg Hourly Earnings MoM (Cons: 0.3%, Prior: 0.3%)

Source: Goldman Sachs Asset Management: "Market Monitor", 1/31/2025

"AI" refers to artificial intelligence. "WTI" refers to West Texas Intermediate crude oil, a common US benchmark for oil prices. "Brent" refers to a global benchmark for oil prices worldwide. "Bbl" refers to barrel. "Oz" refers to ounce. "FOMC" refers to Federal Open Market Committee. "ECB" refers to European Central Bank. Page 1 Economic Summary Notes: "FOMC" refers to Federal Open Market Committee. "Fed" refers to the Federal Reserve. "ECB" refers to European Central Bank. "bp" refers to basis point. "GDP" refers to Gross Domestic Product. "pp" refers to percentage point. "Core PCE" refers to Personal Consumption Expenditure excluding food and energy.

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