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NDR Weekly Snapshots – 10 January 2025

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Overview

denotes Position Change

U.S. Economics

VENETA DIMITROVA, SENIOR U.S. ECONOMIST
ALEJANDRA GRINDAL, CHIEF ECONOMIST

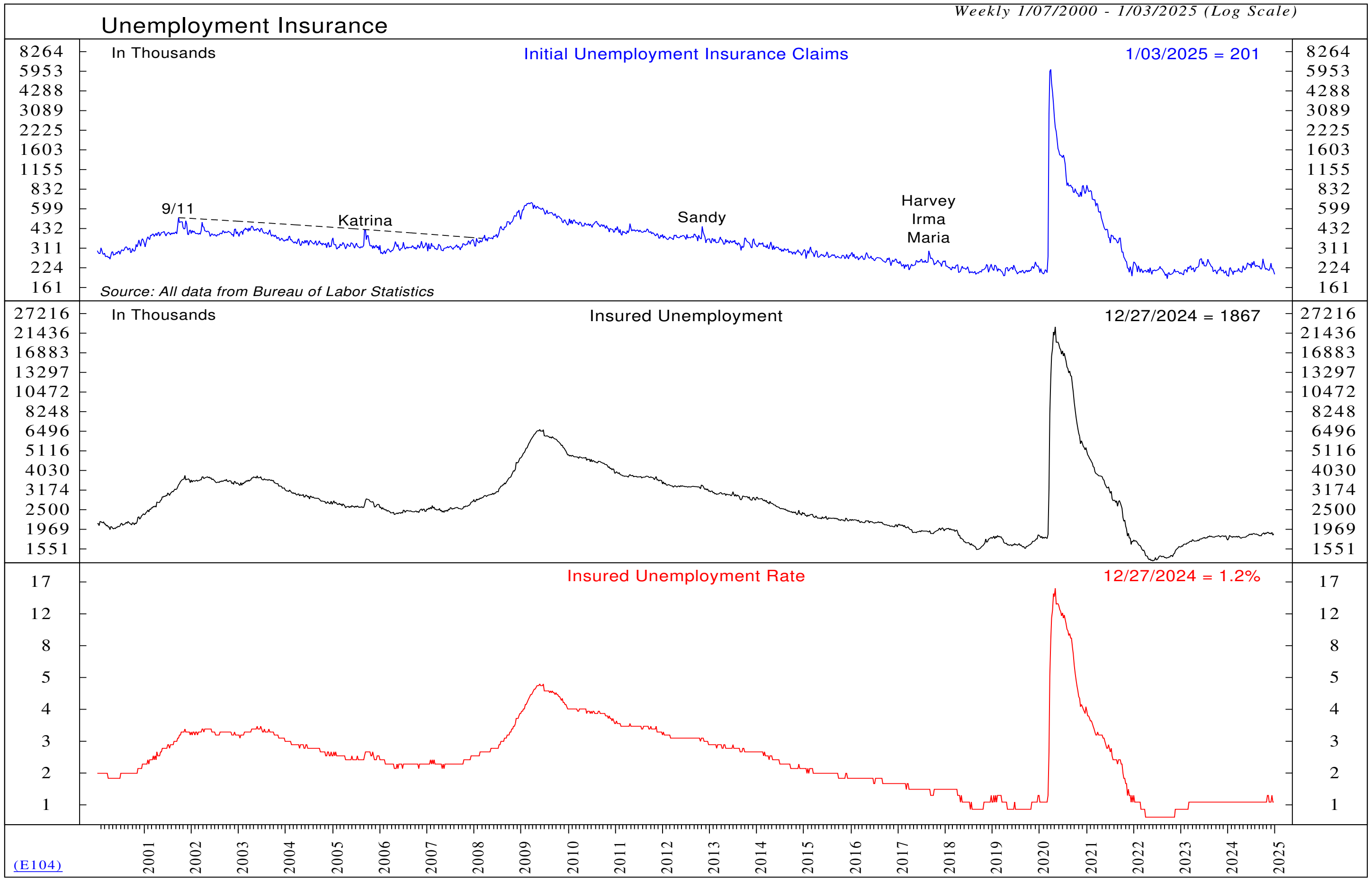
JANUARY 8, 2025

U.S. initial jobless claims keep falling

Key Takeaways

- Initial jobless claims continued to decline last week, surprising to the downside at 201,000, the lowest level in nearly a year, as layoffs remain restrained.
- Continuing jobless claims, however, have crept up in 2024, as hiring has moderated, evidenced by slower payrolls growth and JOLTS data.
- These indicators point to a cooling, but still healthy, labor market that should keep the Fed cautious in early 2025.

Recession risk is not zero, but remains low



U.S. Equities

ED CLISSOLD, CFA, CHIEF U.S. STRATEGIST
JOSEPH F. KALISH, CHIEF GLOBAL MACRO STRATEGIST

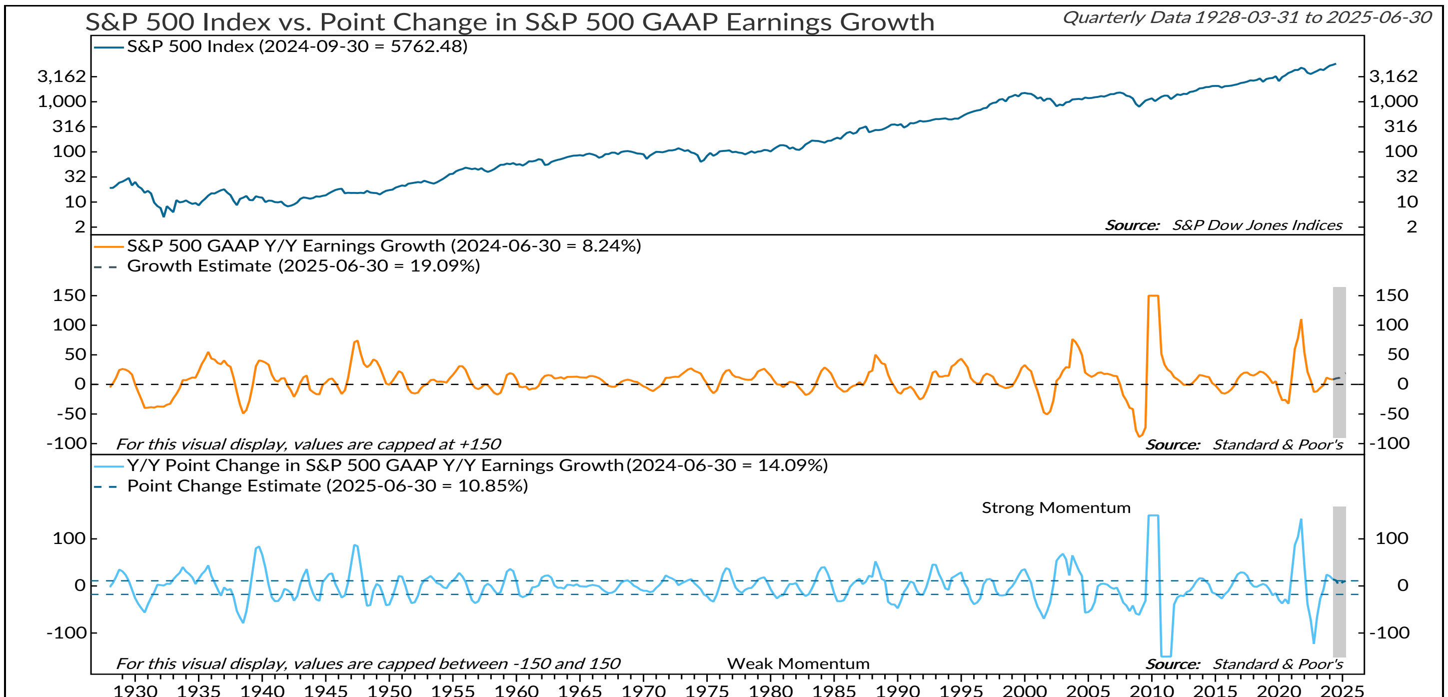
JANUARY 8, 2025

Q4 and 2025 earnings preview

Key Takeaways

- Tougher comps, elevated estimates, and lower beat rates imply a tougher earnings environment in 2025.
- As Mag 7 earnings-per-share (EPS) growth slows from extremely high levels, the rest of the market needs to make up the difference.
- Soaring interest expenses could make for difficult capital allocation decisions moving forward.

EPS acceleration of 2024 could turn into deceleration in 2025



S&P 500 Index Performance **Full History:** 1928-03-31 to 2024-06-30		
Point Change in Earnings Growth:	% Gain/ Annum	% of Time
Above 11.0	13.76	29.88
-18.0 - 11.0	3.14	43.37
Below -18.0	2.56	26.75
Buy/Hold = 6.05% Gain/Annum		

Story of 2024 → Above 11.0

Theme for 2025? → -18.0 - 11.0

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ROB ANDERSON, CFA, U.S. SECTOR STRATEGIST
THANH NGUYEN, CFA, SENIOR QUANTITATIVE ANALYST

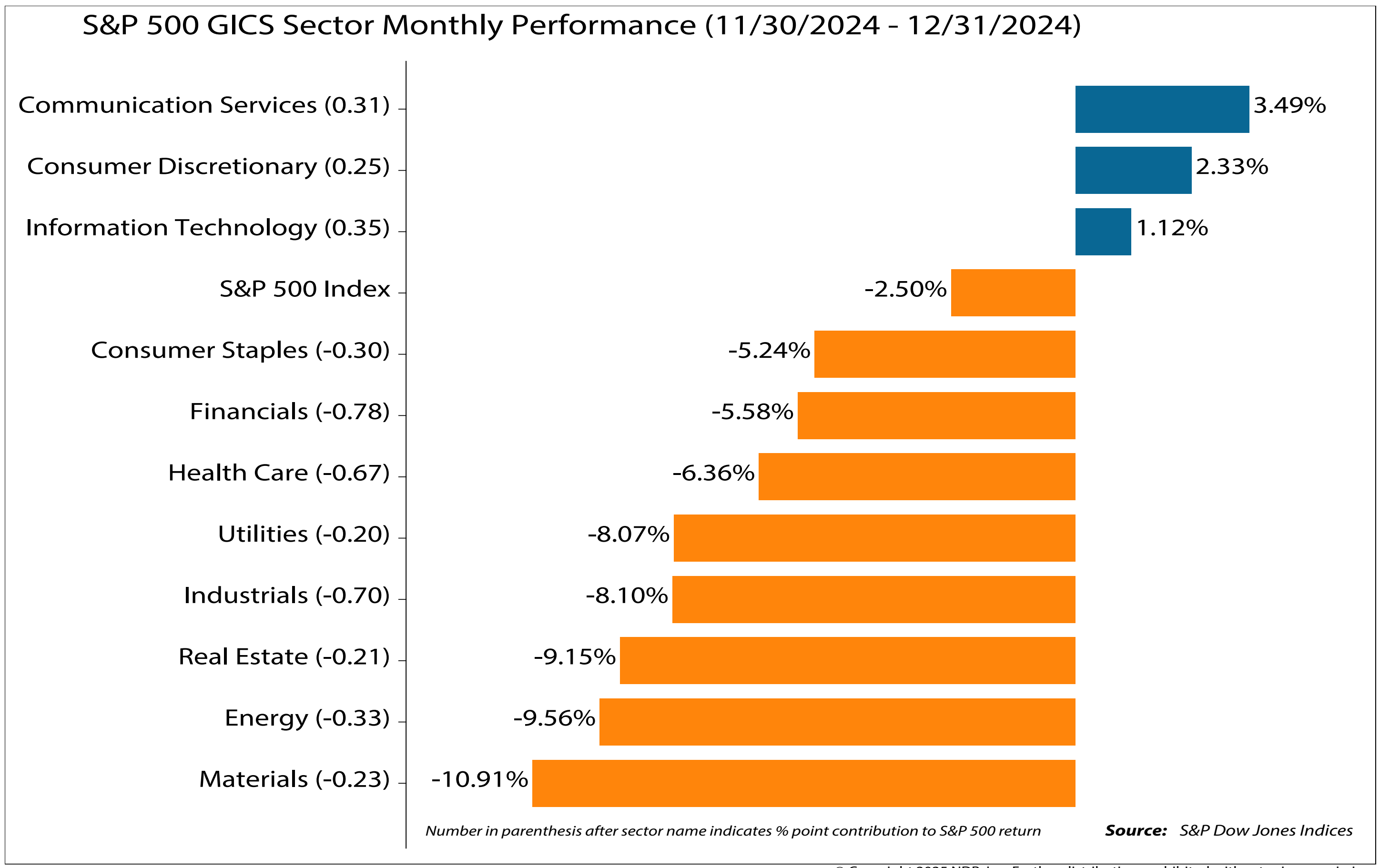
JANUARY 7, 2025

Strong year closes on a weak note

Key Takeaways

- The S&P 500 finished the year up more than 20% for the second-straight year despite falling 2.5% in December.
- Returns for both cyclical and defensive Value sectors were much worse than the overall market.
- Several of the top-performing sectors post-election faded in December, including Energy and Financials.

Only Growth sectors gained in December



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PAT TSCHOSIK CFA, CMT, SENIOR PORTFOLIO STRATEGIST
PHILIPPE MOULS, CFA, RESEARCH ANALYST

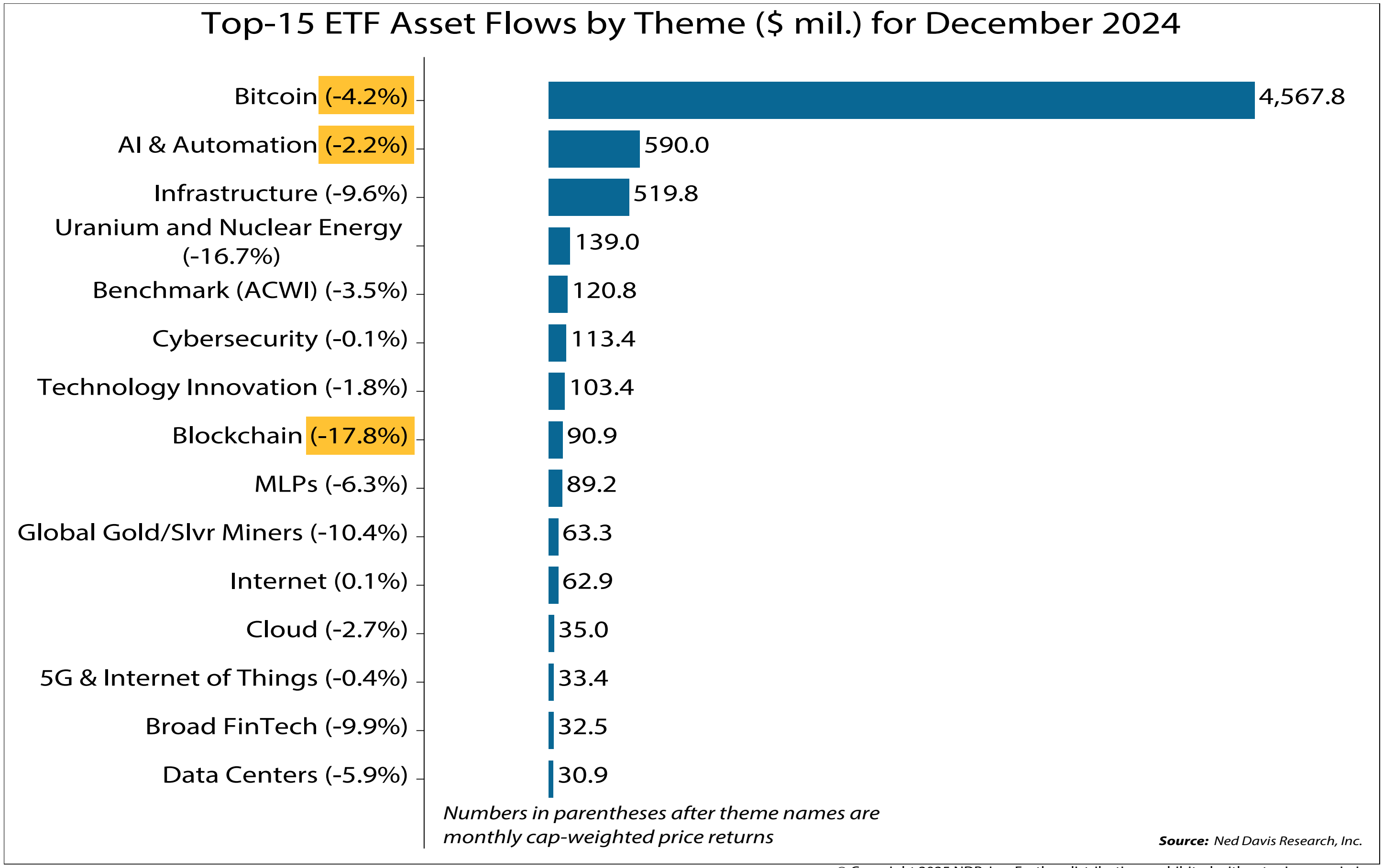
JANUARY 8, 2025

Thematic Update January 2025

Key Takeaways

- December turned risk-off after the Fed indicated only two rate cuts were likely next year, causing the S&P 500 to fall 2.5%.
- Outperformance was weak with only 12 of 48 (25%) themes outperforming the S&P 500, the third-worst breadth in 11 months.
- Tech was a bright spot, accounting for nine of the 12 outperforming themes. More than 50% of Tech themes outperformed (4th straight month), the best since 2020.

Investors bought the dip in crypto-related and Tech



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JOSEPH F. KALISH, CHIEF GLOBAL MACRO STRATEGIST

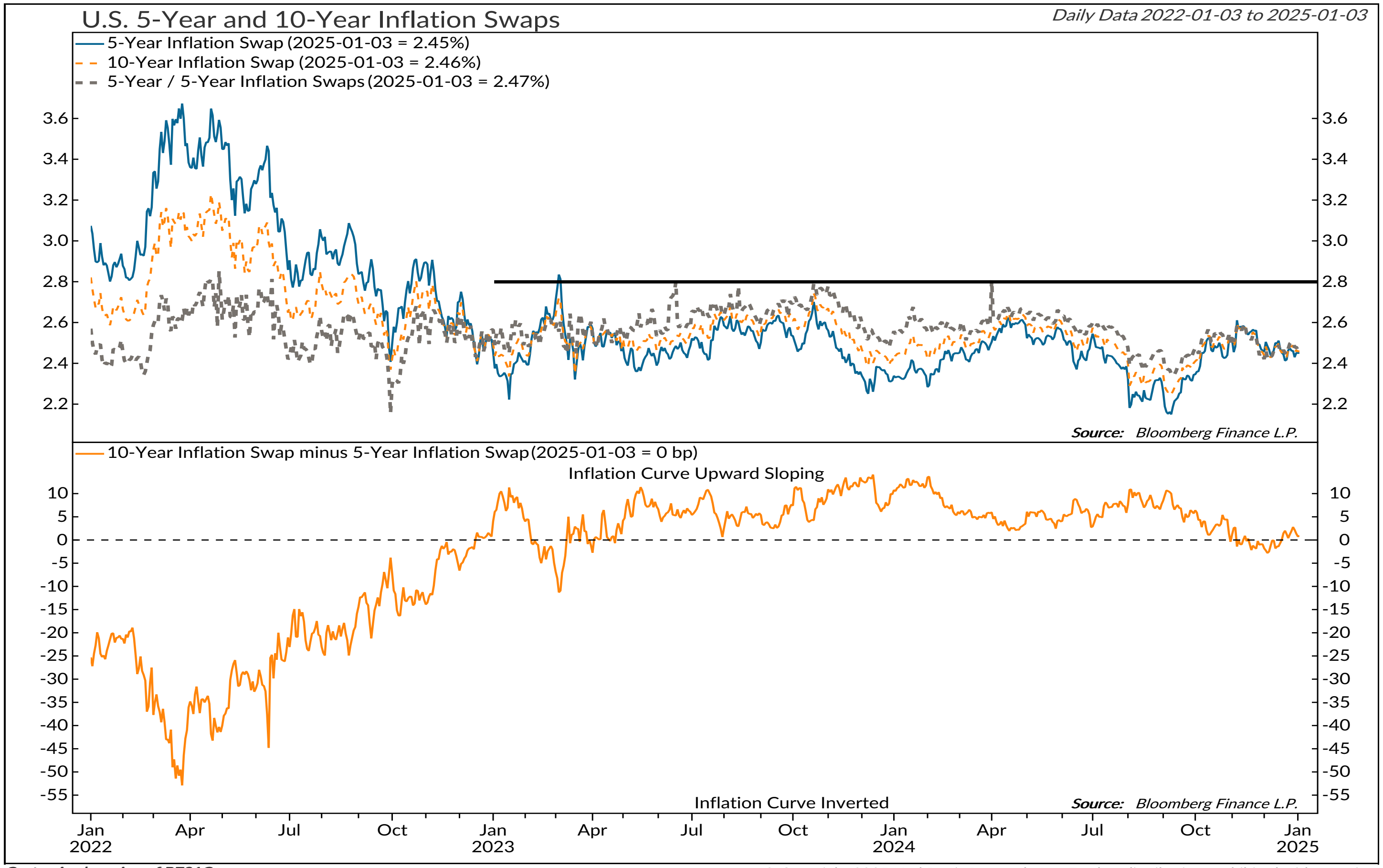
JANUARY 7, 2025

My 3 biggest macro risks for 2025

Key Takeaways

- Risk #1 – Be wary of inflation expectations breaking out to the upside.
- Risk #2 – Observe to see if the Fed is too complacent on unemployment.
- Risk #3 – Restricting trade flows could lead to a shortage of dollars abroad needed to service U.S. dollar-denominated debt.

Inflation expectations remain well anchored



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Global Economics

ALEJANDRA GRINDAL, CHIEF ECONOMIST
PATRICK AYERS, SENIOR ANALYST

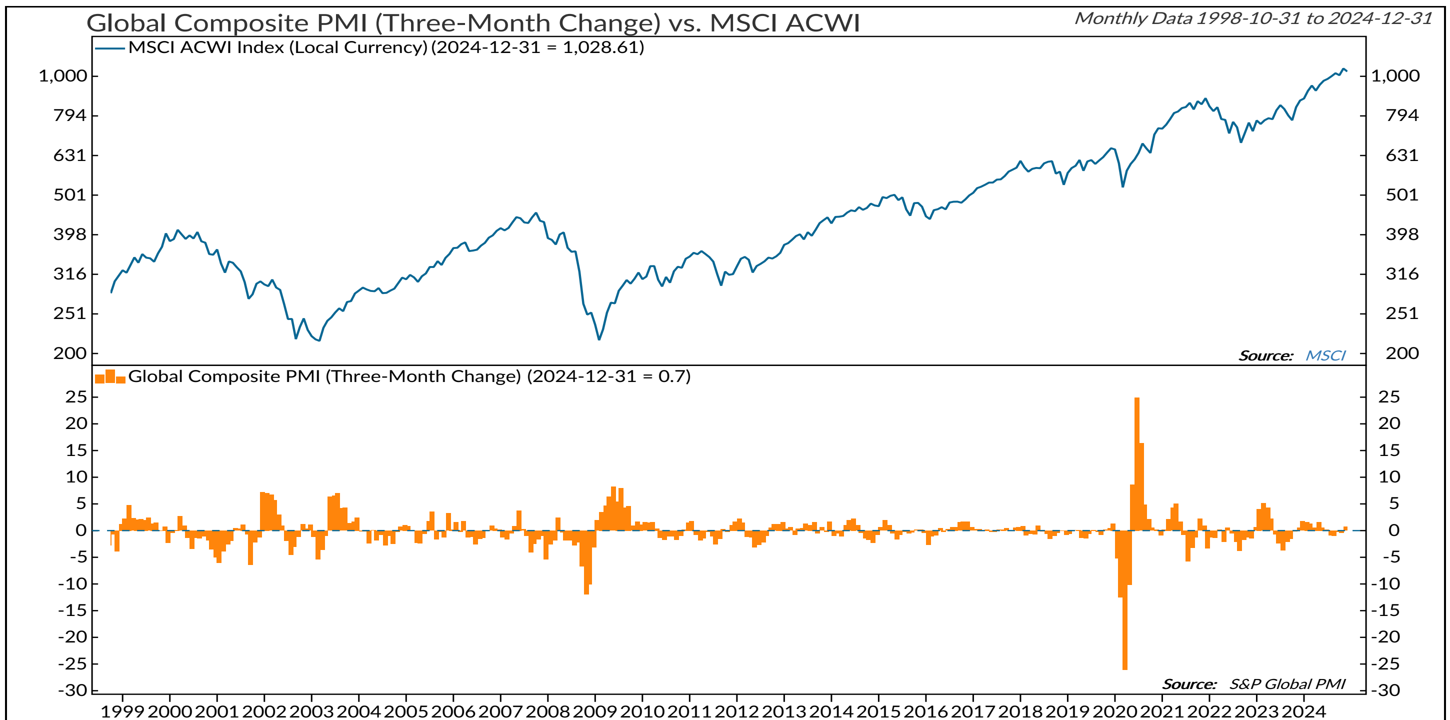
JANUARY 9, 2025

Global economy ends 2024 in a strong position

Key Takeaways

- The global economy ended the year on solid footing, according to the latest global PMIs.
- Support from leading indicators, alongside other macro data we follow, reinforces our overweight position in global stocks.
- Downside risks are emanating from political uncertainty and a possible global trade war could significantly hinder growth in 2025.

Rising economic momentum positive for equities



MSCI ACWI Performance
Full History: 1998-10-31 to 2024-12-31

Change of PMI	% Gain/ Annum	% of Time
Above 0.0	8.46	48.00
Below 0.0	1.99	52.00

Buy/Hold = 5.05% Gain/Annum

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Global Allocation

TIM HAYES, CMT, CHIEF GLOBAL INVESTMENT STRATEGIST

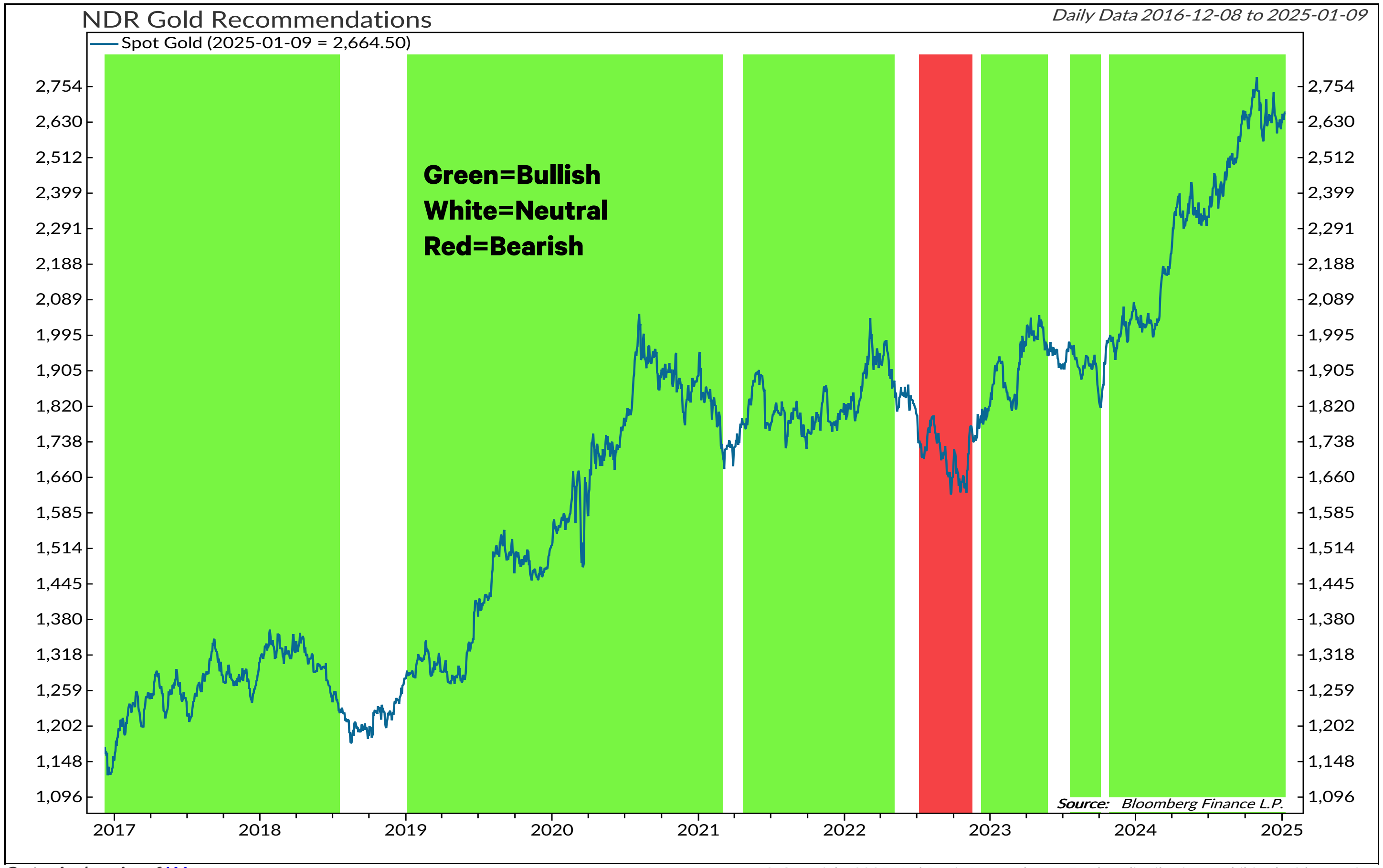
JANUARY 9, 2025

A yield threat to bullish gold and equity positions

Key Takeaways

- Current weight of the evidence supports a bullish gold position and overweight stock allocation.
- A broad bond yield advance would threaten both positions.
- Gold and stock uptrends are well intact for now.

Remaining bullish on gold



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MARK PHILLIPS, CFA, EUROPEAN EQUITY STRATEGIST

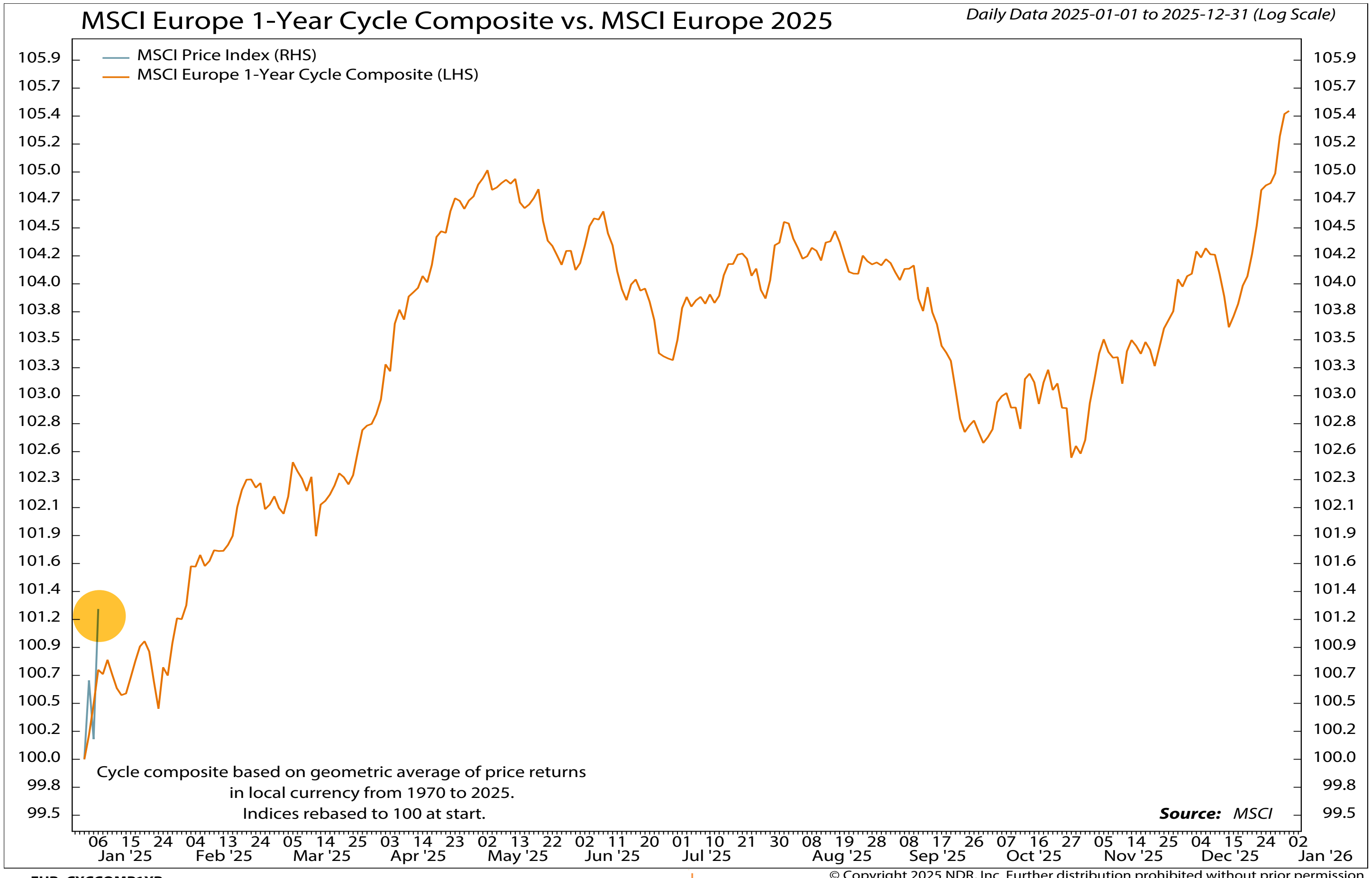
JANUARY 7, 2025

Should we care about the first five days of the year?

Key Takeaways

- There has been a weak positive correlation between European stock returns in January and the remaining 11 months of the year. A similar correlation can be found using the first five trading days of the year.
- A lack of momentum in December, combined with mixed indicators across a range of variables suggests a neutral outlook for European stocks.
- But risk indicators, leadership trends and seasonality mean that we remain bullish.

90% of price returns in first four months



NDR Hotline

ED CLISSOLD, CFA, CHIEF U.S. STRATEGIST
LONDON STOCKTON, RESEARCH ANALYST

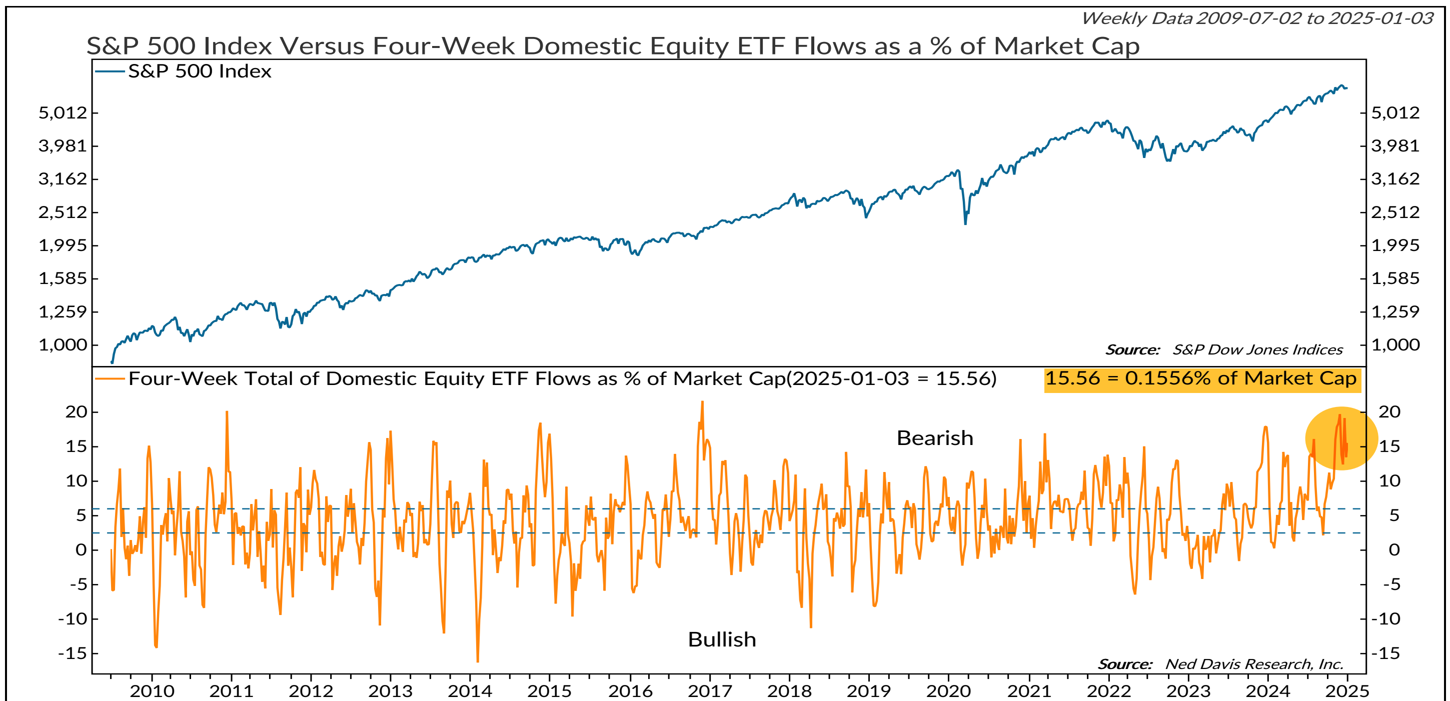
JANUARY 8, 2025

When to worry about excessive optimism

Key Takeaways

- ETF inflows have been among the highest on record over the last two months.
- ETF flows are seasonal, with the strongest weeks clustered from November to January, especially after elections.
- When ETF flows have reversed lower from extremely high levels, S&P 500 returns have tended to be below average for several months.

High ETF inflows reflect excessive optimism



S&P 500 Index Performance
Full History: 2007-01-05 to 2025-01-03

When Four-Week Flows as a % of Market Cap Are:	% Gain/ Annum	% of Time
Above 6.0	-9.20	38.11
2.5 - 6.0	10.21	23.51
Below 2.5	27.69	38.38

Buy/Hold = 8.32% Gain/Annum

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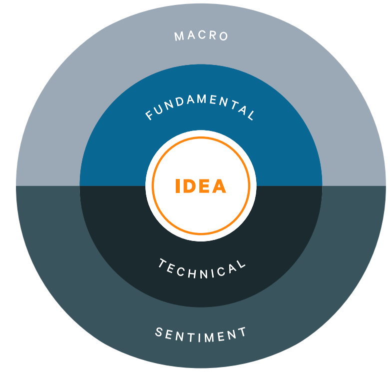

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