



EXECUTIVE WEALTH MANAGEMENT
at Steward Partners

Market Update

Timothy Davis, CFP®

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I would like to present my observations of the markets starting with my apologies for being radio silent in the New Year, it has been a busy start to January! The same goes for the U.S. stock market as we suffered a bit of a New Year's Hangover in the first week of trading which shouldn't come as a major surprise since Q4 2023 was so good and many investors were waiting to take their profits in January and make any realized gains a 2025 tax problem. So where do we go from here, now that the S&P 500 and the Dow Jones Industrial Average have both made new highs?

As is almost always the case, it will come down to economic data. Interest rates, and specifically the 10-year Treasury, peaked out in late September 2023 and since then have declined meaningfully which has with no coincidence coincided with the stock market rallying to new highs. Much of that rally has been on the belief that the economy will have a Soft Landing and that The Fed will lower rates more aggressively as the year goes on which should prevent a Hard Landing. So where are we at with the Hard vs. Soft Landing? Our friends at The Sevens Report have put together a great table that lays out the 6 major data points to pay close attention to:

Hard Landing vs. Soft Landing Scoreboard				
	Current	One Month Ago	Three Months Ago	Hard Landing/Soft Landing
ISM Manufacturing PMI	47.4	46.7	49.0	Hard Landing
ISM Services PMI	50.6	52.7	53.6	Soft Landing
Job Adds (Non-Farm Payrolls)	216k	173k	262k	Soft Landing
Retail Sales	\$615.3B	\$611.45B	\$612.63B	Soft Landing
NDCGXA	\$73.97B	\$73.38B	\$74.04B	Soft Landing
Jobless Claims	203k	212k	206k	Soft Landing

*Nondefense Capital Goods Ex-Aircraft

As you can see, the Manufacturing Sector is the only sector that is flashing red. Since 70%+ of the U.S. economy is driven by consumer spending, that for now is not a concern. The thing to keep a close eye on is the ISM Services PMI (Institute of Supply Management Services Purchasing Managers' Index) Should that dip below 50, it may be a bigger red flag. With unemployment so low and people having money to spend, we should stay on track for the so-called soft landing.

In closing, although the S&P 500 and Dow are both trading at or near all-time highs, the Small & Mid Cap sectors are not. In fact, the Russell 2000 is still over 20% off its highs from November 2021, per Tom Lee, and we believe there is the most potential for upside in those sectors and we have a slight overweight as a result. If you would be interested in learning more about that, please reach out to me at your earliest convenience.

Thank you as always for your time and attention to this update.

Regards,

Tim

See Our Latest Thoughts on the Markets: <https://davis.stewardpartners.com/.6.htm>

Timothy Davis, CFP®

Executive Managing Director – Wealth Manager
Partner
Davis Executive Wealth Management Group

Steward Partners Global Advisory
One International Place, Suite 3210
Boston, MA 02110

(Direct) [617-377-4418](tel:617-377-4418)

(Office) [617-377-4422](tel:617-377-4422)

(Toll Free) [888-371-0086](tel:888-371-0086)

(Fax) [857-233-2966](tel:857-233-2966)

t.davis@stewardpartners.com

<http://www.davis.stewardpartners.com/>

<https://www.linkedin.com/company/timothy-davis-executive-wealth-management>

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