

# Weekly Market Recap

## The week in review

- Job openings fell to 7.6M in Dec.
- Nonfarm payrolls increased 143K in Jan.
- Wages rose 0.5% m/m (4.1% y/y) in Jan.

## The week ahead

- CPI
- Retail sales

## Thought of the week

The current administration is focused on reducing the federal workforce as part of its fiscal strategy, proposing measures like severance packages, hiring freezes, and potential agency eliminations. However, data from the BLS suggests that there may be limited scope for significant cuts. This week's chart illustrates that federal jobs, excluding active-duty military personnel, have been declining as a percentage of total payroll employment since the 1960s. Today, they represent just 1.9% of all jobs, equating to about three million positions. In contrast, state and local governments are much larger employers, accounting for 13.0% of total payroll jobs, but the federal government lacks authority over those positions. Federal employees on average earn \$106.5k annually, so a 10% reduction in the federal workforce would save only \$32 billion per year or 0.5% of the 2025 federal budget. Achieving even a 10% reduction would be challenging, as defense and national security-related agencies make up 70% of federal employment, excluding USPS workers. Given the current geopolitical climate, downsizing in these areas may prove difficult. Additionally, some agencies, like the Federal Aviation Administration, are already understaffed. Reports indicate that 90% of U.S. airport control towers do not meet staffing targets.

It is unlikely that spending cuts will generate enough savings to offset the administration's tax cut plans. Discretionary spending has been increasingly constrained by the rising costs of mandatory expenditures and interest payments. As a result, fiscal deficits are expected to continue growing, which may prevent any significant decline in long-term interest rates. As a consequence, investors should generally look to the bond market for income and diversification but not capital appreciation.

Please see important disclosures on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	6026	-0.23	2.55	2.55	22.30	40.78
Dow Jones 30	44303	-0.54	4.22	4.22	16.67	34.16
Russell 2000	5666	-0.33	2.28	2.28	18.49	18.35
Russell 1000 Growth	2717	-0.27	1.70	1.70	26.18	52.79
Russell 1000 Value	1174	-0.18	4.44	4.44	18.39	25.34
MSCI EAFE	2385	0.24	5.51	5.51	10.56	16.26
MSCI EM	1108	1.40	3.23	3.23	13.84	-0.32
NASDAQ	19523	-0.53	1.13	1.13	24.80	42.65

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.85	0.39	0.92	0.92	3.35	-3.29
U.S. Corporates	5.31	0.37	0.92	0.92	4.07	-1.37
Municipals (10yr)	3.33	0.59	1.41	1.41	1.77	2.37
High Yield	7.45	0.00	1.36	1.36	9.61	14.09

Key Rates	Levels (%)					
	2/7/25	1/31/25	12/31/24	12/31/24	2/7/24	2/7/22
2-yr U.S. Treasuries	4.29	4.22	4.25	4.25	4.41	1.30
10-yr U.S. Treasuries	4.49	4.58	4.58	4.58	4.09	1.92
30-yr U.S. Treasuries	4.69	4.83	4.78	4.78	4.31	2.22
10-yr German Bund	2.40	2.46	2.35	2.35	2.30	0.23
SOFR	4.36	4.38	4.49	4.49	5.31	0.05
3-mo. EURIBOR	2.53	2.59	2.71	2.71	3.90	-0.53
6-mo. CD rate	2.30	2.30	2.29	2.29	2.22	0.14
30-yr fixed mortgage	7.23	7.26	7.28	7.28	7.10	3.93
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.25

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
21.89	5.06	1.20	51041	
20.12	5.58	1.59	18504	
24.52	1.96	1.24	2707	
29.12	12.83	0.52	29843	
16.84	2.76	1.96	25558	
14.27	1.88	2.84	16992	
12.28	1.78	2.20	7899	
27.78	6.79	0.63	31803	

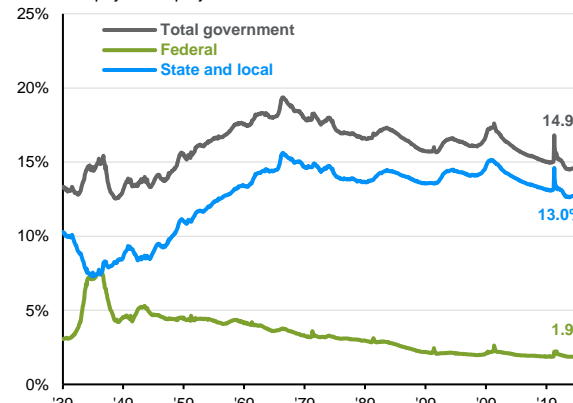
Currencies	Levels		
	2/7/25	12/31/24	2/7/24
\$ per €	1.03	1.04	1.08
\$ per £	1.24	1.25	1.26
¥ per \$	151.39	157.16	147.96

Commod.	Levels		
	2/7/25	12/31/24	2/7/24
Oil (WTI)	70.62	72.44	74.26
Gasoline	3.08	3.01	3.14
Natural Gas	3.40	3.40	1.94
Gold	2875	2609	2042
Silver	32.28	28.91	22.29
Copper	9288	8706	8281
Corn	4.79	4.53	4.30
BBG Idx	252.94	238.62	223.17

## Chart of the Week

### Government employment

% of total payroll employment



## Style Returns

	V	B	G
L	-0.2	-0.2	-0.3
M	-0.7	0.0	2.1
S	-0.3	-0.3	-0.3

	V	B	G
L	4.4	2.6	1.7
M	2.8	4.3	8.6
S	1.7	2.3	2.8

## S&P 500 Sector Returns

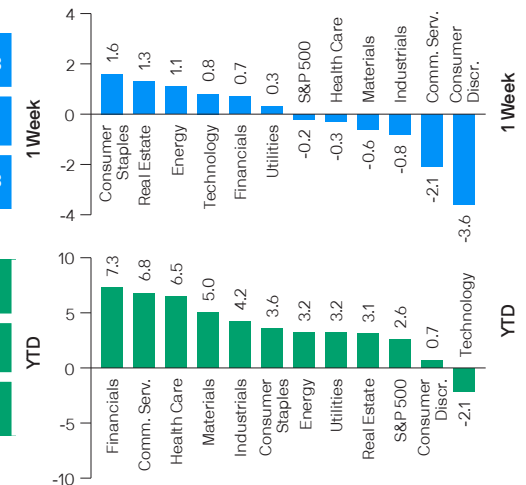




Chart of the Week: Source: Bloomberg, BLS, J.P. Morgan Asset Management. Federal employees excludes active-duty military personnel.

Thought of the week: Source: Bloomberg, BLS, CBO, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.); provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using

First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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