

Weekly Market Recap

The week in review

- CPI rose 0.5% m/m (3.0% y/y) in January
- Retail sales fell 0.9% m/m in January
- PPI rose 0.4% m/m (3.5% y/y) in January

The week ahead

- FOMC minutes
- Markit PMIs

Thought of the week

Since the pandemic began, the commercial real estate office sector has been one of the most heavily impacted industries as companies adopted work-from-home policies, reducing the need for physical office space in large cities. While much has been written about the demise of the post-pandemic office sector, with double-digit vacancy rates and negative net operating income growth over the last three years, is it possible that the sector has reached a turning point in its recovery? Several key indicators seem to point this way.

As shown in this week's chart, U.S. office net absorption, defined as the space that became physically occupied minus the space that became physically vacant during a specific period, positively rebounded in 4Q 2024 to nearly 3.5 million square feet. This was the first meaningfully positive net absorption figure in over three years and is primarily due to the return-to-office push that is underway. Management sentiment toward hybrid work has shifted dramatically, with a September 2024 survey revealing that 79% of CEOs expect a full-time in-office workforce over the next three years compared to just 34% in April 2024. Other positive signs include sublet space falling for three consecutive quarters, the availability rate of office properties declining for two consecutive quarters and vacancy rates staying flat in 4Q 2024.

While higher quality office properties in prime locations will fare better than lower quality office properties in subprime locations, it remains to be seen if these trends can persist in the sector's long road to recovery. However, investors should pay close attention for opportunities in this asset class that continues to trade at discounted valuations.

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	6115	1.52	4.11	4.11	23.96	45.54
Dow Jones 30	44546	0.65	4.89	4.89	18.14	36.98
Russell 2000	5666	0.05	2.33	2.33	14.86	17.88
Russell 1000 Growth	2772	2.03	3.76	3.76	28.14	58.90
Russell 1000 Value	1181	0.65	5.12	5.12	18.98	27.90
MSCI EAFE	2448	2.66	8.32	8.32	13.95	20.90
MSCI EM	1125	1.54	4.82	4.82	15.97	1.09
NASDAQ	20027	2.60	3.76	3.76	27.16	48.73

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.83	0.19	1.12	1.12	4.42	-2.14
U.S. Corporates	5.26	0.35	1.27	1.27	5.46	0.16
Municipals (10yr)	3.39	-0.25	1.15	1.15	1.65	3.16
High Yield	7.42	0.26	1.63	1.63	10.20	15.97

Key Rates	Levels (%)					
	2/14/25	2/7/25	12/31/24	12/31/24	2/14/24	2/14/22
2-yr U.S. Treasuries	4.26	4.29	4.25	4.25	4.56	1.58
10-yr U.S. Treasuries	4.47	4.49	4.58	4.58	4.27	1.98
30-yr U.S. Treasuries	4.69	4.69	4.78	4.78	4.45	2.29
10-yr German Bund	2.42	2.40	2.35	2.35	2.36	0.25
SOFR	4.33	4.35	4.49	4.49	5.30	0.05
3-mo. EURIBOR	2.52	2.53	2.71	2.71	3.92	-0.52
6-mo. CD rate	2.30	2.30	2.29	2.29	2.27	0.14
30-yr fixed mortgage	7.20	7.23	7.28	7.28	7.29	4.20
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.25

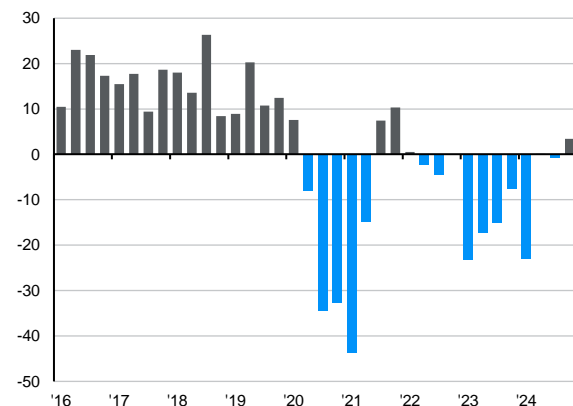
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
22.20	5.14	1.19	51806	
20.32	5.60	1.58	19071	
24.59	1.96	1.26	2699	
29.62	13.07	0.52	30441	
16.94	2.79	1.95	25718	
14.50	1.92	2.93	17436	
12.42	1.80	2.63	8019	
28.45	6.97	0.62	32640	

Currencies	Levels		
	2/14/25	12/31/24	2/14/24
\$ per €	1.05	1.04	1.07
\$ per £	1.26	1.25	1.25
¥ per \$	152.17	157.16	150.63

Commod.	Levels		
	2/14/25	12/31/24	2/14/24
Oil (WTI)	71.31	72.44	77.09
Gasoline	3.13	3.01	3.19
Natural Gas	3.63	3.40	1.51
Gold	2921	2609	1985
Silver	33.11	28.91	22.09
Copper	9812	8706	8134
Corn	4.88	4.53	4.20
BBG Idx	257.18	238.62	220.50

Chart of the Week

U.S. office net absorption
In million square feet, 1Q16 – 4Q24



Style Returns

	V	B	G
L	0.7	1.5	2.0
M	0.0	0.2	0.8
S	0.3	0.0	-0.2
	V	B	G
L	5.1	4.1	3.8
M	2.8	4.5	9.5
S	2.0	2.3	2.6

S&P 500 Sector Returns

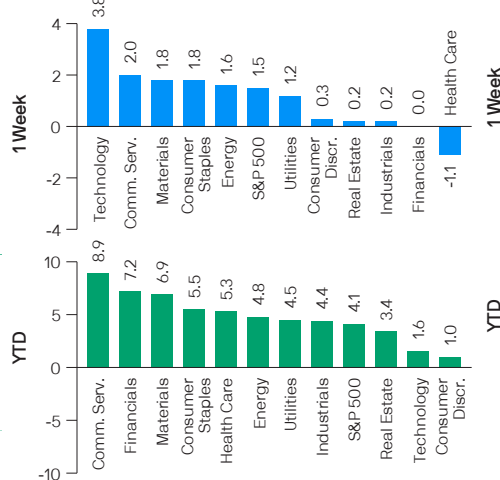




Chart of the Week: Source: CoStar, J.P. Morgan Asset Management. Net absorption is defined as the space that became physically occupied minus space that was physically vacated in a specific period.

Thought of the week: Source: CoStar, KPMG, 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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