

# Monthly Investment Report

February 2025



U.S. equity markets rallied in January, with the Dow Jones Industrials gaining +4.8%, the S&P 500 up +2.8%, and the Nasdaq Composite rising +1.7%. Small- and mid-cap stocks also advanced by +2.9% and +3.8% respectively. The Fed held rates at 4.25%-4.50%, while U.S. 10-year Treasury yields eased to 4.54% from 4.57%. GDP expanded +2.3%, driven by strong consumer spending, though PCE inflation at 2.6% remained a hurdle for Fed policy. Earnings optimism lifted sentiment, with four sectors achieving double-digit growth. Information Technology lagged, falling -2.9%, as Nvidia's sharp decline weighed on the sector. The Bloomberg US Aggregate Bond Index edged up +0.5%. Equities remained resilient despite economic uncertainty, bolstered by solid corporate earnings and sustained consumer demand.

## Markets

**In January, U.S. equities posted solid gains, with the Dow Jones Industrial Average rising +4.8%, the S&P 500 up +2.8%, and the Nasdaq Composite advancing +1.7%.** Mid- and small-cap stocks also performed well, with the S&P 400 climbing +3.8% and the S&P 600 gaining +2.9%. Sector performance was largely positive, led by Telecoms (+9.1%), Health Care (+6.8%), Financials (+6.6%), and Materials (+5.6%). Industrials rose +5.0%, while Consumer Discretionary gained +4.4%. Utilities advanced +2.9%, Energy added +2.1%, and Consumer Staples and Real Estate rose +2.0% and +1.3%, respectively. Information Technology was the sole laggard, declining -2.9%, as key Artificial Intelligence stocks faced pressure amid concerns over Deepseek, a Chinese AI model developed rapidly with lower cost processors. Earnings season added momentum, with 36% of S&P 500 companies reporting Q4 results, 72% of which exceeded earnings and sales expectations. Industrials and Utilities were the only sectors with negative earnings surprises. International markets also performed well, with the MSCI Europe ex-UK surging +7.4%, MSCI UK rising +5.2%, MSCI Developed World ex-US up +5.0%, and the MSCI Pacific ex-Japan gaining +3.6%, reflecting global investor optimism.

**Fixed income markets posted moderate gains.** The Bloomberg US Aggregate Bond Index rose +0.5%, while the Bloomberg Global Aggregate ex-US Index gained +0.6%. High-yield bonds led performance, with the Bloomberg US High Yield Bond Index climbing +1.4%. Treasury yields edged lower, as the 10-year yield dipped from 4.57% to 4.54%, while Treasury Inflation-Protected Securities (TIPS) yields also declined.

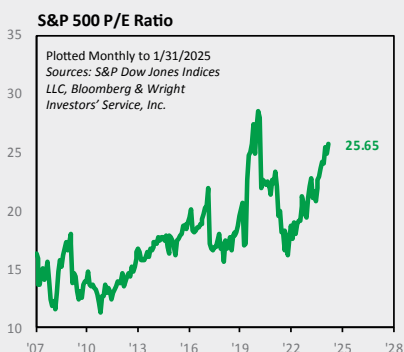
Commodities outperformed both US equities and fixed income, with the Bloomberg Commodities Index advancing +4.0%. Heating oil posted the largest gain at +7.1%, followed by gold (+6.5%) and copper (+6.3%). The MSCI US REIT Index added +1.0%, reflecting continued strength in real estate. Currency markets were mixed, as the Bloomberg Dollar Index slipped -0.1%. The U.S. dollar strengthened against the Canadian Dollar (+1.1%) and the British Pound (+1.0%) but weakened against the Japanese Yen (-1.3%). Overall, January delivered broad-based market gains, supported by solid corporate earnings, steady economic growth, and sustained investor confidence.

## U.S. Economy

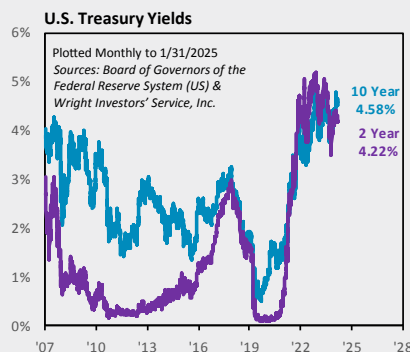
**The U.S. economy showed mixed signals in January, as business activity growth moderated while employment surged, supported by strong investor and consumer optimism.** The U.S. economy showed signs of moderation in January, as the S&P Global US Composite PMI declined to 52.4 from 55.4, indicating a softer expansion. The slowdown was led by the services sector, with the Services PMI falling to 52.8 from 56.8, its weakest growth since last April, as export orders declined for the first time since June. In contrast, manufacturing showed signs of stabilization, as the Manufacturing PMI edged up to 50.1 from 49.4, marking its first expansion in seven months. Improved domestic demand supported a modest increase in new orders, though adverse weather weighed on activity in some service-based firms.

**Despite slowing output growth, hiring surged.** The U.S. labor market remained strong in January, as nonfarm payrolls surged to 256,000 from 227,000, the highest in nine months.

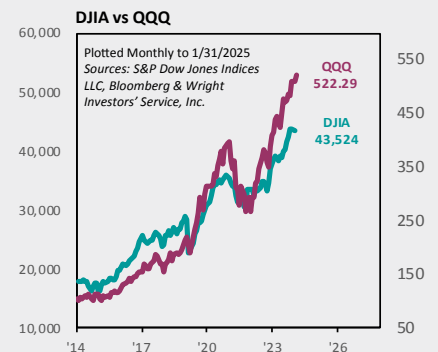
### P/Es Remain Higher



### 2 Year & 10 Year Yields Fall



### US Equities Remain Strong



## Total Investment Returns—1.31.2025

	November	Last 12 Mos.
Dow Jones Industrial Average	4.8%	18.9%
Nasdaq Composite	1.7%	30.4%
S&P 500 Composite	2.8%	26.4%
S&P MidCap 400	3.8%	20.4%
S&P SmallCap 600	2.9%	16.5%
MSCI World (\$)	3.5%	21.4%
MSCI World ex U.S. (\$)	5.0%	9.4%
Bloomberg U.S. Aggregate	0.5%	2.1%
90-Day Treasury Bills (Yield)	4.3%	5.4%
CPI ex-Food & Energy SA* (Oct 2024)	0.2%	3.2%

\*SA: Seasonally Adjusted  
Sources: Bloomberg LP & Wright Investors' Service, Inc.

The unemployment rate edged down to 4.1% from 4.2%, highlighting continued resilience in the labor market. Wage growth moderated, with average hourly earnings rising 0.3% month-over-month, down from 0.4%, though annual wage growth held steady at 3.9%. Job gains were led by health care, government, and social assistance, while retail trade job growth rebounded after November's decline. Inflationary pressures increased as the Personal Consumption Expenditures (PCE) price index climbed to 2.6% from 2.4%, the largest rise in eight months, driven by higher motor vehicle and energy costs. Core PCE inflation remained at 2.8%. The Fed held interest rates steady at 4.25%-4.50% in its first 2025 meeting, citing persistent inflation risks. The housing market showed mixed trends, with new home sales rising to 698,000 from 664,000 amid limited existing home inventory. Housing starts jumped to ~1.5 million from ~1.3 million units, reflecting improved construction activity, though building permits were little changed at 1.48 million, signaling ongoing caution among builders due to elevated mortgage rates. Overall, January's data underscores a strong labor market, moderating wages, and persistent inflation, keeping the Fed in a "wait-and-see mode" on future policy decisions.

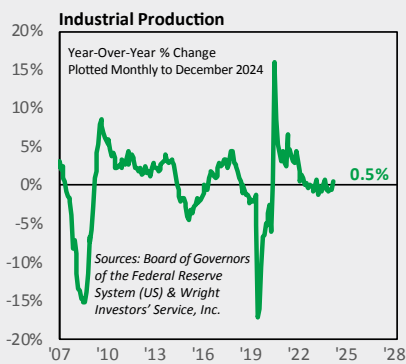
## Investment Outlook

**The U.S. economic outlook remains positive, supported by elevated business confidence and resilient market conditions.** Manufacturing confidence surged to its highest level since March 2022, reflecting optimism fueled by expectations of looser regulations, lower taxes, and broader economic improvements. However, risks remain, as concerns over tariffs, inflation, and a strong dollar could temper this optimism. Ongoing trade tensions, particularly with China and North American partners, may weigh on U.S. economic growth and add inflationary pressures. Despite these challenges, S&P 500 companies are on track for strong Q4 2024 earnings. However, caution is warranted, especially in the technology sector, where valuations remain stretched, particularly in AI. While U.S. tech is expected to maintain its AI leadership in the near term, potential competitive disruptions could create headwinds for the broader market.

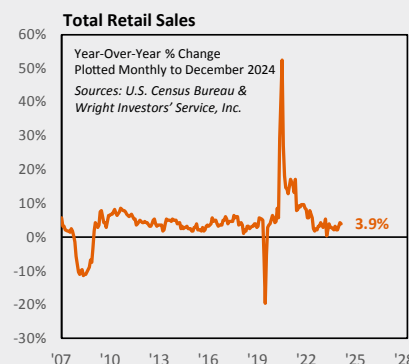
### The Federal Reserve maintains a cautious approach, keeping interest rates unchanged while carefully monitoring inflationary trends.

FOMC now anticipates only two interest rate cuts in 2025, although rising tariffs and supply chain disruptions could impede further progress. As we navigate the uncertain economic landscape of 2025, balancing growth with risk management will be crucial. Investors should prioritize constructing a resilient, diversified portfolio that aligns with long-term goals, while remaining mindful of the potential impact of rising tariffs and heightened volatility on near-term market conditions.

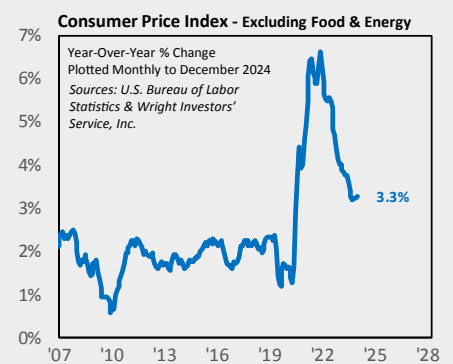
### Manufacturing: Weakened Slightly



### Consumer Spending: Slowing Growth



### Core Inflation: Ticked Up This Month



Source: Bloomberg Index Services Limited. "Bloomberg®", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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