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January 2025 Recap

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PRELUDE

As an avid gym-goer, I generally dislike training in January due to overcrowding from an influx of new members fulfilling their New Year's resolutions. Typically these members quickly abandon their fitness goals and the gym returns to a more normalized state by month end. I am seeing something different this year though, as more newcomers are demonstrating greater consistency in pursuing their goals. While 2025 is still young, these new members are off to a stronger-than-expected start, and I wish them well on their fitness journeys. Markets also began 2025 on a positive note and experienced greater participation along the way, as all major asset classes moved higher during January. The U.S. stock market rose broadly despite several members of the Magnificent Seven declining during the month, while bonds also generated positive returns. International markets moved higher for the first time in four months as developed international stocks outperformed U.S. stocks.

GLOBAL EQUITY

After stumbling into the end of 2024, U.S. stocks re-gained positive momentum in January as several major U.S. equity market indexes rose between +2.0% and +4.8%, cumulatively. Large cap value stocks were among the best performers during the month as several companies in the banking industry, including JPMorgan Chase and Wells Fargo, reported stronger-than-expected earnings. Large cap growth companies also moved higher during January but lagged their value-oriented counterparts amid concerns about AI industry competition from DeepSeek, a Chinese AI startup company. We are watching this situation closely, as several regulatory bodies and companies have since launched investigations into DeepSeek. Such investigations relate to DeepSeek's potentially illegal procurement of critical hardware components from NVIDIA and improper utilization of data from OpenAI, one of the U.S.'s leading generative AI companies. In other news, the Russell 2000 rebounded during the month after experiencing a sharp selloff in December, as several companies in the biotechnology industry propelled the index higher.

TABLE 1: GLOBAL EQUITY	JAN	QTD	YTD	1 YR
Dow Jones Industrial Average	4.78	4.78	4.78	18.93
S&P 500 Index	2.78	2.78	2.78	26.38
Russell 2000	2.62	2.62	2.62	19.09
Russell 1000 Growth	1.98	1.98	1.98	32.68
Russell 1000 Value	4.63	4.63	4.63	19.54
MSCI ACWI USD	3.36	3.36	3.36	20.72
MSCI EAFE USD	5.26	5.26	5.26	8.65
MSCI EM USD	1.79	1.79	1.79	14.75
MSCI ACWI ex US USD	4.03	4.03	4.03	10.89

Source: Bloomberg, as of 1/31/2025. Past performance does not guarantee future returns.

International markets generated positive returns in January as the U.S. Dollar reversed course and generally weakened versus other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned +5.3% for the month. European equities led the way higher as the European Central Bank cut interest rates again during the month, while it also left the door open for additional interest rate cuts later in the year. The Bank of Japan raised interest rates again during January, leading Japanese equities to generate lower returns than their European peers. Emerging markets underperformed their developed market counterparts in January, but the MSCI EM Index still moved higher, returning +1.8%. Chinese stocks were among the top contributors to performance amid news that the new U.S. administration may take a softer stance on Chinese tariffs than initially expected. We will continue to monitor this situation though, as its evolution may lead to additional volatility within the Chinese stock market over the remainder of 2025.

TABLE 2: FIXED INCOME	JAN	QTD	YTD	1 YR
Bloomberg US Aggregate	0.53	0.53	0.53	2.07
Bloomberg 1-3 Yr Gov/Credit	0.46	0.46	0.46	4.43
Bloomberg Treasury 5-7 Yr	0.65	0.65	0.65	1.49
Bloomberg Investment Grade Corp	0.56	0.56	0.56	2.79
Bloomberg High Yield Corp	1.37	1.37	1.37	9.68
JPMorgan EMBI Global Diversified	1.44	1.44	1.44	9.18

Source: Bloomberg, as of 1/31/2025. Past performance does not guarantee future returns.

FIXED INCOME

The U.S. Treasury yield curve shifted downward during January, aiding fixed income returns as the Bloomberg U.S. Aggregate rose +0.5%. Treasury yields rose early in the month following stronger-than-expected labor market data, with the 10-year U.S. Treasury yield briefly touching its highest intraday level since November 2023. However, data showing signs of cooling inflation pushed yields lower later in the month and led to positive returns for the asset class. Fixed income markets concluded January on a somewhat uneventful note as the Federal Reserve held rates steady at its January meeting, as markets generally expected. Investors still expect the Federal Reserve to cut interest rates roughly twice in 2025. Outside of the Treasury market, corporate credit spreads also tightened during January, leading both investment grade and high yield corporate bonds to generate positive returns.

Focusing on the Federal Reserve and its possible plans for 2025, we do not expect the Federal Reserve to be in a hurry to adjust interest rates. Recent data indicates that both economic growth and the labor market are on stable footing, while inflation has cooled somewhat despite remaining above the Federal Reserve's stated 2% target. We expect that before determining its future direction, the Federal Reserve will wait to see how the new administration's policies unfold, several of which have potential to impact economic growth, the labor market, and inflation (taxes, tariffs, government efficiency initiatives, etc.). We will keep you apprised of such policies as they develop and of our opinions about their potential impact on the Federal Reserve's actions going forward.

POSTLUDE

I began this piece with some commentary surrounding physical fitness, so I will close with the same theme. The pursuit and achievement of both financial and fitness goals share much in common. Similarities between the two include:

- The need for a thoughtful plan.
- Dedication to executing the plan over the long term.
- Willingness to adjust the plan as conditions change.
- Potential for helpful guidance from an industry professional.
- Non-linear progress, but a strong sense fulfillment upon completion.

As we look at the balance of 2025, we think global markets face greater uncertainty compared to the prior year for multiple reasons (new political leaders, changing governmental policies, central bank policy divergence, geopolitical conflict, new technology, etc.). Such uncertainty makes having a sound financial plan and the flexibility to adapt even more important. While global financial markets are off to a good start, we do not think progress will be linear either. Regardless though, we expect another eventful year and look forward to coaching our clients through its twists and turns.

Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.