



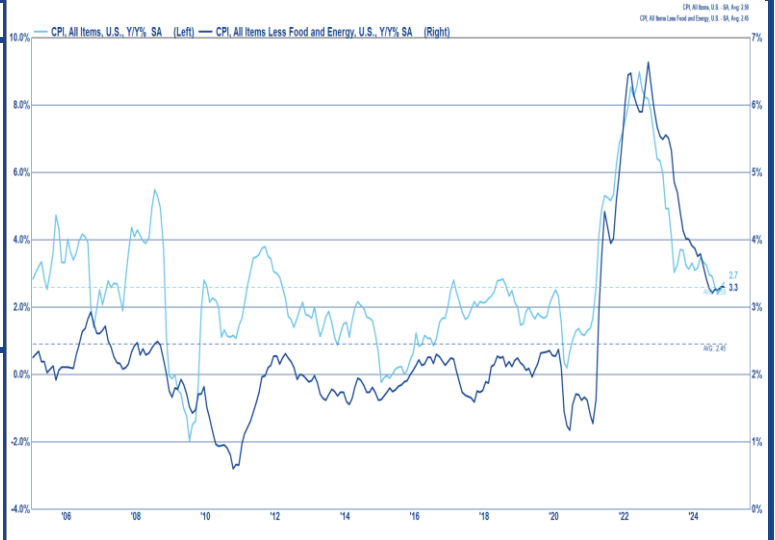
**Economic & Market Commentary**

Since the Federal Reserve (Fed) first cut rates back in September 2024, the yield on the 10-year treasury (10yr) has been on a steady climb higher. This is unusual, for normally the 10yr would hold steady or drift somewhat lower but not to the same degree of short-term rates. At that time, the yield on the 10yr was 3.64% and as of this morning it is yielding 4.78%. What gives? Inflation peaked in June 2022 at 9.0% and since that time the Fed has made significant progress on lowering the pace of inflation back to their target goal of 2.0%. After aggressive rate increases to bring inflation under control, the Fed felt that enough progress on inflation was made to warrant the first rate cut in September 2024 as they saw their mandate risks of maximum employment and price stabilization as balanced and expected inflation to continue to trend towards their target goal. However, inflation has stabilized in the 2.5% - 3.0% range and economic data consistently continues to surprise to the upside or stronger than expected. Last Friday, December monthly job gains came in much stronger than expected, posting gains of 223,000 versus the consensus expectation of 136,000. September and October inflation data at the consumer and wholesale levels came in stronger than expected as well, which is one reason why December's inflation reports being released this Tuesday (PPI - Wholesale) and Wednesday (CPI - Consumer) will get extra scrutiny. Other reasons for increased scrutiny includes expected tariffs policy from the incoming Trump administration, the Fed's recent increase to 2025 and 2026 inflation projections, and several consumer and business surveys which show rising inflation expectations. It is important to note that while inflation expectations are on the rise, it is not even close to 2022 levels. With the yield curve normalizing at higher rates and the decrease in Fed 2025 rate cut forecasts, expect the 10yr to drift higher near term.

**Index Total Returns - January 10, 2025**

	1-Wk	YTD	1-Yr
S&P 400	-1.66	-0.66	14.98
MSCI-Developed	-0.43	-0.73	4.32
NASDAQ	-2.34	-0.76	28.93
S&P 500	-1.91	-0.89	23.51
Dow Jones	-1.83	-1.38	13.33
MSCI-Emerging	-1.50	-1.63	9.44
Russell 2000	-3.49	-1.82	12.65
<b>Barclay's U.S. Bond Index</b>			
High Yield	-0.28	0.04	8.74
5-year Muni	-0.32	-0.13	1.30
Int. Gov. Credit	-0.50	-0.54	2.91
Municipal	-0.95	-0.66	0.65
Aggregate	-0.87	-1.00	1.18

**Consumer Price Inflation (CPI)**



**U.S. Treasury Yields**

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.22	4.16	4.83
U.S. 2-Yr	4.38	4.28	4.36
U.S. 3-Yr	4.47	4.32	4.11
U.S. 5-Yr	4.58	4.41	3.98
U.S. 10-Yr	4.77	4.60	4.04
U.S. 30-Yr	4.96	4.81	4.22

**S&P 500 Sector Total Returns - January 10, 2025**

Sector	1-Wk	YTD	1-Yr
Energy	0.90	2.86	11.74
Health Care	0.52	1.55	0.72
Comm. Services	-0.57	0.86	38.61
Utilities	-1.90	-0.10	21.21
Industrials	-1.01	-0.28	18.74
Materials	0.14	-0.93	1.33
Con. Discretion	-2.33	-1.23	29.72
Info Tech	-3.10	-1.71	34.47
Financials	-2.61	-2.04	27.24
Consumer Staples	-1.90	-2.20	11.34
Real Estate	-4.09	-3.70	2.45

**Municipal Yields - Bloomberg/Barclays Index**

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.68	3.56	3.06
U.S. AA	3.70	3.56	3.11
U.S. A	4.09	3.95	3.63
U.S. Baa	4.59	4.45	4.30
U.S. Municipal	3.83	3.70	3.29
Michigan	3.98	3.85	3.44

Index Characteristics	P/E	P/E NTM	Dividend Yield
	NTM	10yr-Avg.	
S&P 500 - Large Cap	21.32	18.50	1.23
S&P 400 - Mid Cap	15.63	15.92	1.39
S&P 600 - Small Cap	15.21	15.65	1.59