



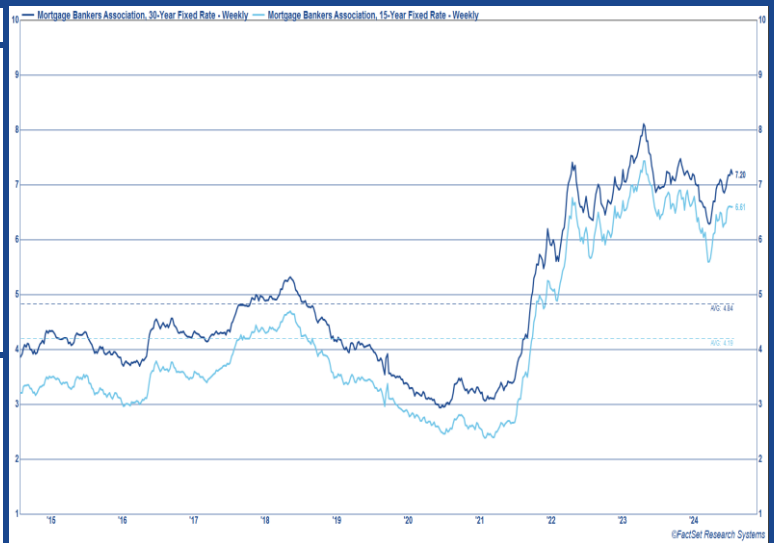
**Economic & Market Commentary**

A few weeks ago, I watched a video clip from the late and great economist Milton Friedman. The clip was from the 1970s. He talked about the making of a simple lead pencil. He stated how a single person in the world could not make this pencil. He highlighted how the wood likely came from Washington. To cut the wood, you would need a saw. To make the saw, you would need steel. To make steel, you need iron ore. He went on to emphasize what country likely procured the lead (graphite) for the pencil, where the rubber was harvested and where other components were produced. He stated, "Literally thousands of people cooperated to make this pencil. People who don't speak the same language, who practice different religions, and who might hate one another if they ever met." He continued with, "What brought all these people together to produce this pencil? It is the magic of the price system. The impersonal operation of prices that brought them together and got them to cooperate to make this pencil so you could buy it for a trifling sum. That is why the operation of the free market is so essential to promote productive efficiency." The pencil example shows the importance of free and efficient global market trade. One of the primary policy initiatives of President Trump is to employ trade tariffs. He will be using tariffs to protect and promote domestic industries and manufacturing, for negotiating leverage, to address unfair trade practices and trade deficits, to generate tax revenue, to reduce our dependence on China and to protect our southern and northern borders. The implementation of broad-based tariffs could be seen as a policy mechanism to reshape global trade in favor of the U.S. However, many analysts warn of potential negative consequences like inflation, job losses, trade tensions, tariff retaliation, and an overall reduction in global supply trade. As shown, the making of just a simple product can be complex and far reaching. In his first term, President Trump used tariffs mainly as a negotiating tool with little economic impact. This time around it is not as clear as he has wavered on potential use, but this past weekend could be an indication as he threatened the use of tariffs on Columbia who quickly capitulated. The consensus is that the tariffs will be more strategic than broad based, be implemented more gradually than all at once, and have lower rates than publicized. The longer and more broad-based tariffs are used increases the likelihood of potential unintended consequences.

**Index Total Returns - January 24, 2025**

	1-Wk	YTD	1-Yr
S&P 400	1.11	5.01	21.21
Dow Jones	2.19	4.50	19.69
MSCI-Developed	3.17	4.42	9.29
S&P 500	1.76	3.81	27.06
Russell 2000	1.40	3.51	19.25
NASDAQ	1.65	3.35	29.82
MSCI-Emerging	1.87	1.47	13.63
<b>Barclay's U.S. Bond Index</b>			
High Yield	0.33	1.16	9.88
5-year Muni	0.25	0.27	2.30
Int. Gov. Credit	0.12	0.21	3.85
Municipal	0.26	-0.05	2.21
Aggregate	0.11	0.09	2.98

**MBA National Mortgage Rates**



**U.S. Treasury Yields**

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.16	4.20	4.80
U.S. 2-Yr	4.26	4.27	4.38
U.S. 3-Yr	4.32	4.34	4.19
U.S. 5-Yr	4.42	4.42	4.10
U.S. 10-Yr	4.62	4.61	4.18
U.S. 30-Yr	4.85	4.85	4.41

**S&P 500 Sector Total Returns - January 24, 2025**

Sector	1-Wk	YTD	1-Yr
Industrials	2.42	7.07	27.35
Comm. Services	4.01	6.28	39.64
Energy	-2.89	6.05	14.77
Materials	0.74	5.82	10.93
Financials	1.24	5.24	34.85
Utilities	0.87	5.06	37.04
Health Care	2.97	4.96	5.81
Con. Discretion	0.81	3.54	37.98
Real Estate	1.17	2.16	12.86
Info Tech	1.88	1.72	30.26
Consumer Staples	1.08	0.10	15.38

**Municipal Yields - Bloomberg/Barclays Index**

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.60	3.64	3.27
U.S. AA	3.64	3.68	3.31
U.S. A	4.00	4.04	3.82
U.S. Baa	4.49	4.53	4.45
U.S. Municipal	3.76	3.80	3.48
Michigan	3.89	3.93	3.62

Index Characteristics	P/E	P/E NTM	Dividend Yield
S&P 500 - Large Cap	22.21	19.72	1.18
S&P 400 - Mid Cap	16.46	15.03	1.32
S&P 600 - Small Cap	16.04	14.67	1.51