



**Equities**

U.S. stocks began the week rattled by the growing drumbeat surrounding a new open-source AI model from Chinese firm DeepSeek. The model, apparently nearly as performant as U.S. peers but produced at a fraction of the cost, sent beneficiaries of AI capital spend plunging. Nvidia lost -17% in a day, and an index of firms focused on enabling the provision of power to AI data centers fell -16%. While these areas of the market finished the week down significantly, the rest of the S&P 500 kept the index afloat until Friday afternoon. Markets sold off to end the week down -1% after President Trump announced the imposition of 25% tariffs on imports from Mexico and Canada, and 10% tariffs on imports from China. Markets in Europe again outperformed.

**Fixed income**

Interest rates ended the week lower, initially amid Monday's flight to safety and then confirmed by benign macro data. The 10-year yield ended near 4.50%, the lowest in about a month, while the policy-sensitive 2-year yield settled in around 4.20%. The FOMC meeting was generally uneventful, with Chair Powell reiterating confidence in the economy and patience on rate cuts. The market now prices exactly two rate cuts in 2025. Credit markets gained in January, with high yield benefitting from a slight dip in long-term rates.

**Commodities**

Crude prices in the U.S. declined into the low \$70s as traders awaited potential tariffs. On Friday afternoon, it became clear President Trump would impose a 25% tariff on most imports from Canada and a 10% tariff on Canadian energy products. Midwest refineries rely heavily on Canadian crude, and fuel prices in some regions on the U.S. could increase as a result. Gold crossed \$2,800/oz for the first time ever and has now gained 36% since the start of 2024.

**Economic overview**

The U.S. economy expanded at a solid 2.3% pace in Q4, with the underlying details making the growth look even stronger. Consumption rose 4.2%, the best in two years, while an inventory drawdown shaved nearly a point off the headline. This data stands in stark contrast to the 0% Q4 growth reported in the Eurozone, exemplifying the widening gap between growth in the U.S. and the rest of the world. Core PCE rose 0.2% m/m and 2.8% in 2024, on par with expectations and demonstrating continued gradual progress on inflation.

Equities (price index)		MTD	QTD	YTD	2024
S&P 500	6,040.53	2.70%	2.70%	2.70%	23.31%
DJIA	44,544.66	4.70%	4.70%	4.70%	12.88%
NASDAQ	19,627.44	1.64%	1.64%	1.64%	28.64%
Russell 2000	2,287.69	2.58%	2.58%	2.58%	10.02%
MSCI World	3,836.58	3.47%	3.47%	3.47%	17.00%
MSCI Europe	2,139.61	6.82%	6.82%	6.82%	-0.87%
MSCI EAFE	2,379.76	5.21%	5.21%	5.21%	1.15%
MSCI Asia	184.10	1.36%	1.36%	1.36%	7.23%
MSCI EM	1,093.37	1.66%	1.66%	1.66%	5.05%
VIX	16.43	-0.92	-0.92	-0.92	4.90

Fixed income (total return index)		MTD	QTD	YTD	2024
Barclays U.S. Agg	2,200.64	0.53%	0.53%	0.53%	1.25%
Inv. grade bonds	3,307.68	0.55%	0.55%	0.55%	2.13%
High yield bonds	2,719.80	1.37%	1.37%	1.37%	8.19%
Leveraged Loans	4,090.17	0.69%	0.69%	0.69%	8.95%

Alternatives (total return index)		MTD	QTD	YTD	2024
FTSE NAREIT	25,358.56	1.03%	1.03%	1.03%	4.92%
REIT Index					
GS Commodity Index	561.92	2.23%	2.23%	2.23%	2.61%
Alerian MLP Index	2,553.34	8.79%	8.79%	8.79%	24.41%

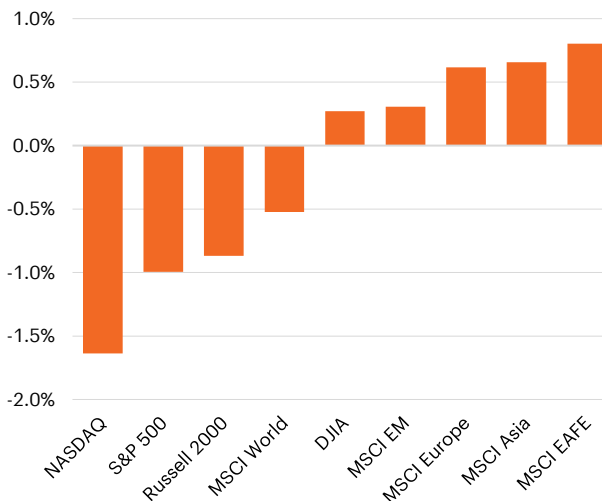
Commodities		MTD	QTD	YTD	2024
WTI Crude	\$72.53	1.13%	1.13%	1.13%	0.10%
Brent Crude	\$76.76	2.84%	2.84%	2.84%	-3.12%
Natural Gas	\$3.04	-16.21%	-16.21%	-16.21%	44.51%
Gold	\$2,813	6.49%	6.49%	6.49%	27.47%

Currency		MTD	QTD	YTD	2024
Dollar Index (DXY)	108.37	-0.11%	-0.11%	-0.11%	7.06%
USDCNY	7.24	-0.75%	-0.75%	-0.75%	2.81%
Bitcoin	102,110	8.96%	8.96%	8.96%	120.46%

Spreads		MTD	QTD	YTD	2024
Inv. grade bonds	79 bps	-1 bps	-1 bps	-1 bps	-19 bps
High yield bonds	261 bps	-26 bps	-26 bps	-26 bps	-36 bps
Leveraged loans	393 bps	-5 bps	-5 bps	-5 bps	-61 bps
Emerging markets	208 bps	-12 bps	-12 bps	-12 bps	-77 bps

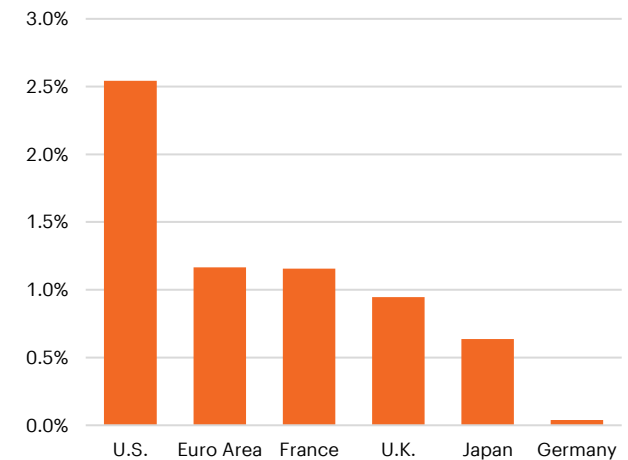
Interest rates		MTD	QTD	YTD	2024
Fed Funds Target	4.375%	4.375%	4.375%	4.375%	5.38%
SOFR	4.36%	-13 bps	-13 bps	-13 bps	-89 bps
2-year Treasury	4.20%	-4 bps	-4 bps	-4 bps	-1 bps
10-year Treasury	4.54%	-3 bps	-3 bps	-3 bps	69 bps
30-year Treasury	4.79%	1 bps	1 bps	1 bps	75 bps
Barclays U.S. Agg	4.86%	-5 bps	-5 bps	-5 bps	23 bps
Inv. grade bonds	5.30%	-3 bps	-3 bps	-3 bps	27 bps
High yield bonds	7.20%	-29 bps	-29 bps	-29 bps	-10 bps

**Last week's equity returns**



**Annualized real GDP growth**

Since the start of 2022



Source: IMF, as of Q4 2024 for the U.S., Q3 2024 for all other countries/regions.

## Equities

**S&P 500:** Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

## Credit

**Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

## Alternatives

**FTSE NAREIT All Equity REITs Index:** Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

## Commodities

**Generic 1st Crude Oil (WTI Crude):** Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

## Currency

**Dollar Spot Index:** Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

## Spreads

**Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

## Interest rates

**Fed funds target:** Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

**Sources:** Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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