

## Stocks Rally as Market Leadership Shifts in Early 2025

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### Monthly Market Summary

- The S&P 500 Index returned +2.7%, marginally outperforming the Russell 2000 Index's +2.5% return. Seven of the eleven S&P 500 sectors outperformed the index, as AI-related news led to a sell-off in Technology stocks.
- Corporate investment-grade bonds produced a +0.6% total return as Treasury yields edged lower but underperformed corporate high-yield's +1.4% total return as corporate credit spreads tightened further.
- International stock returns were mixed. The MSCI EAFE developed market stock index returned +4.8% and outperformed the S&P 500 due to strength in Europe, while the MSCI Emerging Market Index returned +2.2%.

### Stocks Trade Higher as Market Leadership Rotates After 2024's Gains

Stocks traded higher to start 2025, but there was a change in market leadership as the rally broadened. Large Cap Value, which underperformed over the past 12 months, outperformed Large Cap Growth by over +2.5% in January. Likewise, the Dow Jones Index traded back toward its all-time high from early December after finishing the year in a downtrend. In contrast, the Growth factor, Nasdaq 100, and Technology sector each underperformed the S&P 500 after propelling the index higher throughout most of 2024. The catalyst: AI-related news from China, which raised concerns about U.S. AI leadership and could have implications for broad U.S. stock market indices.

### Technology Stocks Sell-Off After Chinese Startup Unveils Lower Cost AI Model

In January, there was a major artificial intelligence (AI) development that has potential implications for both the industry and the U.S. stock market. Chinese startup DeepSeek unveiled an AI model it claims can compete with top U.S. models, such as ChatGPT, but at a fraction of the cost. The model was developed using cheaper, less advanced chips, challenging the view that cutting-edge AI requires significant investment in high-performance, expensive hardware. If other companies follow suit and develop lower-cost models, it could influence the AI technology landscape and impact U.S. leadership.

DeepSeek's AI model release triggered a sell-off in U.S. tech stocks that had been boosted by AI growth prospects. The model's lower development cost raised questions about the risk of reduced demand for the high-end chips used to train AI models. The news was especially relevant for companies like Nvidia, a key supplier of the high-end, high-cost hardware favored by AI firms. The company lost nearly \$600 billion in market capitalization, one of the largest single-day losses for a U.S. company. The selling pressure also extended to Microsoft, Alphabet, and Meta, reflecting broader concerns over the expensive valuations of AI-related stocks. While the news impacted a small subset of companies, the high weights of AI-related companies in the S&P 500 caused the index to trade lower on the announcement. Given the S&P 500's high exposure to AI stocks, the market will be closely monitoring developments in the AI industry in the coming months.

## THIS MONTH IN NUMBERS

**FIGURE 1**  
**U.S. Style Returns (January in %)**

	Value	Blend	Growth
Large	4.5	2.7	1.9
Mid	3.4	4.2	6.2
Small	2.0	2.5	3.2

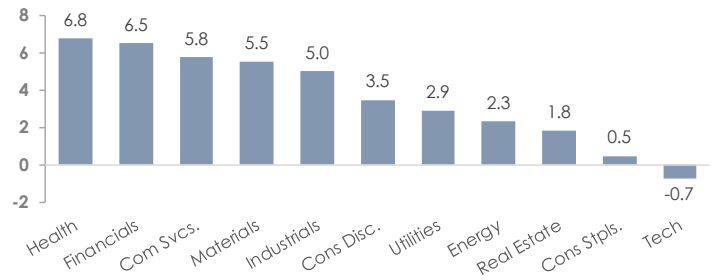
Data Reflects Most Recently Available As of 1/31/2025

**FIGURE 3**  
**U.S. Style Returns (YTD in %)**

	Value	Blend	Growth
Large	4.5	2.7	1.9
Mid	3.4	4.2	6.2
Small	2.0	2.5	3.2

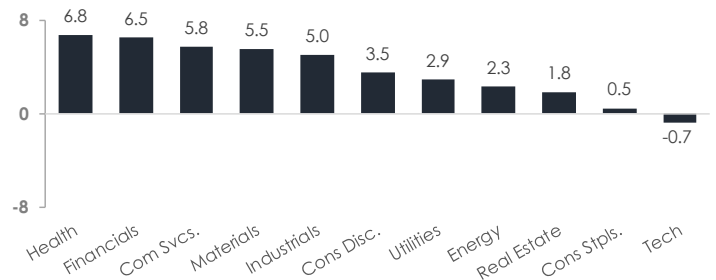
Data Reflects Most Recently Available As of 1/31/2025

**FIGURE 2**  
**U.S. Sector Returns (January in %)**



Data Reflects Most Recently Available As of 1/31/2025

**FIGURE 4**  
**U.S. Sector Returns (YTD in %)**



Data Reflects Most Recently Available As of 1/31/2025

**FIGURE 5**  
**Market Data Center**

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	2.7%	6.2%	9.9%	2.7%	26.1%	38.2%	1.17%	21.9x	5.1x
Dow Jones	4.7%	7.0%	9.9%	4.7%	18.6%	32.5%	1.51%	20.3x	5.7x
Russell 2000	2.5%	4.3%	1.8%	2.5%	18.7%	16.4%	1.11%	24.8x	2.0x
Russell 1000 Growth	1.9%	9.6%	14.5%	1.9%	32.4%	48.8%	0.45%	29.3x	13.0x
Russell 1000 Value	4.5%	3.6%	6.6%	4.5%	19.1%	24.2%	1.78%	16.9x	2.8x
MSCI EAFE	4.8%	1.4%	-0.1%	4.8%	8.9%	13.0%	3.06%	14.2x	1.9x
MSCI EM	2.2%	-2.3%	1.2%	2.2%	13.9%	-6.3%	2.35%	12.0x	1.7x
NASDAQ 100	2.2%	8.1%	11.2%	2.2%	25.9%	45.9%	0.54%	27.0x	8.0x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.86%	0.5%	-0.1%	0.5%	1.9%	-4.8%
U.S. Corporates	5.31%	0.6%	-0.3%	0.6%	1.9%	-6.0%
Municipal Bonds	3.98%	0.0%	0.3%	0.0%	1.2%	1.2%
High Yield Bonds	7.38%	1.4%	2.2%	1.4%	9.0%	9.6%

Key Rates	1/31/2025	12/31/2024	10/31/2024	7/31/2024	1/31/2024	1/31/2022
2 yr Treasury	4.20%	4.24%	4.16%	4.26%	4.22%	1.16%
10 yr Treasury	4.55%	4.57%	4.28%	4.05%	3.95%	1.78%
30 yr Treasury	4.80%	4.78%	4.48%	4.34%	4.19%	2.10%
30 yr Mortgage	7.26%	7.28%	7.28%	7.04%	6.96%	3.78%
Prime Rate	8.50%	7.50%	8.00%	8.50%	8.50%	3.25%

Commodities	Level	1 month	YTD
Oil (WTI)	73.81	2.9%	2.9%
Gasoline	2.03	1.0%	1.0%
Natural Gas	3.07	-0.8%	-0.8%
Propane	0.90	16.1%	16.1%
Ethanol	1.55	5.4%	5.4%
Gold	2,832	7.2%	7.2%
Silver	32.24	10.2%	10.2%
Copper	4.29	7.6%	7.6%
Steel	781	10.2%	10.2%
Corn	4.83	5.3%	5.3%
Soybeans	10.32	2.3%	2.3%

Data Reflects Most Recently Available As of 1/31/2025

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