

OBSERVATIONS

- Markets traded higher last week in the aftermath of Trump’s inauguration. The S&P 500 gained +1.8% and hit a new record high last Thursday. Small caps (Russell 2000) gained +1.4% and the yield on the 10-year Treasury was largely unchanged, down -1 basis point last week to 4.62%.¹
- For the full 2024 calendar year, total US carloads—a measure of freight railroad activity—were 11.34 million, which was down -2.9% from 2023. However, excluding coal shipments which are lower due to increased natural gas power generation, carloads were up +1.4% year-over-year (YoY) in 2024.¹
- The Architectural Billings Index, a leading indicator of new non-residential construction, ended 2024 by falling to 44.1—any number below 50 denotes contracting activity—and has been below 50 for most US regions except for the Western part of the US for the past year.¹
- Mortgage applications increased 1% from the week prior and are 2% higher YoY but overall remain at subdued levels relative to history due to mortgage rates that are back above 7% for a conforming 30-year fixed rate mortgage.¹
- Unemployment claims increased slightly last week to 223k, which was a +6k increase from the week before, but remain low and on par with last year’s initial claims in the early weeks of January.¹
- Existing home sales ticked up +2.2% month-over-month in December to 4.24 million (annualized rate), but for the full 2024 calendar year, only 4.06 million existing homes were sold—which was down -0.7% from 2023 total home sales and is the lowest number of existing home sales in a calendar year since 1995.¹

EXPECTATIONS

- About 16% of the S&P 500 companies have reported Q4 earnings, and so far, 80% have reported a positive earnings surprise which is above the 5-year (77%) and 10-year averages (75%); thus far the Q4 blended (YoY) earnings growth rate for the S&P 500 is 12.7%.²
- In 2024, there were a total of 1.73 million total housing completions—the number of private homes, condos, and apartments constructed for sale or rent—which is the largest number of home completions since 2006. Single family home completions were up a modest +2.2% YoY, but the increase in new 5+ multi-unit structures (typically condos and apartment complexes) hitting the market was up +35% YoY. This huge increase in the apartment/condo inventory is likely to increase vacancy rates—there are already signs of this in select markets—and blunt future rent increases over the course of 2025.¹
- The Bank of Japan (BoJ) raised its main policy rates by +0.25 basis points last week to 0.5%, which is the highest rate in 17 years, and left the door open for an additional rate hike later in the year.³

ONE MORE THOUGHT: Trump 2.0 – A Quick Start to His Second Term⁴

The new Trump administration quickly began work to execute on its policy agenda. In the afternoon after his inauguration on January 20th, he signed 26 executive orders ranging on topics from immigration and the border with Mexico to the environment and national security. For context, in his first term, President Trump signed only one executive order on his first day, and former President Biden signed nine on his first day in office in 2021—see Chart of the Week. Of note, he took several executive actions aimed at reducing illegal immigration across our

¹ Bloomberg LP, 1/24/2025

² FactSet Earnings Insight 1/24/2025

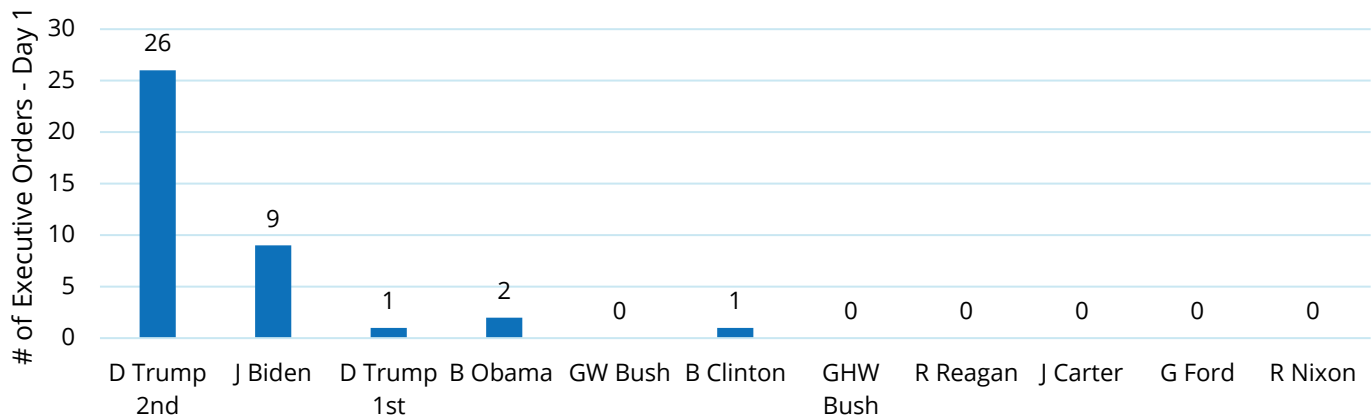
³ <https://www.ft.com/content/64b10555-4ed6-484e-8f7b-b43c71e21f8e>

⁴ <https://www.axios.com/2025/01/21/president-donald-trump-executive-orders-list>

southern border with Mexico. In addition, he began to take some initial steps to deport up to 5,000 illegal immigrants that have recently been detained by US Immigration and Customs (ICE) authorities. Initial evidence is limited, but there are some signs that illegal border crossings had begun to fall soon after the election and are likely to fall further as the Trump administration deploys more resources to the southern border and gives ICE additional tools to curb illegal crossings including another 1,500 US military personnel. The impact of these policies will not be felt in the coming months, but over time this should work to slow the growth of the US labor force as immigration—legal and illegal—has been a large source of growth in the working age population of the US over the past two years. Another Trump administration policy that could have broad implications for the economy are tariffs. But in this area, the details of what Trump is planning is less clear. He initially ordered the Commerce Department to provide a review of all trade practices and agreements. President Trump also told the attendees of the World Economic Forum—an annual global economic summit in Davos, Switzerland—that he wanted global companies to manufacture their products in America or else they would be subject to a tariff. His comments suggest that it is highly likely that some broad-based tariff rates will be applied to most foreign products being imported into the US at some point in the future. As the details emerge on this issue in the coming weeks, we will have more analysis for what this means for the US economy and market. The last set of executive actions bearing on the US economy relate to government efficiency and spending. President Trump announced a hiring freeze for the Federal Government—excluding the military or national security and public safety positions—and created the new Department of Government Efficiency. These moves may foreshadow Trump’s plans to cut non-discretionary government spending in the coming budget negotiations and shrink the overall size of the Federal government.

CHART OF THE WEEK

Trump 2.0 Hits the Ground Running



Source: Clearstead, USAFacts 1/24/2025

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