

Key Takeaways:

- Trump issues over 50 executive orders during first week in office.
- No clear decision on tariffs, but rhetoric heating up.
- Trump effectively withdraws from OECD Global Tax Deal.
- Limiting immigration could have negative inflationary impacts.
- There may still be legal battles to implement some of the orders.

Analyzing Trump's First Week in the White House (for the Second Time)

Last week, President Trump was inaugurated as the 47th President of the United States. The equity market cheered Trump's arrival with the best start for a President since 1985 when Reagan was sworn in.¹ Similar to his first term, President Trump wasted no time issuing executive orders. Some orders have started to be implemented, others may take time to process. This week, we outline some of the key developments out of the Trump White House in his first week in office and analyze what executive orders have the potential to be the most market moving.

- **Executive orders rolling in:** During his first term in office, President Trump issued ~220 executive orders. After the first week in his second term, President Trump has already issued executive orders covering many areas, including tariffs, immigration, and health care.² Many of the executive orders reverse Biden-era policies. So far, Trump has reversed 78 Biden-era policies. Some of the other key executive orders Trump has announced include declaring drug cartels as "foreign terrorist organizations," withdrawing from the World Health Organization

(requires Congress approval), and prioritizing continued construction of a southern border wall.

- **Tariff rhetoric heats up:** Trump has not issued an executive order on tariffs yet but has increased rhetoric. He has ordered the Treasury and Commerce Departments to study current trade policies. The biggest risk of tariffs is that they could threaten the progress made on inflation.
- **First look at Trump tax plans:** An executive order signed by Trump on his first day in office pertained to the Organization for Economic Cooperation and Development's (OECD) Global Tax Deal. In 2021, a global minimum tax on corporations of 15% was implemented. Trump's order effectively withdrew the U.S. from the arrangement.
- **Limiting immigration:** Trump's immigration plans revolve around restricting the flow of illegal migrants and restricting asylum applications. A reduction in immigration could have a negative impact on GDP since migrants start consuming goods and

services immediately upon entering the country, fueling the need for workers. On the inflation front, a reduction in labor supply could put upward pressure on wages, thus increasing inflation. The Peterson Institute for International Economics estimates that deporting 1.3 million undocumented workers would produce three years of higher inflation, rising as much as 0.5%.³

The Bottom Line:

Since this is not President Trump's first term in office, we are not blind to what campaign promises he may fulfill in the first few weeks and what will be harder to implement. At this point, President Trump is delivering on several campaign promises and we are watching what that means for the economy. We expect volatility to be heightened in equities and bonds as investors grasp Trump's plan for the future of tariffs and specifically the deficit. As always we will look at economic fundamentals and valuations when making asset allocation decisions and opt not to make rash decisions surrounding the political environment.

Weekly Economic Recap –

Consumer Sentiment Declines as Year-Ahead Outlook Becomes Cloudy

The Leading Economic Indicators Index decreased by 0.1% in December (+0.40%). Tepid consumer confidence about future business conditions, weak manufacturing new orders, and declining building permits contributed to the decline.

Initial jobless claims increased slightly from the prior week to 223K from 217K. Continuing claims, which run a week behind the headline number increased to a nearly three-year high (1.9 million).

Consumer sentiment declined in January for the first time in six months according to the University of Michigan Sentiment Index. The index fell to a three-month low (71.1) on concerns over unemployment and the impact of potential tariffs. Additionally, consumers expect prices will climb at an annual rate of 3.3% over the next year.

The headline S&P Global US PMI Composite Index fell to a nine-month low in January (52.4). The service sector output increased at the slowest rate since last April. Employment increased at the fastest rate in two-and-a-half years.

Key Takeaways:

- Leading indicators fall on business condition expectations.
- Consumer sentiment falls for the first time in six months.
- S&P Global Flash PMI falls to nine-month low.
- U.S. equities climb as optimism around Trump policies grow.
- Treasury yields unchanged on Trump comments.
- Crude oil falls on calls to increase U.S. production.

Weekly Market Recap –

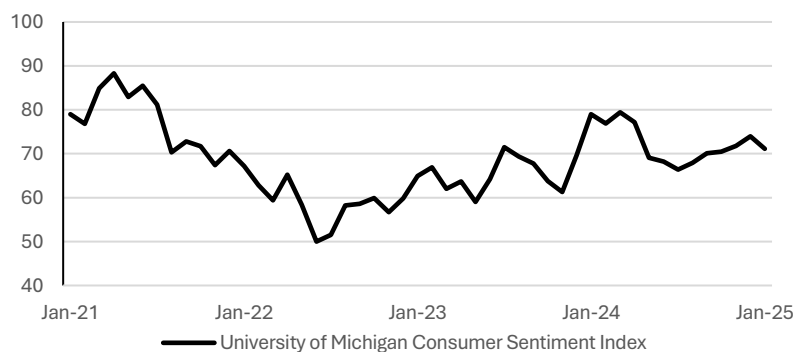
Global Equities Higher on Expectations of Pro-Business Policies out of the Trump White House

Equities: The MSCI AC World Index was higher for the second straight week. Investors were watching closely the developments out of Washington DC as President Trump took office. Developed international equities led the gains supported by a strong start to 4Q24 earnings season and optimism about U.S. growth following Trump's inauguration. U.S. equities lagged developed counterparts, but major averages notched their fourth straight week of gains led by mega-cap growth.

Fixed Income: The Bloomberg Aggregate Index was marginally higher for the second straight week. Treasury yields were flat as investors digested Trump's comments from the World Economic Forum in Davos, Switzerland, demanding interest rates drop. All areas of fixed income were higher during the week, but riskier areas outperformed, including high yield corporate bonds and EM debt (USD).

Commodities/FX: The Bloomberg Commodity Index was lower for the first time in five weeks. Crude oil prices fell by the most since November after Trump announced plans to increase domestic production, while demanding OPEC to cut prices. Gold prices were higher as the U.S. dollar weakened on Trump's push for lower rates.

Consumer Sentiment Falls to Three-Month Low



Footnotes: Data is as of January 2025.

Data Source: FactSet Research Systems, Verdence Capital Advisors.

Global Equities Rally on Earnings and Lower Yields

U.S. Equities								International Equities							
	Current	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
Dow Jones Industrial Average	44,424	2.2%	2.7%	5.3%	19.7%	4.5%	MSCI AC World (USD)	873	2.1%	2.0%	3.5%	21.2%	3.8%		
S&P 500	6,101	1.8%	1.1%	5.4%	27.0%	3.8%	MSCI EAFE (USD)	2,361	3.2%	5.1%	0.3%	9.3%	4.4%		
Russell 1000 Growth	4,185	2.2%	-0.2%	9.2%	32.8%	3.6%	MSCI Europe ex UK (USD)	2,634	3.7%	7.4%	-0.1%	8.5%	7.0%		
Russell 1000 Value	1,909	1.3%	3.5%	2.3%	20.6%	4.8%	MSCI Japan (USD)	3,926	3.2%	2.4%	2.2%	4.7%	-0.1%		
Russell Midcap	3,703	1.2%	3.0%	4.9%	22.8%	4.8%	MSCI UK (USD)	1,261	2.2%	4.0%	-0.6%	14.4%	3.7%		
Russell 2000	2,308	1.4%	2.2%	4.3%	19.2%	3.5%	MSCI EM (USD)	1,090	1.9%	0.6%	-3.7%	13.6%	1.5%		
Nasdaq	19,954	1.7%	-0.4%	8.6%	29.8%	3.3%	MSCI Asia ex Japan (USD)	707	1.7%	-0.3%	-4.1%	18.0%	0.5%		

Fixed Income								Commodities							
	Current Yield	1WK	1MO	3MO	1YR	YTD		Current	1WK	1MO	3MO	1YR	YTD		
U.S. Aggregate	4.9%	0.1%	0.3%	-0.9%	3.0%	0.1%	Bloomberg Commodity Index	251	-0.2%	5.7%	4.8%	10.4%	5.0%		
U.S. Govt/Credit	4.8%	0.1%	0.2%	-0.9%	2.8%	0.1%	Crude Oil (USD/bbl)	\$73.3	-5.9%	2.7%	1.5%	-4.7%	1.6%		
U.S. 10 Year Treasury	4.6%	0.0%	0.1%	-2.2%	0.5%	0.0%	Gold (\$/oz)	\$2,770.6	1.1%	4.5%	-0.3%	35.7%	4.4%		
U.S. TIPS (1-10YR)	4.6%	0.1%	0.9%	0.1%	4.4%	0.7%	Copper	\$432.1	-2.7%	4.6%	-2.8%	10.3%	5.5%		
U.S. High Yield	7.2%	0.3%	1.3%	1.9%	9.9%	1.2%	Wheat	\$544.0	-1.0%	-2.4%	-9.5%	-18.4%	-3.3%		
EM Bonds (USD)	6.7%	0.4%	0.6%	0.4%	8.9%	0.6%	U.S. Dollar	107	-1.9%	-0.7%	2.9%	3.7%	-1.1%		
Municipal Bonds	3.8%	0.3%	0.3%	0.2%	2.2%	-0.1%	VIX Index	14.9	-7.0%	4.1%	-22.2%	13.0%	-14.4%		

Footnotes: Data is as of January 24, 2025.

Data Source: Bloomberg Finance LP, Verdenance Capital Advisors.

¹ S&P 500 Sees Best Start for a President Since 1985. Bloomberg Finance LP, January 24, 2025.

² <https://www.nbcchicago.com/news/politics/what-has-trump-signed-so-far-full-list-of-executive-orders-actions-taken-in-1st-week-of-presidency/3655184/>

³ <https://www.piie.com/sites/default/files/2024-06/2024-06-26warwickppt.pdf>

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