Your Weekly Investment
Insights
February 10, 2025

VERDENCE CAPITAL ADVISORS

Key **Takeaways:**

- Congratulations to the Philadelphia Eagles!
- S&P 500 historically performs better under an NFC champion.
- New Orleans has played host to the big game eleven times.
- Eagles margin of victory above average; S&P 500 historically likes it.
- Super bowl stats less important than economic and earnings fundamentals.

Cocktail Trivia – What Does the Super Bowl Outcome Mean for Markets?

Congratulations to the Philadelphia Eagles for winning Super Bowl LIX. It was the first time an NFC team won the big game since 2022 when the LA Rams defeated the Cincinnati Bengals. It was the first time the Eages have won the Super Bowl since 2018, and their second title in franchise history. While it is the end of football for now, we wanted to offer a fun take on what the Super Bowl has historically meant for markets.

- **Is an AFC or NFC winner better for markets**? It is difficult to use the Eagles winning the Super Bowl as a historical comparison for market performance since they have only won the Super Bowl on one other occasion (2018). In 2018 the S&P 500 posted its worst year since 2008 in 2018 (-6%). However, going back to 1971, the market historically performs marginally better in the year when there is an NFC winner. The average S&P 500 return under an NFC winner is 9.7%, compared to a 9.2% return under an AFC winner. Additionally, the S&P 500 is positive 73% of the time regardless of whether the winner is an NFC or AFC champion.

- **The importance of New Orleans:** Super Bowl LIX was played at the Caesars Superdome in New Orleans, Louisiana. This was the eleventh time the big game was played in the city of New Orleans. Previously, the AFC and NFC teams split the difference, each winning five times before the Philadelphia Eagles won this year, giving the NFC a 6-5 advantage. Since 1971, the S&P 500 average return has been 9.3% when the game is played in New Orleans and is positive 67% of the time.

- **What does the score mean?** The Eagles defeated the Chiefs by 18 points in Super Bowl LIX. Since 1971, the average super bowl spread has been 11 points. Historically, when the winning team wins by more than the average spread, the S&P 500 has been up 9% that year and it has been positive 76% of the time. When an NFC team wins by more than the average spread, the S&P 500 has been up more (10%) than when an AFC team wins by more than 11 points (7%). In addition, the NFC winners have seen the S&P 500 up 85% of the time.

The Bottom Line:

As a reminder, this is meant to be a fun exercise and not a means by which we make asset allocation decisions. Instead we are steadfast in our process of focusing on economic and earnings fundamentals as well as valuations as the primary driver in making portfolio changes. From an economic perspective, the consumer is showing signs of weakness. In addition, we have finally seen S&P 500 earnings estimates for 2025 move lower ($271 eps vs $277 eps in October).[1] As the economy slows, we expect to see earnings estimates downgraded further. While equities have been resilient in the face of economic uncertainty and the unknown about future rate cuts, equity returns may be borrowing from the future. We expect volatility to accelerate as we navigate through the daily news from the White House and try to gauge what that means for inflation, the economy and interest rates. At this point, we think U.S. markets are not pricing in the downside risks and we remain patient and hold dry powder to put to work when we deem necessary.[2]

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Past performance is not indicative of future returns.

Key Takeaways:

- Manufacturing climbs into expansion territory.
- Job openings fall to lowest level since September.
- U.S. economy adds fewer jobs than expected in January.
- Global equities get a boost from China; U.S. lags.
- Increased inflation expectations send Treasury yields higher.
- Copper prices rally amid Trump tariff threat.

Weekly Economic Recap –

U.S. Jobs Data Taking Center Stage

Manufacturing activity as measured by the ISM Manufacturing Index expanded in January for the first time since October 2022. The employment gauge led the strength and rose to an eight month high. New orders also rose to the highest since May 2022.

Job openings fell to the lowest level since September (7.6 million) in December, leaving the ratio of open jobs to available workers at 1.1. Professional and business services posted the largest drop, followed by private education and health services. The quits rate (those leaving jobs voluntarily) was unchanged at 2.0% for the second month.

The ISM Services Index increased at a slower than expected pace to start the year but remained in expansion territory (a reading above 50). A gauge of new orders declined to the lowest level since June, while a measure of business activity fell to a five-month low.

The U.S. economy added fewer jobs than expected in January (143K vs. 170K est.). The unemployment rate moved lower to 4.0% (from 4.1%) as the labor force participation rate increased to 62.6%. Hours worked fell to the lowest since the onset of the Covid pandemic amid wildfires in Los Angeles as well as severe winter weather.

Consumer sentiment as tracked by the University of Michigan fell for the second consecutive month to reach its lowest reading since July 2024 (67.8). One year-ahead inflation expectations increased to the highest since November 2023 (4.3%).

Weekly Market Recap –

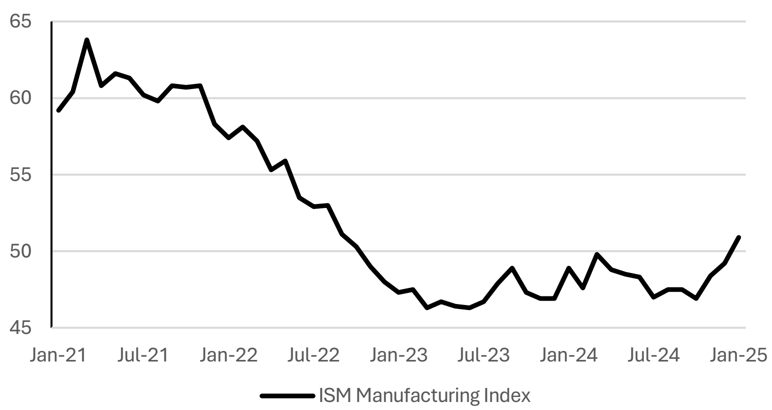
U.S. Equities Lag Global Counterparts Amid Tariff and Inflation Concerns

Equities: The MSCI AC World Index was marginally higher for the third time in four weeks. Emerging market equities led global performance for the week, driven almost entirely by China. Economic data suggested strong consumer spending during the Lunar New Year holiday, which offset Trump's proposal plans. Major U.S. averages were lower for the week amid tariff and inflation concerns.

Fixed Income: The Bloomberg Aggregate Index was higher for the fourth consecutive week despite one year inflation expectations by the University of Michigan surging. All areas of fixed income markets were higher. Municipal bonds were higher for the fourth straight week while emerging market bonds also rallied.

Commodities/FX: The Bloomberg Commodity Index was higher for the first time in three weeks. Natural gas prices surged as winter weather forecasts increase expectations for demand. Copper prices jumped by the most since May 2024 as Trump announced plans to impose tariffs on U.S. imports.

Manufacturing Activity Climbs into Expansion Territory



Footnotes: Data is as of January 2025.
Data Source: FactSet Research Systems, Verdence Capital Advisors.

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U.S. Equities Underperform

U.S. Equities

	Current	1WK	1MO	3MO	1YR	YTD
Dow Jones Industrial Average	44,303	-0.5%	4.2%	1.7%	16.7%	4.2%
S&P 500	6,026	-0.2%	2.1%	1.2%	22.3%	2.5%
Russell 1000 Growth	4,110	-0.3%	1.1%	2.9%	26.2%	1.7%
Russell 1000 Value	1,902	-0.2%	3.9%	0.0%	18.4%	4.4%
Russell Midcap	3,681	0.0%	3.7%	0.6%	19.9%	4.3%
Russell 2000	2,280	-0.3%	1.4%	-4.0%	18.5%	2.3%
Nasdaq	19,523	-0.5%	0.2%	1.5%	24.8%	1.1%

International Equities

	Current	1WK	1MO	3MO	1YR	YTD
MSCI AC World (USD)	869	0.1%	2.7%	1.0%	18.5%	3.4%
MSCI EAFE (USD)	2,385	0.2%	4.3%	1.6%	10.0%	5.5%
MSCI Europe ex UK (USD)	2,648	0.2%	5.6%	2.3%	8.6%	7.6%
MSCI Japan (USD)	4,004	0.3%	2.1%	0.8%	6.9%	1.9%
MSCI UK (USD)	1,283	0.3%	4.7%	2.4%	15.8%	5.5%
MSCI EM (USD)	1,108	1.4%	2.7%	-2.5%	13.2%	3.2%
MSCI Asia ex Japan (USD)	718	1.3%	2.0%	-3.0%	17.2%	2.1%

Fixed Income

	Current Yield	1WK	1MO	3MO	1YR	YTD
U.S. Aggregate	4.9%	0.4%	1.5%	0.2%	3.3%	0.9%
U.S. Govt/Credit	4.7%	0.4%	1.5%	0.2%	3.2%	0.9%
U.S. 10 Year Treasury	4.5%	0.5%	1.9%	-0.2%	1.0%	1.2%
U.S. TIPS (1-10YR)	4.5%	0.2%	1.5%	0.8%	5.1%	1.4%
U.S. High Yield	7.3%	0.0%	1.0%	1.5%	9.6%	1.4%
EM Bonds (USD)	6.6%	0.4%	1.5%	1.1%	9.0%	1.5%
Municipal Bonds	3.6%	0.4%	0.8%	1.4%	2.7%	0.9%

Commodities

	Current	1WK	1MO	3MO	1YR	YTD
Bloomberg Commodity Index	253	2.0%	5.1%	6.1%	13.3%	6.0%
Crude Oil (USD/bbl)	$71.9	-1.7%	-4.7%	1.5%	-4.9%	0.2%
Gold ($/oz)	$2,861.1	3.1%	7.9%	8.1%	43.3%	10.6%
Copper	$458.9	8.2%	8.2%	8.2%	26.5%	15.7%
Wheat	$582.8	3.0%	10.0%	-0.6%	-7.7%	5.8%
U.S. Dollar	108	-0.7%	-1.3%	3.1%	3.9%	-0.2%
VIX Index	16.5	0.7%	-7.2%	8.8%	28.9%	-4.7%

Footnotes: Data is as of February 7, 2025.
Data Source: Bloomberg Finance LP, Verdence Capital Advisors.

1. *Earnings data is per Strategas in research report data February 10, 2025.*
2. *All data representing returns are price return only.*

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