JEMMA
FINANCIAL SERVICES

STRONG START TO 2025

FEBRUARY 2025

Stock performance continued to be strong in January. The S&P 500 Index of the largest U.S. companies rose nearly 3%, the Dow Jones Industrial Average gained nearly 4%, and the Nasdaq increased 1.7% for the month. International stocks also performed well in January, with the MSCI EAFE Index, made of larger non-U.S. companies in developed markets, rising over 5%.

Top-performing S&P 500 sectors in January included Communication Services, which rose 9% on average, followed by Health Care and Financials, both of which rose more than 6%. All sectors were positive in the month except for Information Technology, which fell nearly 3%. While a few select mega-cap technology stocks drove the S&P 500 returns in 2024, the sector struggled after Chinese artificial-intelligence (AI) upstart, DeepSeek, said its AI model was more sophisticated and less expensive than other advanced models.

In January, the Federal Reserve kept the federal funds rate at the same level after cutting rates three times last fall and scaled back expectations for rate cuts in 2025, projecting only two cuts instead of four. The decision reflects the fact that U.S. inflation remains somewhat elevated—close to 3% on an annual basis.[1] In addition, economic activity continues to be solid, with GDP increasing 2.3% in the fourth quarter of 2024.[2] Additionally, fourth-quarter corporate earnings were strong. As of the end of January, 77% of S&P 500 companies that reported quarterly results beat Wall Street's forecasts.[3]

As February began, investors saw more volatility in stock prices due to escalating trade disputes among the U.S. and select major trade partners including Canada, Mexico and China. During short-term periods of economic or market uncertainty, we encourage investors to focus on their long-term financial goals. Importantly, short-term volatility can offer excellent opportunities to put money to work at attractive lower prices. A Jemma Financial Advisor can help determine the best course of action for your specific situation.

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1 Bureau of Economic Analysis, Personal Income and Outlays, December 2024. 2 Bureau of Economic Analysis, Gross Domestic Product, 4th Quarter and Year 2024. 3 FactSet Earnings Insight, 1/31/25.

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