

FEBRUARY 2025

## OCIO Observes ... Our Thoughts On The Economy & Markets

Dear valued client,

We hope this note finds you well and that you find it of value. We are grateful for the trust and confidence you have placed in Orion OCIO. Please contact us if we can assist you in any way.

**Tim Holland**

### A look back ...

- DeepSeek deep-sixed tech stocks on news of its low-cost AI model. U.S. tech stocks fell 5.6% on January 27th and Nvidia shed \$600 billion in market cap, a one-day record. Wall Street worries DeepSeek will dent demand for Nvidia's AI chips and that some prior AI spending will prove wasted. We are reserving judgement on both points.
- Despite the tech sell-off, U.S. equities moved higher in January with the S&P 500 up 2.8%; even the tech-heavy Nasdaq gained 1.7%. Moderating inflation was a meaningful tailwind for stocks last month.
- Encouragingly, bonds caught a bid on January 27th, with the U.S. 10-Year Note Yield falling 13 basis points intra-day. We write encouragingly, as investors continue to seek refuge from difficult markets in U.S. government debt.

### A look ahead ...

- Wall Street hopes to hear more from President Trump on his policy priorities, particularly as it concerns trade and taxes. We expect fiscal policy to be supportive of growth but additive to inflation. The question is what that balance looks like — and now there is the possibility of unilateral tariffs on Mexico, Canada, and China come February 1st (we are taking pen to paper on January 31st).
- Q4 earnings season rolls on in February. To date, approximately 163 of the S&P 500 have reported results, with sales up 5% and earnings up 11%, on average. U.S. stocks are expensive by historic standards, but if earnings growth can hang in there the market should be able to as well.
- The Fed doesn't meet until March 18th and 19th, so it should be quiet on the monetary policy front. The January CPI is due out February 12th and the January PPI the 13th. As of now, the Fed is guiding to two rate cuts in 2025.

### A look at a datapoint worth discussing ...

- The Super Bowl Indicator was introduced in 1978 by New York Times sportswriter Leonard Koppett, who noticed a correlation between the winner of the Super Bowl and annual market returns. More specifically, when a legacy NFL team won the market rallied that year, and when a legacy AFL team won the market fell. The only time out of the first 11 Super Bowls the pattern didn't hold was 1970, when the Chiefs won and the S&P 500 rallied 4%.
- As you might expect, the Super Bowl Indicator was proven to have no predictive power, but it is something fun to focus on this time of year (especially for us NY Giants fans). And at the risk of earning the ire of my Philadelphia-based colleagues, it is interesting to note that all four years the Chiefs won the Super Bowl, the S&P moved higher (by an average of 18.4%), and the one year the Eagles won the Super Bowl the S&P fell 4%. Enjoy the game!

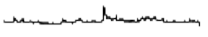




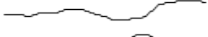
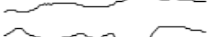





Source: AARP, February 2023

## This Month's Dataset

Category	Index	January	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Large Cap	S&P 500	2.78	2.78	2.78	26.15	11.84	15.10	13.70
Large Cap	NASDAQ Composite	1.66	1.66	1.66	30.10	12.12	17.33	15.97
Small Cap	Russell 2000	2.62	2.62	2.62	18.94	5.59	8.63	8.42
Growth	Russell 3000 Growth	2.03	2.03	2.03	31.94	14.07	18.17	16.57
Value	Russell 3000 Value	4.50	4.50	4.50	19.16	7.85	10.04	9.29
Developed	MSCI EAFE	5.26	5.26	5.26	9.13	5.63	6.74	6.17
Emerging	MSCI Emerging Markets	1.81	1.81	1.81	15.22	-0.26	3.44	4.14
China	MSCI China	0.95	0.95	0.95	34.84	-4.66	-2.14	1.91
Core Fixed Income	Bloomberg Barclays Aggregate	0.53	0.53	0.53	2.05	-1.52	-0.60	1.19
High Yield	Bloomberg Barclays High Yield	1.37	1.37	1.37	9.60	4.32	4.47	5.22
Commodities	Bloomberg Commodity	3.95	3.95	3.95	9.04	2.48	9.22	2.01
Commodities	Bloomberg Composite Crude Oil	2.56	2.56	2.56	8.14	8.65	10.45	2.11
Commodities	Bloomberg Copper	6.66	6.66	6.66	11.46	1.69	12.07	5.49

Source: FactSet. Performance shown on an annualized basis (%) for trailing periods ending 1/31/2025.

Economic Indicator	Reference	LATEST	1Y Avg	3Y Avg	5Y Avg	10Y Avg	LT Trend	10Y History
Volatility	CBOE Volatility Index	16.4	15.9	19.2	21.5	18.3	Neutral	
Valuation	S&P 500 - P/E NTM	22.0	20.6	19.1	19.9	18.5	Increasing	
Earnings Growth	S&P 500 - EPS, YoY Growth (%)	6.99	12.2	8.4	10.3	8.5	Neutral	
Profit Margin	S&P 500 - Operating Margin (%)	22.4	22.2	21.4	21.0	20.5	Neutral	
Short-term Yields	2Y Treasury Yield (%)	4.20	4.5	3.8	2.4	2.0	Increasing	
Long-dated Yields	10Y Treasury Yield (%)	4.5	4.3	2.3	2.2	2.2	Increasing	
FI Yields	Bloomberg US Aggregate - YTW (%)	4.9	4.8	4.3	3.1	2.9	Increasing	
FI Duration	Bloomberg US Aggregate - Duration (years)	6.1	6.2	6.3	6.3	6.0	Neutral	
Credit Yields	Bloomberg US Corporate Credit - YTW (%)	7.2	7.8	7.8	6.8	6.6	Increasing	
Crude Oil Price	WTI Crude Oil - Spot Price (\$/bbl)	72.5	77.2	82.9	70.6	62.5	Neutral	
	52-Week High	87.7						
	52-Week Low	66.7						

Source: FactSet. All data as of 1/31/2025.

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## Disclosure

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An index is an unmanaged group of assets considered to be representative of a select segment or segments of the market in general, as determined by the index manager for the purposes of managing a specific index. You cannot invest directly in an index.

The S&P 500 Index is an unmanaged composite of 500-large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks

The Nasdaq Composite Index is an index that follows approximately 5000 stocks that trade on the Nasdaq exchange. It is considered a good benchmark for smaller company stocks.

The Russell 2000 is an index comprised of the 2,000 smallest companies on the Russell 3000 Index and offers investors a benchmark for small-cap stocks.

The Russell 3000 Index is an unmanaged index considered representative of the U.S. stock market. The index is composed of the 3,000 largest U.S. stocks.

The MSCI EAFE Index is a composite index which tracks performance of international equity securities in 21 developed countries in Europe, Australia, Asia, and the Far East.

The MSCI Emerging Markets (or EM) Index is an index which tracks performance of international equity securities in developed countries in Europe, Australia, Asia, and the Far East, excluding the U.S. and Canada.

The MSCI China Index captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

The Bloomberg Barclays US Aggregate Bond Index measures the performance of the total United States investment-grade bond market.

The Bloomberg Barclays U.S. Corporate High Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.

The Bloomberg Commodity Index is made up of 22 exchange-traded futures on physical commodities and represents 20 commodities that are weighted to account for economic significance and market liquidity.

The Bloomberg Composite Crude Oil Index is composed of futures contracts on WTI and Brent Crude Oil.

The Bloomberg Copper Index is a commodity group subindex of the BCOM composed of futures contracts on Copper.

The CBOE Volatility (VIX) Index is a calculation designed to produce a measure of constant 30-day expected volatility of the U.S. stock market, derived from real-time, mid-quote prices of the S&P 500 Index (SPX) call and put options.

The Bloomberg US Corporate Index measures the investment grade, fixed-rate, taxable corporate bond market.

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