

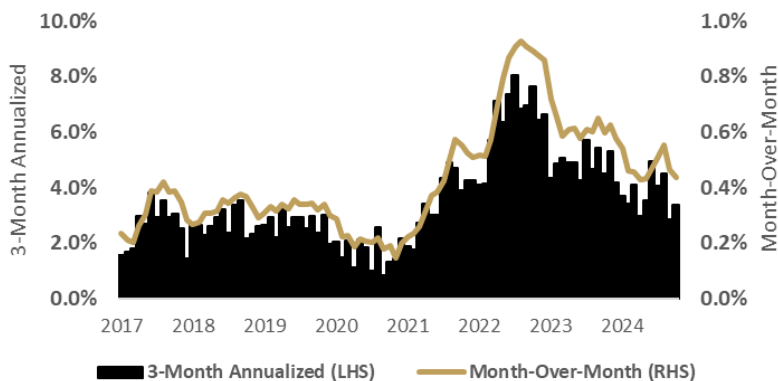
Some Positive News on Inflation

Last week's economic reports reinforced that the U.S. economy ended last year on sound footing. Following last week's report on December retail sales, the Atlanta Fed's GDP Now Tracker increased its estimate of fourth-quarter growth to 3.0%. Confirmation of the economy's continued resilience helped encourage investors to buy stocks last week, evidenced by the S&P's 3% total return for the week.

Perhaps more supportive for markets, however, was positive news on inflation. Both the December Producer Price Index (PPI) and the Consumer Price Index (CPI) reports showed renewed progress on inflation, particularly on core measures that exclude energy and food categories. Because these core measures are considered sticky inflation measures, investors tend to focus more squarely on those figures to gauge inflation's direction.

The most obdurate of all core inflation measures are housing expenses. For much of the post-pandemic period housing expenses have accelerated at an uncomfortably high rate. December's CPI report, however, showed housing expenses (owner's equivalent rent) finally beginning to move lower—a necessary and welcome development for both consumers and markets.

**Owners Equivalent Rent
Percent Change**



Bloomberg, Bureau of Labor Statistics, FHN Financial, as of December 31, 2024.

Economy

Last Week	This Week
- Producer Price Index (Dec.): 0.2% HL / 0.1% C (MoM) 3.3% HL / 3.5% C (YoY)	- Leading Economic Indicators (Dec.): 1/22
- Consumer Price Index (Dec.): 0.4% HL / 0.2% C (MoM) 2.9% HL / 3.2% C (YoY)	- Initial & Continuing Jobless Claims: 1/23
- Retail Sales (Dec.): 0.4% HL / 0.7% Control (MoM)	- U. of Mich. Sentiment (Jan. P): 1/24
- Housing Starts & Building Permits (Dec.): Starts +16% MoM / Permits -0.7% MoM	- Existing Home Sales (Dec.): 1/24

Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5997	2.93	2.01	2.01	28.26	12.91	14.50
Russell 1000 Growth	4096	2.16	1.35	1.35	34.84	16.16	18.31
Russell 1000 Value	1885	4.26	3.46	3.46	20.75	8.57	9.44
FTSE High Dividend Yield*	468	3.51	3.21	3.21	21.48	9.58	10.33
S&P Small and Mid Cap	18000	4.49	3.40	3.40	20.85	8.29	10.21
MSCI EAFE	2314	3.92	2.37	2.37	9.66	3.82	5.67
MSCI EM	1080	4.00	0.59	0.59	14.47	-1.70	1.95

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD												
				Energy	Materials	Industrials	Utilities	Financials	Cons. Discr.	Comm. Serv.	Health Care	Real Estate	IT	Staples		
S&P 500	22.2	15.3	1.3	10	8	6	4	2	0	0	0	0	0	0	0	0
Russell 1000 Growth	29.4	17.7	0.6	8	6	4	2	0	0	0	0	0	0	0	0	0
Russell 1000 Value	17.0	13.4	2.1	6	4	2	0	0	0	0	0	0	0	0	0	0
FTSE High Dividend Yield*	12.8	13.1	3.9	4	2	0	0	0	0	0	0	0	0	0	0	0
S&P Small and Mid Cap	16.1	15.5	1.8	2	0	0	0	0	0	0	0	0	0	0	0	0
MSCI EAFE	14.6	13.4	3.1	0	0	0	0	0	0	0	0	0	0	0	0	0
MSCI EM	12.0	11.1	2.8	0	0	0	0	0	0	0	0	0	0	0	0	0

* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.94	1.10	-0.02	-0.02	2.65	-1.83	-0.50
U.S. Int. Gov/Credit	4.63	0.64	0.09	0.09	3.69	0.24	0.76
U.S. Corporates	5.38	1.21	-0.04	-0.04	3.42	-1.45	0.05
High Yield	7.29	0.80	0.84	0.84	9.84	3.73	4.24
Municipals (1-10)	3.38	0.34	0.01	0.01	1.72	0.53	0.84

Key Rates	Levels (%)						
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	4.28	4.37	4.24	4.24	4.37	1.01	1.53
10-yr Treasury	4.63	4.79	4.57	4.57	4.13	1.76	1.77
30-yr Treasury	4.86	4.98	4.78	4.78	4.36	2.07	2.22
SOFR	4.29	4.28	4.49	4.49	5.31	0.05	1.54
6-mo. CD rate	4.36	4.39	4.33	4.33	5.32	0.38	1.79
Prime Rate	7.50	7.50	7.50	7.50	8.50	3.25	4.75
30-yr fixed mortgage	7.08	7.07	7.28	7.28	7.03	3.68	3.77

