

What happened last week:

- **Santa Rally Fizzles:** The S&P 500 closed the week ~2% below its levels before the Fed's rate cut in mid-December.
- **Holiday Market Conditions:** Noisy, thinly traded markets saw weakness in small-caps and cyclicals and relative strength in domestic mega-caps.
- **Political Risks:** Last week's speaker vote was just one example of the uncertainties investors will contend with in 2025.

What we're watching this week

- **Jobs:** Friday's nonfarm payroll is the main event.
- **Price Action:** Investors to deploy capital with a fresh start in the first real week of the year.

• Market Perspectives

- **Market Recap.** Santa didn't arrive for equity investors in late December as the S&P 500 slipped last week to close about 2% below its mid-December levels. The lack of a "Santa Rally" is inconsequential for 2025, in our view: earnings growth, a strong labor market, and a Fed with space to ease policy are far more critical for risk assets in 2025. Over the last month, the price action saw the post-election gains in Trump trade beneficiaries (small-caps and cyclicals) unwound in incredibly narrow and choppy trading in favor of 2024's winners. Despite the pullback in December, the S&P 500 recorded back-to-back annual gains of 25%+, a feat last seen in '97/'98.
- **Focal Points for 2025.** Politics and the lagged impact of higher rates stand out as two (potentially intertwined) 2025 wild cards. Last week's narrow but successful speaker vote highlights DC's challenges following federal government funding disputes that underscored Republican divisions. While potential policy shifts remain positive for markets, we believe concerns about federal debt are pushing long-term interest rates higher, which is amplifying economic risks. Although a slowdown hasn't yet materialized (and we think it unlikely in the near term), we are monitoring the labor market and small-cap performance as key indicators for the economic outlook in 2025.
- **Key data points.** The first full week of 2025 brings a fresh start for investors. Friday's nonfarm payrolls (NFP) report is the main focal point, and results could be noisy due to strikes. Tuesday's JOLTs data indicated a healthy job market as November job openings ticked up to 8.1 million compared to 7.8 million in October and was higher than market expectations. Markets are closed on Thursday to honor former President Jimmy Carter.

CPI = Consumer Price Index, PPI = Producer Price Index, PMI = Purchasing Managers' Index, PCE = Personal Consumption Expenditures Price Index.

Securities and Investment Advisory Services offered through Founders Financial Securities, LLC (FFS). Member FINRA, SIPC and Registered Investment Advisor.

The commentary in this report is not a complete analysis of every material fact in respect to any company, industry or security. This material contains the opinions of the author(s) but not necessarily those of FFS and such opinions are subject to change without notice. This material has been distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and do not constitute a solicitation to buy or sell any security or product and may not be relied upon in connection with the purchase or sale of any security or device. Index information is intended to be indicative of broad market conditions. The performance of an unmanaged index is not indicative of the performance of any particular investment.

Individuals cannot invest directly in any index. Information contained herein has been obtained from sources believed to be reliable but is not guaranteed. Investors should consult their financial, tax, and legal advisors before making investment decisions.

Past performance does not guarantee future results. Materials above are produced by Horizon Investments, LLC, which is not affiliated with FFS. © 2025 Horizon Investments, LLC.