Market Pulse 8 Brief

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Over the past two weeks, US markets were driven by mixed economic data, ongoing Fed policy, and year-end positioning, with the S&P 500 up 0.76%, Nasdaq 0.59%, Dow 0.4%, and Russell 2000 1.63%, though December performance reflected broader weakness across major indices. Domestically, consumer confidence fell 7.8% MoM to 104.7, with short-term expectations on business, income, and labor dropping sharply; durable goods orders declined 1.1%, weighed by weaker commercial aircraft and defense spending, while new home sales came in slightly below forecasts. City-level indicators were concerning, as Chicago's PMI contracted to 36.9, marking the steepest MoM drop since May, and the Atlanta Fed revised Q4 GDP from 3.1% to 2.6%. Fixed income markets responded to the ongoing Fed rate-cutting cycle, with US investment-grade bonds lagging, high-yield corporates performing well amid tightening spreads, and cash yields remaining competitive despite falling rates. Globally, the UK and Spain faced uneven growth and inflation pressures, Japan's manufacturing contracted for a sixth consecutive month even as retail and industrial activity showed mixed signals, and China continued stimulus measures, injecting RMB 300B while industrial profits declined and manufacturing PMI softened. Earnings were light but notable, with Tesla missing Q4 deliveries and Apple seeing weaker iPhone sales in China, while NVIDIA's acquisition of Run:AI underscored strategic expansion in AI infrastructure and GPU-accelerated computing. Overall, the US economy shows moderation with resilient consumer and high-yield sectors, global markets remain uneven, and investors are balancing policy guidance, earnings trends, and geopolitical risks in positioning for early 2025.