

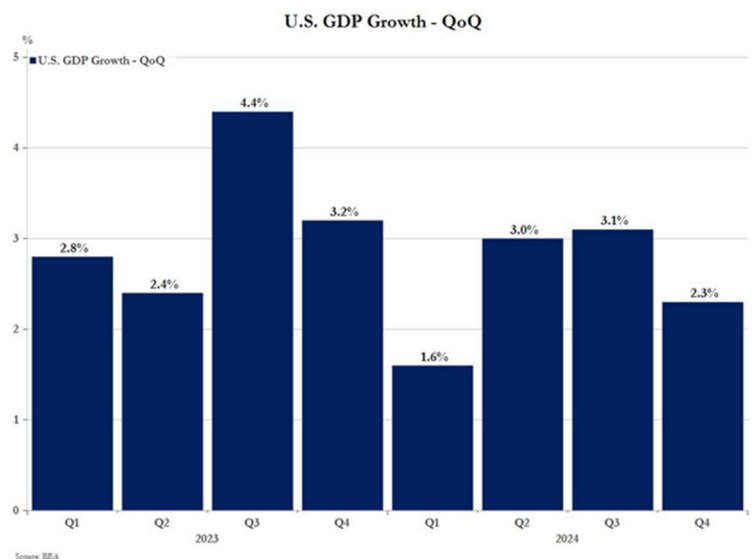
ECONOMIC & MARKET INSIGHTS

An Executive Summary for January 2025

Fourth quarter U.S. GDP growth slowed from 3.1% in Q3 but remained solid at an annualized 2.3% rate, driven by a resilient consumer and increased government spending. Despite a bumpy ride driven by a stronger-than expected jobs report and a shake-up within artificial intelligence leadership, U.S. equities posted strong January returns. Global equities also had a strong showing, with developed markets outpacing the S&P 500 with emerging markets not far behind. The FOMC left the Federal Funds Rate range unchanged at 4.25% - 4.50% after their January meeting as progress on inflation has stalled in recent months, though they acknowledged the labor market remains stable. Consumer confidence dropped from December and came in below expectations amid concerns of rates staying higher-for-longer and average 12-month inflation expectations increasing to 5.3% from 5.1% a month prior. Fixed income markets broadly finished higher after a turbulent month that saw U.S. 10-year Treasury yields hit a recent high of 4.79% before dropping to 4.58% by month-end. Entering February, President Trump made headlines and shook markets by announcing significant tariffs on Canadian, Mexican, and Chinese imports, though deals were quickly struck with Canada and Mexico to delay the start for 30-days. China quickly retaliated with tariffs ranging from 10% to 15% on various U.S. goods which are currently slated to start on February 10th. They also launched an antitrust investigation into Google and implemented export controls on minerals essential for high-tech industries. The tariffs, if ever fully enacted, are likely to raise prices and slow economic activity, which could have a meaningful impact on stocks, bonds, and exchange rates, though the situation continues to evolve making it difficult to properly assess or predict the impact on investments. Should uncertainty continue and lead to an extended period of heightened market volatility, the best defense for investors is a well-diversified portfolio with overall risk levels aligned with long-term goals.

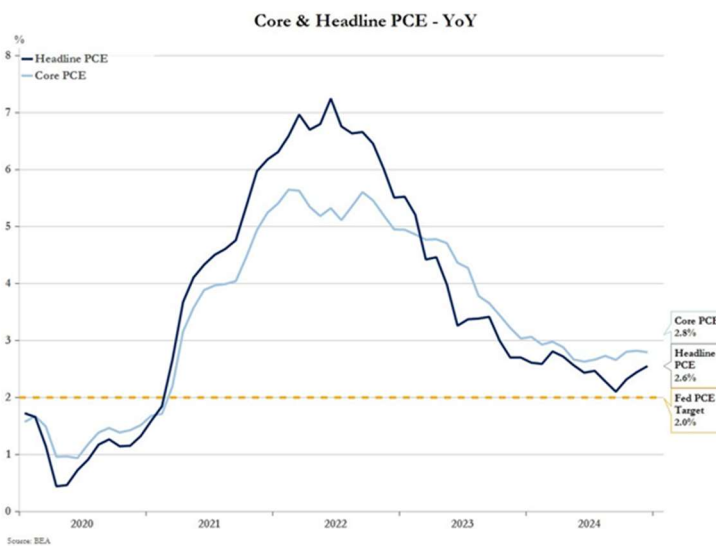
U.S. GDP Growth Slows to End 2024

- According to initial estimates of the Bureau of Economic Analysis, U.S. real GDP grew at an annualized rate of 2.3% in the fourth quarter, driven by increases in consumer and government spending.
- While still a solid figure, the economy finished 2024 on slightly weaker footing, down from the 3.1% annualized growth in Q3 and below the 2.5% economists had expected, primarily reflecting downturns in investments and exports.
- For the year, real GDP increased 2.8% compared to an increase of 2.9% in 2023, after many predicted the U.S. would enter a recession prior to both years.
- Most recent projections have real GDP growth moderating to 2.0% in 2025, reflecting the potential implementation of policies that could weigh on growth, such as tariffs and immigration reform.



Sticky Inflation Leads to Fed Pause

- As widely expected, the FOMC left the Federal Funds Rate range unchanged at 4.25% - 4.50% after their January meeting, acknowledging that the economy appears stable, and consumer spending remains strong.
- Additionally, they noted that the labor market remains solid as unemployment has stabilized near 4.1% in recent months, only slightly above their 4.0% target.
- Inflation, however, continues to be a top concern as core PCE, the Fed's preferred inflation gauge, has hovered around 2.8% on a year-over-year basis for the last several months, well above the Fed's 2.0% target.
- Against a backdrop of uncertainty regarding the Trump administration's economic policies, Fed Chair Powell continues to stress that decisions on future rate cuts will be data dependent and additional progress on inflation will be needed before they potentially cut again.



Consumer Confidence Falls to Start 2025

- The Conference Board Consumer Confidence Index came in at 104.1 in January, below a forecasted 105.6 and a meaningful drop from 109.5 in December.
- Confidence in the current labor market fell for the first time since September, while views on business conditions weakened for the second consecutive month.
- Average 12-month inflation expectations increased from 5.1% to 5.3%, likely reflecting sticky inflation in recent months and the expectation of fewer rate cuts in 2025.

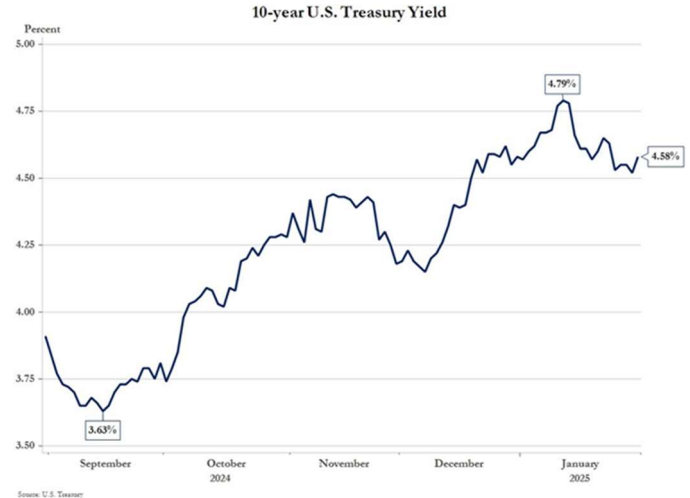


U.S. Equities Post Strong January Performance Despite Turbulence Along the Way

- A strong jobs report early in the month exacerbated concerns that the Fed would pause rate cuts which weighed on stocks, but markets rebounded quickly and the S&P 500 hit a record high a couple weeks later.
- The milestone, however, was short-lived and followed by a sharp selloff as the launch of China's DeepSeek AI, which they stated was developed at a minimal cost relative to domestic competitors, led many to question U.S. dominance and large capital investments in the space, though others remained skeptical of their claims.
- After digesting the news, industry experts suggested that, while bearish for Nvidia and the broader semiconductor sector, cost savings are bullish for the aggregate economy and many of the other Magnificent 7 names that have been driving the bull market since 2023.

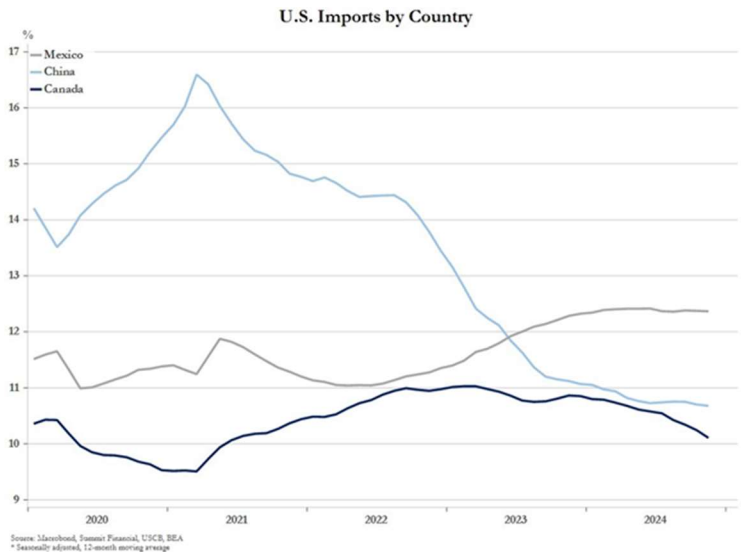
Treasuries Rally After December Slump

- The yield on 10-year U.S. Treasuries reached a recent high of 4.79% in mid-January before falling to 4.58% by month-end.
- The rally of U.S. Government Bonds in the second half of the month was driven by investors seeking a safe haven following the AI tech sell-off, though the outlook remains murky given a lack of clarity around macro policy.
- In credit markets, spreads remain historically tight after narrowing further across both investment grade and high yield markets.



Tariffs Drive Volatile Start to February

- Volatility spiked across equity, fixed income, and currency markets entering February, after President Trump announced significant tariffs against Canada, China, and Mexico.
- Fear subsided quickly, however, as deals were reached with Canada and Mexico that delayed the start by 30 days, though the road ahead for China and Europe remains in question.
- While tariffs, if enacted, could reignite inflation and hamper global trade, they have so far been used as more of a negotiating tool than concrete economic policy.
- Markets may remain volatile as the situation evolves, but investors are typically best served by remaining invested in a well-diversified portfolio that is properly aligned with long-term investment goals.



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The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency). The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. The Bloomberg Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. The Russell 3000 Index measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market. It is constructed to provide a comprehensive, unbiased, and stable barometer of the broad market and is completely reconstituted annually.

to ensure new and growing equities are included. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The S&P 500 Index is a market capitalization-weighted index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity, and industry group representation. Included are the stocks of eleven different sectors. The MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event-driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset-weighted based on the distribution of assets in the hedge fund industry. The FTSE EPRA/NAREIT Developed Index is designed to track the performance of listed real estate companies and REITS worldwide. Index constituents are free float-adjusted, subject to liquidity, size, and revenue screening for inclusion. The Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. The roll period typically occurs from the 6th-10th business day based on the roll schedule. The Consumer Confidence Index reports how consumers feel about the current situation of the economy and about where they feel it is headed. Conducted by the Conference Board, the survey consists of five questions about the present situation and three questions about their expectations for the economy in the future. It provides insight into how they spend and save, which helps businesses and economic leaders track inflation and output. The U.S. Dollar Index (DXY) is an index of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

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