Market Commentary Monday, January 20, 2025

January 20, 2025

EXECUTIVE SUMMARY

Headlines – Not All the News is Bad

Value – 48th Best Week for R3KV Since 1995

Historical Evidence – Volatility & Disconcerting Events, but Long-Term Trend is Up

Market Timing – Only Problem is Getting the Timing Right

Calendar – First 5 Days, Seasonality, Years Ending in 5 Historical Numbers all Favorable

Corporate Profits – Healthy EPS Growth Still the Forecast

Inflation – Lower-than-Expected PPI & CPI

Interest Rates – Stocks Have Performed Fine, on Average, No Matter the Direction of Rates

Valuations – Value Stocks Remain Reasonably Priced

Stock News – Updates on BLK, BK, JPM, GS, C, PNC, BAC, MS, OZK, TFC & CFG

Market Review

It wasn’t quite like the weather in Hawaii where a fleeting rainstorm often gives way quickly to more sunshine, but what a difference a week makes! Indeed, after a tough first couple of weeks to the year, with several very disconcerting events,...

AWFUL HEADLINES TO START THE NEW YEAR

The newspapers have made for very difficult reading thus far in 2025. While it isn't easy to keep emotions in check and we certainly do not want to minimize the horrific terrorist strike on Bourbon Street or the apocalyptic wildfire devastation in Los Angeles, we offer the reminder that equities always have managed to move higher in the fullness of time despite seemingly constant trouble at home and around the world.

THE WALL STREET JOURNAL.

THURSDAY, JANUARY 2, 2025 - VOL. CCLXXXV NO. 1 WSJ.com ★★★★ $5.00

What's News

Business & Finance

◆ Over the past 10 years, the SEC has written off almost $10 billion in penalties that it can't collect, according to data obtained by The Wall Street Journal under the Freedom of Information Act. A1

◆ Hawaiian Electric agreed to sell its community bank subsidiary to an investor group in a deal that could help the utility as it resolves a nearly $2 billion settlement related to the 2023 Maui wildfires. B3

◆ Major U.S. stock indexes ended Tuesday's session, the last of 2024, in the red, with the S&P 500, Nasdaq and Dow falling 0.4%, 0.9% and less than 0.1%, respectively. B9

◆ Investors' hopes for a "Santa Claus rally"—a rise in stocks over the period that spans the last five trading days of the year through the first two of the next—have faded. B1

◆ Chinese companies commenced public offerings in Hong Kong, part of a flurry of year-end activity with investor demand for listings picking up in the Asian financial hub. B9

◆ A public-relations battle involving the stars of "It Ends With Us" escalated into a full-

New Orleans Attack Leaves 15 Dead

Driver displaying Islamic State flag plows into crowd; accomplices eyed

A man in a pickup truck flying an Islamic State flag plowed into a large crowd in New Orleans's French Quarter early New Year's Day, killing 15 people and injuring more than 30 in what authorities called a terrorist attack.

By Sadie Gurman, Joseph Pisani, Rachel Wolfe, Nancy A. Youssef and Laine Higgins

Two police officers also were injured in a shootout with the suspect, a U.S. Army veteran, who was killed in the exchange of fire.

The Federal Bureau of Investigation identified him as 42-year-old Shamsud-Din Jabbar, a U.S.-born citizen from Texas. The flag was attached to the trailer hitch of the rented Ford pickup, in which investigators found weapons and a potential explosive device. Investigators were working to learn more

Please turn to page A4

◆ Suspect had money woes, messy divorce........ A4

FBI investigators worked at the scene Wednesday where a man drove a pickup truck into a crowd of New Year's revelers in New Orleans. The driver, who was killed by police, was identified as Army veteran Shamsud-Din Jabbar, a U.S.-born citizen from Texas.

THE WALL STREET JOURNAL.

FRIDAY, JANUARY 10, 2025 - VOL. CCLXXXV NO. 8 WSJ.com ★★★★ $5.00

What's News

Business & Finance

Wildfires in Los Angeles Rage On

More than 10,000 structures have burned; officials fear death toll will rise

By Jennifer Calfas, Gareth Vipers and Meghan Bobrowsky

A firefighter battled the Palisades Fire in Malibu, Calif., on Thursday. The wildfires have destroyed thousands of structures.

California Insurance Crisis Deepens As Infernos Wreak Record Damage

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◆ Urban-area blazes release hazardous gases........ A5

◆ Thousands search for interim housing........ A5

...the news turned positive on several fronts (geopolitics, corporate profits and inflation),...

THE WALL STREET JOURNAL.

THURSDAY, JANUARY 16, 2025 - VOL. CCLXXXV NO. 13 WSJ.com ★★★★ $5.00

What's News

Business & Finance

◆ **Markets cheered a** December inflation report that suggested underlying price pressures are easing, but the Fed isn't likely to cut interest rates anytime soon given Trump's plans for the economy. A1

◆ **Major U.S. indexes** made sturdy gains, with the S&P 500, Nasdaq and Dow industrials rising 1.8%, 2.5% and 1.7%, respectively. The yield on the 10-year Treasury note fell 0.13 percentage point to 4.653%. B1

◆ **Big bank profits surged** in the fourth quarter and Wall Street roared back to life, with net income rising 50% at JPMorgan Chase and more than doubling at Goldman Sachs. A1

◆ **Nate Anderson,** the short-seller who wiped billions of dollars off companies' market values, is closing his firm, citing the stress of the job. B1

◆ **BlackRock's profit rose** and assets under management edged up to a record $11.55 trillion in the fourth quarter. B9

◆ **Drake sued** Universal Music for defamation, arguing the label profited from Kendrick Lamar's diss track "Not Like Us," in which Lamar calls Drake a pedophile. B1

◆ **Pfizer said it sold** 700 million shares in British consumer-healthcare business Haleon for the equivalent of $3.05 billion. B3

◆ **GM signed** a multibillion-dollar deal with Norway's Vianode for the delivery of synthetic anode graphite, a material to be used in next-generation EV batteries. B4

◆ **Indonesia's central bank** caught markets off guard with a surprise rate cut, emphasizing the need to support economic growth. A9

World-Wide

◆ **Negotiators for Israel** and Hamas agreed to a deal to pause fighting in Gaza, Arab mediators and the U.S. said, opening a path to end a 15-month war that has laid waste to the enclave, sparked a wider regional war and roiled politics in the West. A1

Negotiators Reach Gaza Cease-Fire Deal

Representatives for Israel, Hamas set an agreement they had resisted for months

By Summer Said And Carrie Keller-Lynn

Negotiators for Israel and Hamas agreed to a deal to pause fighting in the Gaza Strip, Arab mediators and the U.S. said on Wednesday, opening a pathway to end a 15-month war that laid waste to the enclave, sparked a wider regional war and roiled politics in the West.

The cease-fire agreement would take effect on Sunday, said Qatar's prime minister, Mohammed bin Abdulrahman Al Thani. He said Qatar, alongside Egypt and the U.S.—all of whom helped mediate the agreement—will work to ensure its implementation.

President Isaac Herzog of Israel welcomed the cease-fire deal, calling on Prime Minister Benjamin Netanyahu's government to approve it.

Netanyahu's office said a number of details were pending completion but they were expected to be resolved soon. A main pending issue is the list of Palestinian prisoners to be released by Israel in exchange for the hostages in Gaza, an Israeli official said.

The accord needs approval

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News of the Israel-Hamas agreement for a pause in fighting brought celebrations Wednesday in Tel Aviv, top, where family members and supporters of Israeli hostages have regularly held rallies, and among Palestinians in Deir Al-Balah in Gaza.

JPMorgan, Goldman Post Surge In Profits

Big bank profits surged in the fourth quarter and Wall Street roared back to life, with net income rising 50% at JPMorgan Chase and more than doubling at Goldman Sachs.

By Alexander Saeedy, AnnaMaria Andriotis

Investors Cheer Muted Inflation Data

Consumer-price index, change from a year earlier

By Paul Kiernan

Markets cheered a December inflation report that suggested underlying price pressures are easing, but the Federal Reserve still isn't likely to cut interest rates anytime soon given President-elect Donald Trump's plans for the economy.

The overall consumer-price index came in relatively hot, rising 2.9% over the year, the Labor Department said Wednesday. The index rose 0.4% from the previous month, ... line prices.

The so-called core CPI, which excludes volatile food and energy prices, rose 0.2%, its smallest gain since July and less than the 0.3% increase expected by economists.

Investors homed in on the core prices, sending stocks and bonds higher. But the data aren't significant enough to change Fed officials' plan to hold interest rates steady while they await the tariffs, tax cuts and immigration crackdown that Trump has promised to deliver. The Fed ... widely telegraphed that it is taking a break from rate cuts.

The three major U.S. stock indexes all recorded their best day since the post-election rally on Nov. 6. The Dow Jones Industrial Average rose by more than 700 points, with both that index and the S&P 500 logging gains of more than 1.7%. The Nasdaq Composite added 2.5%.

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NEWS ISN'T ALWAYS BAD

After an awful start to 2025 with the terrorist attack in New Orleans and the cataclysmic fires in Southern California, the newspapers had some positive headlines last week. A cease-fire in the Middle East, a solid start to Q4 earnings reporting season and better-than-expected inflation numbers helped equities, led by Value stocks, turn in a terrific five days of trading.

...and equities enjoyed a handsome rebound, led by Value stocks, with the Russell 3000 Value index jumping more than 4%,...

...the 48th best weekly return since that benchmark was launched in 1995.

RUSSELL 3000 VALUE INDEX WEEKLY RETURNS

	1990's	2000's	2010's	2020's	Totals
Years Ending in 0	0	3	1	7	11
Years Ending in 1	0	1	6	1	8
Years Ending in 2	0	2	0	5	7
Years Ending in 3	0	1	1	1	3
Years Ending in 4	0	0	0	0	0
Years Ending in 5	1	0	0	1	2
Years Ending in 6	0	0	1		1
Years Ending in 7	1	0	0		1
Years Ending in 8	1	5	0		6
Years Ending in 9	1	7	1		9
Totals	4	19	10	15	48

From 6.2.95 through 1.17.25. Days of index price decreases of greater than or equal to 4.247%. SOURCE: Kovitz using data from Bloomberg

	1990's	2000's	2010's	2020's	Totals
Years Ending in 0	0	1	3	6	10
Years Ending in 1	0	2	3	0	5
Years Ending in 2	0	3	1	4	8
Years Ending in 3	0	1	0	1	2
Years Ending in 4	0	0	0	0	0
Years Ending in 5	0	0	1	0	1
Years Ending in 6	0	0	1		1
Years Ending in 7	0	3	0		3
Years Ending in 8	3	9	5		17
Years Ending in 9	1	7	0		8
Totals	4	26	14	11	55

From 6.2.95 through 1.17.25. Days of index price decreases of greater than or equal to 4.247%. SOURCE: Kovitz using data from Bloomberg

Volatility in stocks is hardly unusual, with the 4.247% jump in the Russell 3000 Value index for the week ended 01.17.25 *only* the 48th best week since that investment style measure was created in 1995. Of course, there have also been 55 weeks with losses of that magnitude or greater, yet the R3KV has advanced from a reading of 345 more than 29 years ago to 2466 today.

Certainly, stocks could head south as volatility is always part of the investment equation, but the long-term trend in equities historically always has been higher,…

Selloffs, downturns, pullbacks, corrections and even Bear Markets are events that equity investors always have had to endure on their way to the best long-term performance of any of the financial asset classes.

Russell 3000 Value Index

Advancing Markets

Minimum Rise %	Average Gain	Average # Days	Count	Frequency (in Years)	Last Start	Last End
20.0%	76.1%	856	8	2.9	9/30/2022	11/29/2024
17.5%	54.9%	553	13	2.0	9/30/2022	11/29/2024
15.0%	49.4%	470	15	1.8	9/30/2022	11/29/2024
12.5%	47.2%	444	16	1.7	9/30/2022	11/29/2024
10.0%	30.0%	242	30	0.9	10/27/2023	11/29/2024
7.5%	21.6%	150	51	0.6	10/27/2023	11/29/2024
5.0%	13.6%	73	105	0.3	4/17/2024	11/29/2024

Declining Markets

Minimum Decline %	Average Loss	Average # Days	Count	Frequency (in Years)	Last Start	Last End
-20.0%	-30.6%	218	8	2.9	1/12/2022	9/30/2022
-17.5%	-26.1%	195	13	2.0	1/12/2022	9/30/2022
-15.0%	-24.2%	170	16	1.7	8/16/2022	9/30/2022
-12.5%	-24.0%	163	16	1.7	8/16/2022	9/30/2022
-10.0%	-18.1%	82	30	0.9	7/26/2023	10/27/2023
-7.5%	-14.1%	54	52	0.6	11/29/2024	1/10/2025
-5.0%	-10.0%	30	105	0.3	11/29/2024	1/10/2025

From 10.19.95 through 01.10.25. Price return series. We defined a Declining Market as an instance when stocks dropped the specified percentage or more without a recovery of equal magnitude, and an Advancing Market as in instance when stocks appreciated the specified percentage or more without a decline of equal magnitude. SOURCE: Kovitz using data from Bloomberg.

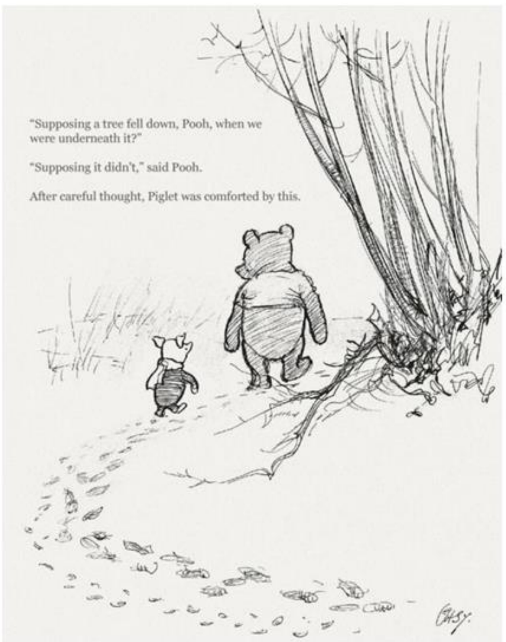
LONG-TERM RETURNS

	Annualized Return	Standard Deviation
Value Stocks	14.1%	18.0%
Growth Stocks	11.3%	18.9%
Dividend Paying Stocks	12.6%	14.6%
Non-Dividend Paying Stocks	12.4%	22.3%
Large-Company Stocks	12.0%	15.1%
Small-Company Stocks	13.2%	20.4%
Long-Term Corporate Bonds	7.6%	10.3%
Long-Term Gov't Bonds	7.2%	11.5%
Intermediate Gov't Bonds	6.2%	5.3%
Treasury Bills	4.2%	1.0%
Inflation	3.6%	1.3%

From 03.31.1977 through 11.30.2024. Growth stocks = 50% Fama-French small growth and 50% Fama-French large gr returns rebalanced monthly. Value stocks = 50% Fama-French small value and 50% Fama-French large value returns rebalanced monthly. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Dividend payers = 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. Non-dividend payers = stocks that do not pay a dividend. Small company stocks, via Ibbotson Associates, are the bottom twenty percent of the New York Stock Exchange. Large company stocks, via Ibbotson Associates, are represented by the S&P 500 index. Long term corporate bonds represented by the Ibbotson Associates SBBI US LT Corp Total Return index. Long term government bonds represented by the Ibbotson Associates SBBI US LT Govt Total Return index. Intermediate term government bonds represented by the Ibbotson Associates SBBI US IT Govt Total Return index. Treasury bills represented by the Ibbotson Associates SBBI US 30 Day TBill Total Return index. Inflation represented by the Ibbotson Associates SBBI US Inflation index. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French and Ibbotson Associates

...with frightening headlines always overcome in the fullness of time,...

There is usually something about which to worry, yet equities have proved very rewarding through the years for those who remember that the secret to success in stocks is not to get scared out of them.



Event	Reaction Dates		S&P Start Value	S&P End Value	Event Gain/Loss	12 Months Later	36 Months Later	60 Months Later	Event End thru Present
Pearl Harbor	12/6/1941	12/10/1941	9.32	8.68	-7%	8%	51%	76%	68986%
Truman Upset Victory	11/2/1948	11/10/1948	16.70	15.00	-10%	8%	52%	62%	39878%
Korean War	6/23/1950	7/13/1950	19.14	16.69	-13%	32%	45%	153%	35830%
Eisenhower Heart Attack	9/23/1955	9/26/1955	45.63	42.61	-7%	8%	17%	25%	13973%
Suez Canal Crisis	10/30/1956	10/31/1956	46.37	45.58	-2%	-10%	26%	51%	13056%
Sputnik	10/3/1957	10/22/1957	43.14	38.98	-10%	31%	37%	41%	15284%
Cuban Missile Crisis	8/23/1962	10/23/1962	59.70	53.49	-10%	36%	72%	78%	11111%
JFK Assassination	11/21/1963	11/22/1963	71.62	69.61	-3%	24%	14%	53%	8515%
MLK Assassination	4/3/1968	4/5/1968	93.47	93.29	0%	8%	8%	16%	6328%
Kent State Shootings	5/4/1970	5/14/1970	79.00	75.44	-5%	35%	40%	22%	7849%
Arab Oil Embargo	10/18/1973	12/5/1973	110.01	92.16	-16%	-28%	12%	6%	6407%
Nixon Resigns	8/9/1974	8/29/1974	80.86	69.99	-13%	24%	38%	56%	8468%
U.S.S.R. in Afghanistan	12/24/1979	1/3/1980	107.66	105.22	-2%	30%	31%	56%	5599%
Hunt Silver Crisis	2/13/1980	3/27/1980	118.44	98.22	-17%	37%	55%	83%	6005%
Falkland Islands War	4/1/1982	5/7/1982	113.79	119.47	5%	39%	51%	147%	4919%
U.S. Invades Grenada	10/24/1983	11/7/1983	165.99	161.91	-2%	4%	52%	69%	3604%
U.S. Bombs Libya	4/15/1986	4/21/1986	237.73	244.74	3%	20%	27%	57%	2350%
Crash of '87	10/2/1987	10/19/1987	328.07	224.84	-31%	23%	39%	85%	2567%
Gulf War Ultimatum	12/24/1990	1/16/1991	329.90	316.17	-4%	32%	50%	92%	1797%
Gorbachev Coup	8/16/1991	8/19/1991	385.58	376.47	-2%	11%	23%	77%	1493%
ERM U.K. Currency Crisis	9/14/1992	10/16/1992	425.27	411.73	-3%	14%	42%	132%	1356%
World Trade Center Bombing	2/26/1993	2/27/1993	443.38	443.38	0%	5%	46%	137%	1252%
Russia Mexico Orange County	10/11/1994	12/20/1994	465.79	457.10	-2%	33%	107%	210%	1212%
Oklahoma City Bombing	4/19/1995	4/20/1995	504.92	505.29	0%	28%	122%	184%	1087%
Asian Stock Market Crisis	10/7/1997	10/27/1997	983.12	876.99	-11%	21%	57%	2%	584%
Russian LTCM Crisis	8/18/1998	10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	525%
Clinton Impeachment	12/19/1998	2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	387%
USS Cole Yemen Bombings	10/11/2000	10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	347%
September 11 Attacks	9/10/2001	9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	521%
Iraq War	3/19/2003	5/1/2003	874.02	916.30	5%	21%	42%	54%	554%
Madrid Terrorist Attacks	3/10/2004	3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	449%
London Train Bombing	7/6/2005	7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	401%
2008 Market Crash	9/15/2008	3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	786%
Price Changes Only - Does Not Include Dividends				**Averages:**	**-7%**	**18%**	**39%**	**66%**	**8287%**

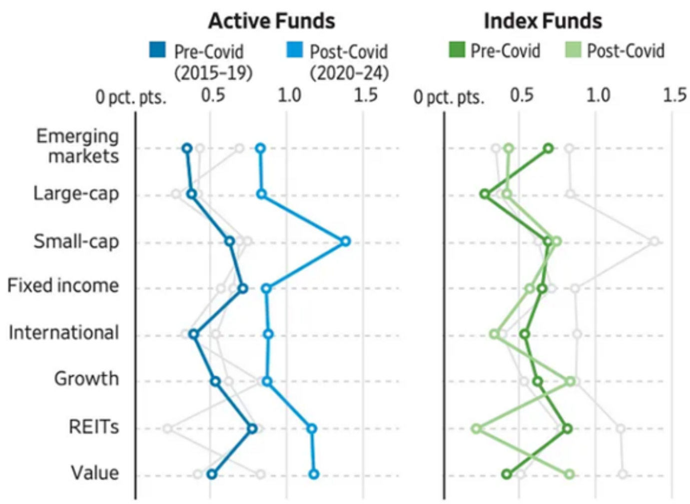
As of 01.17.25. Source: Kovitz using Bloomberg and Ned Davis Research Events & Reaction Dates

...and those who think they can outguess market gyrations often shooting themselves in the foot,...

Market Timing Has Picked Up Since Covid. It Has Cost Investors Dearly

Poor Timing

Average return gap between reported and actual returns in various mutual-fund categories. Results are separated by index funds and active funds



Source: Derek Horstmeyer, George Mason University

The Covid-19 pandemic wreaked havoc on more than just public health — it also disrupted the trading behavior of individual investors.

Between 2020 and 2024, such investors have exhibited more detrimental trading behavior than before Covid, taking riskier bets and trading more inefficiently by trying to time market tops and bottoms. The upshot: Billions of dollars in lost portfolio value annually.

Over a variety of actively traded mutual-fund styles from 2015 to 2019, my research assistants (Ali Alhassan and Brian Gaydos) and I estimate poor market timing cost investors 0.53 percentage point a year in value to their portfolios.

By comparison, from 2020 through Oct. 31, 2024, the average value destruction to one's portfolio from poor market timing nearly doubled, to just over 1.01 percentage points a year in actively managed holdings.

…as evidenced yet again by the preponderance of pessimism (more Bears than Bulls in the American Association of Individual Investors weekly Investor Sentiment Survey) on Main Street heading into last week's big rally.

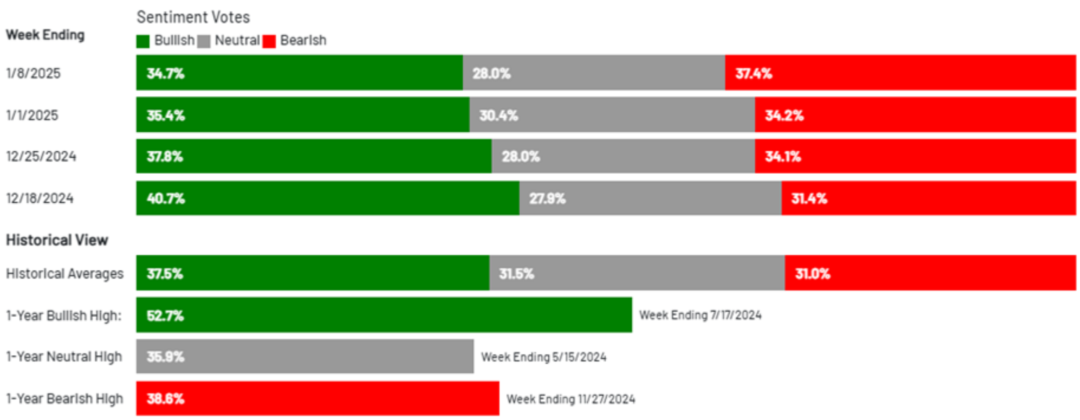
The AAII Investor Sentiment Survey

The AAII Sentiment Survey offers insight into the opinions of individual investors by asking them their thoughts on where the market is heading in the next six months and has been doing so since 1987. This market sentiment data is compiled and depicted below for individual use.

Investor sentiment is measured with a weekly survey conducted from Thursday at 12:01 a.m. until Wednesday at 11:59 p.m. Tracking sentiment gives investors a forward-looking perspective of the market instead of relying on historical data, which tends to result in hindsight bias.

AAII Members can login to vote in the AAII Investor Sentiment Survey today!

What Direction Do AAII Members Feel The Stock Market Will Be In The Next 6 Months?



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To be sure, we had no crystal ball that told us stocks would soar last week, but the odds tell us that the longer we hold Value Stocks and Dividend Payers, the greater the likelihood that we will make money,...

While equities are a volatile asset class, most care far more about losing money than short-term fluctuations or the classic measure of risk, the standard deviation of monthly returns. Happily, nearly a century of market history reveals that the longer the holding period the less the chance of loss, illustrating that time is a terrific risk mitigation tool.

PATIENCE IS VIRTUOUS

VALUE STOCKS

	Count >0%	Count <=0%	Percent >0%
1 Month	736	433	63.0%
3 Months	791	376	67.8%
6 Months	824	340	70.8%
1 Year	847	311	73.1%
2 Year	959	187	83.7%
3 Year	995	139	87.7%
5 Year	997	113	89.8%
7 Year	1050	36	96.7%
10 Year	1016	34	96.8%
15 Year	990	0	100.0%
20 Year	930	0	100.0%

DIVIDEND PAYERS

	Count >0%	Count <=0%	Percent >0%
1 Month	740	429	63.3%
3 Months	814	353	69.8%
6 Months	844	320	72.5%
1 Year	880	278	76.0%
2 Year	983	163	85.8%
3 Year	976	158	86.1%
5 Year	1024	86	92.3%
7 Year	1046	40	96.3%
10 Year	1016	34	96.8%
15 Year	990	0	100.0%
20 Year	930	0	100.0%

From 07.31.1927 through 11.30.24. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

…while the first five days of January being positive (as they were this time around) historically bodes well for the rest of the year,…

While the domestic headlines and economic numbers grabbed the headlines, a few market pundits reminded that the first five days of the trading year often signify how the full year will go, so we didn't mind that the Russell 3000 Value, Russell 3000 Growth and S&P 500 indexes all ended in the green this time around.

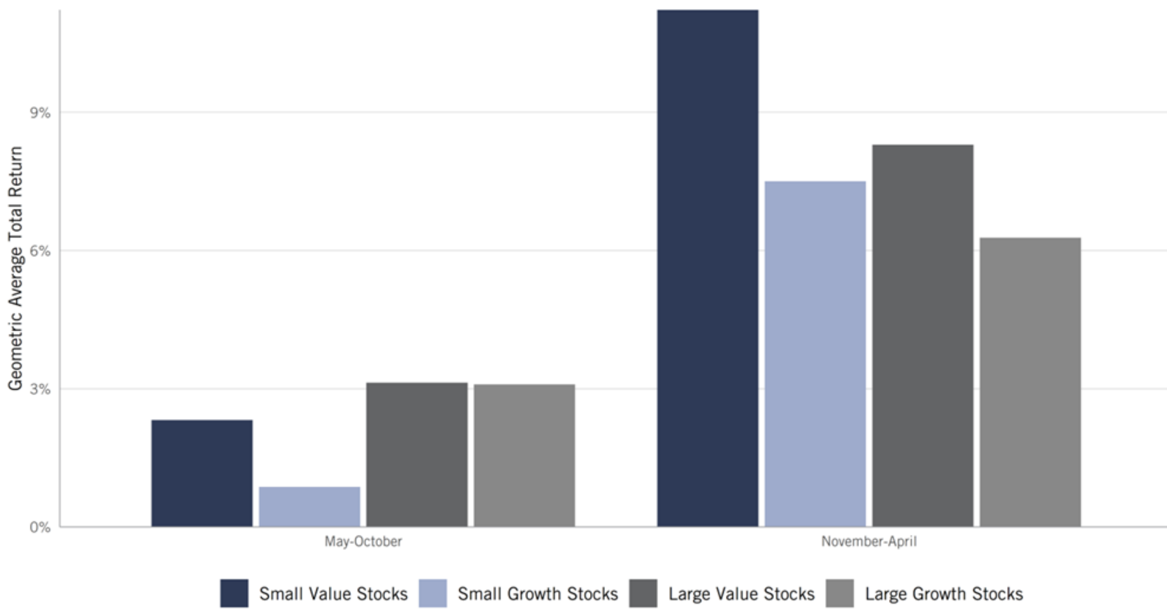
As Goes the First Five Days 1996 - 2024

Russell 3000 Value Index		Russell 3000 Growth Index	S&P 500 Index
Positive		**Positive**	**Positive**
2.0%	Mean First-5-Day Return	2.0%	1.8%
12.1%	Mean Balance of Year	17.3%	15.0%
14.4%	Mean Full Year	19.6%	17.2%
18	Count	19	19
Negative		**Negative**	**Negative**
-2.0%	Mean First-5-Day Return	-2.8%	-2.1%
5.4%	Mean Balance of Year	3.0%	3.5%
3.3%	Mean Full Year	0.5%	1.4%
11	Count	10	10
All		**All**	**All**
0.5%	Mean First-5-Day Return	0.3%	0.5%
9.6%	Mean Balance of Year	12.4%	11.1%
10.2%	Mean Full Year	13.0%	11.7%
29	Count	29	29

Source: Kovitz Using Data from Bloomberg

...January is part of the seasonally more favorable six months of the year,...

SEASONALITY
VALUE / GROWTH / SMALL / LARGE

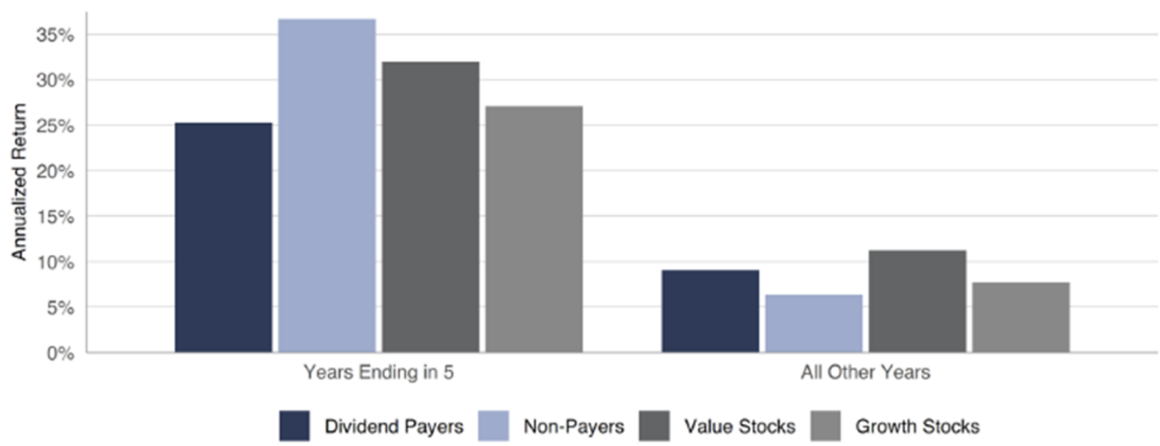


From 04.30.1928 through 04.30.2024. The portfolios are formed on Book Equity/Market Equity at the end of each June using NYSE breakpoints via Eugene F. Fama and Kenneth R. French. Geometric average. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

...and years ending in 5 heretofore have enjoyed sensational returns, on average.

A very small sample set, to be sure, but it is fascinating how well equities have performed in years ending in the number 5. Of course, it isn't as if stocks should not be owned in the other years, but 2025 could have an extra bounce in its returns step.

Returns for Years Ending in 5 vs. All Others



From 12.31.1927 through 12.31.2023. Geometric mean. Value weighted. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

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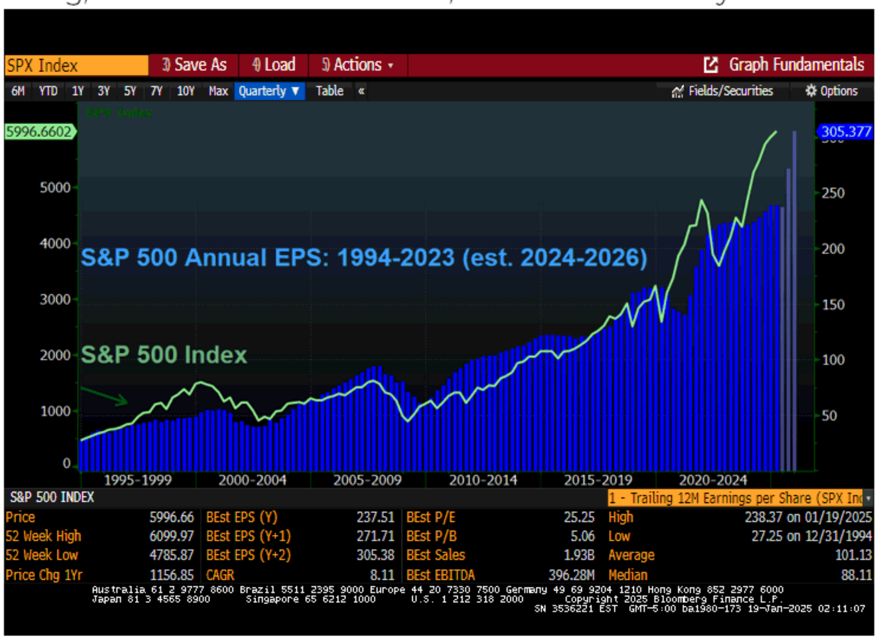
True, many would question the statistical significance of the last three charts. More importantly, we know that stock prices over time have tracked corporate profits, with sustained downturns coinciding with an earnings contraction. Happily, EPS have shown significant growth over the long term, and a sizable increase in earnings is the current forecast for 2025,...

Q3 report cards generally were favorable with 75.7% of companies in the S&P 500 topping bottom-line expectations and Q4 is off to a better start thus far with 83.3% beating the Street. Year-over-year EPS growth remains solid and the outlook for 2025 corporate profits is healthy, which is a good thing, as if a business does well, its stock eventually follows.

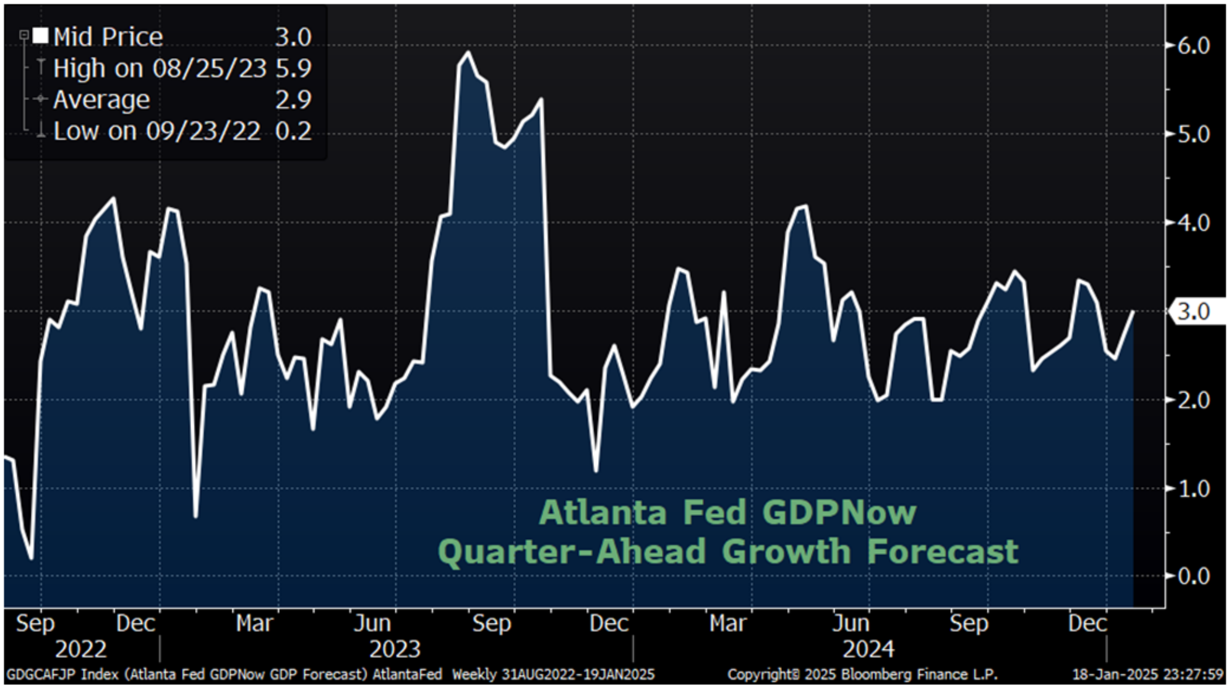


S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
ESTIMATES		
12/31/2025	$72.14	$271.19
9/30/2025	$70.53	$260.37
6/30/2025	$66.42	$249.00
3/31/2025	$62.10	$240.94
12/31/2024	$61.32	$233.47
ACTUAL		
9/30/2024	$59.16	$226.05
6/30/2024	$58.36	$219.14
3/31/2024	$54.62	$215.62
12/31/2023	$53.90	$213.53
9/30/2023	$52.25	$210.00
6/30/2023	$54.84	$208.10
3/31/2023	$52.54	$200.13
12/31/2022	$50.37	$196.95
9/30/2022	$50.35	$203.31
6/30/2022	$46.87	$204.98
3/31/2022	$49.36	$210.16
12/31/2021	$56.73	$208.21
9/30/2021	$52.02	$189.66
6/30/2021	$52.05	$175.54
3/31/2021	$47.41	$150.28
12/31/2020	$38.18	$122.37

Source: Standard & Poor's. As of 1.16.25

...given a very low probability of an economic recession,...

...with the latest estimate for Q4 2024 GDP growth from the Atlanta Fed moving up last week to 3.0% from 2.7% the week prior,...



...and the Federal Reserve Board members and Federal Reserve Bank presidents projecting 2.1% real (inflation-adjusted) GDP growth for 2025.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, December 2024

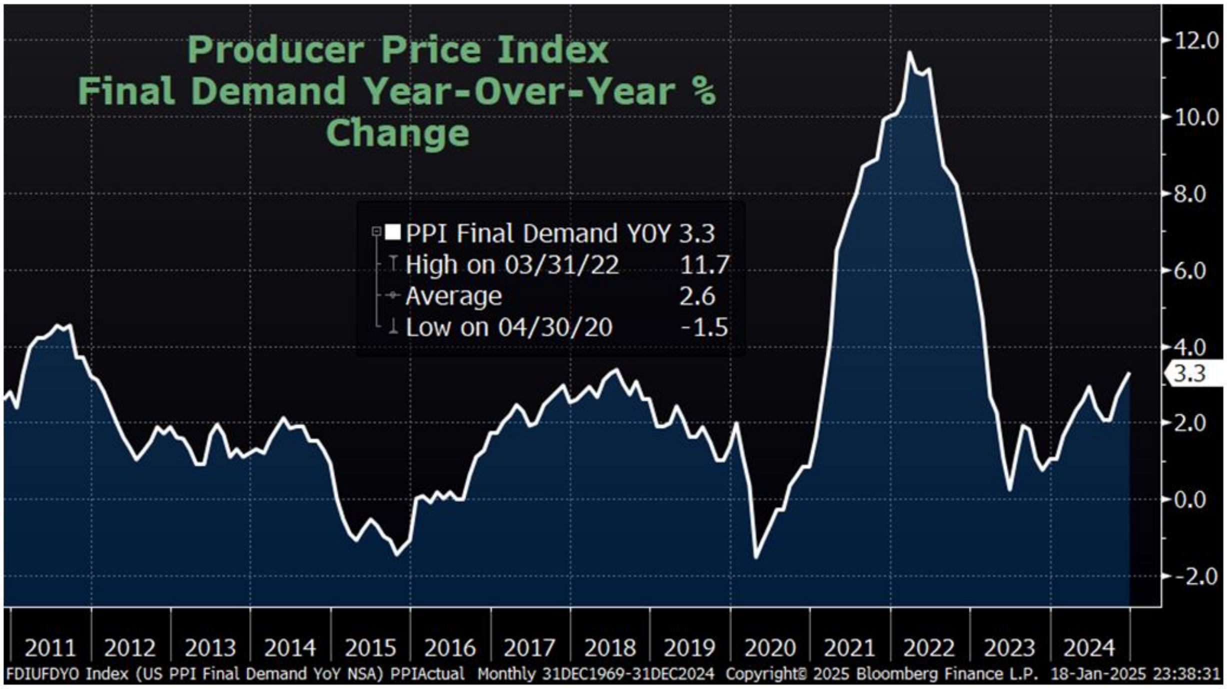
Percent

Variable	Median[1]					Central Tendency[2]					Range[3]				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.5	2.1	2.0	1.9	1.8	2.4–2.5	1.8–2.2	1.9–2.1	1.8–2.0	1.7–2.0	2.3–2.7	1.6–2.5	1.4–2.5	1.5–2.5	1.7–2.5
September projection	2.0	2.0	2.0	2.0	1.8	1.9–2.1	1.8–2.2	1.9–2.3	1.8–2.1	1.7–2.0	1.8–2.6	1.3–2.5	1.7–2.5	1.7–2.5	1.7–2.5
Unemployment rate	4.2	4.3	4.3	4.3	4.2	4.2	4.2–4.5	4.1–4.4	4.0–4.4	3.9–4.3	4.2	4.2–4.5	3.9–4.6	3.8–4.5	3.5–4.5
September projection	4.4	4.4	4.3	4.2	4.2	4.3–4.4	4.2–4.5	4.0–4.4	4.0–4.4	3.9–4.3	4.2–4.5	4.2–4.7	3.9–4.5	3.8–4.5	3.5–4.5
PCE inflation	2.4	2.5	2.1	2.0	2.0	2.4–2.5	2.3–2.6	2.0–2.2	2.0	2.0	2.4–2.7	2.1–2.9	2.0–2.6	2.0–2.4	2.0
September projection	2.3	2.1	2.0	2.0	2.0	2.2–2.4	2.1–2.2	2.0	2.0	2.0	2.1–2.7	2.1–2.4	2.0–2.2	2.0–2.1	2.0
Core PCE inflation[4]	2.8	2.5	2.2	2.0		2.8–2.9	2.5–2.7	2.0–2.3	2.0		2.8–2.9	2.1–3.2	2.0–2.7	2.0–2.6	
September projection	2.6	2.2	2.0	2.0		2.6–2.7	2.1–2.3	2.0	2.0		2.4–2.9	2.1–2.5	2.0–2.2	2.0–2.2	
Memo: Projected appropriate policy path															
Federal funds rate	4.4	3.9	3.4	3.1	3.0	4.4–4.6	3.6–4.1	3.1–3.6	2.9–3.6	2.8–3.6	4.4–4.6	3.1–4.4	2.4–3.9	2.4–3.9	2.4–3.9
September projection	4.4	3.4	2.9	2.9	2.9	4.4–4.6	3.1–3.6	2.6–3.6	2.6–3.6	2.5–3.5	4.1–4.9	2.9–4.1	2.4–3.9	2.4–3.9	2.4–3.8

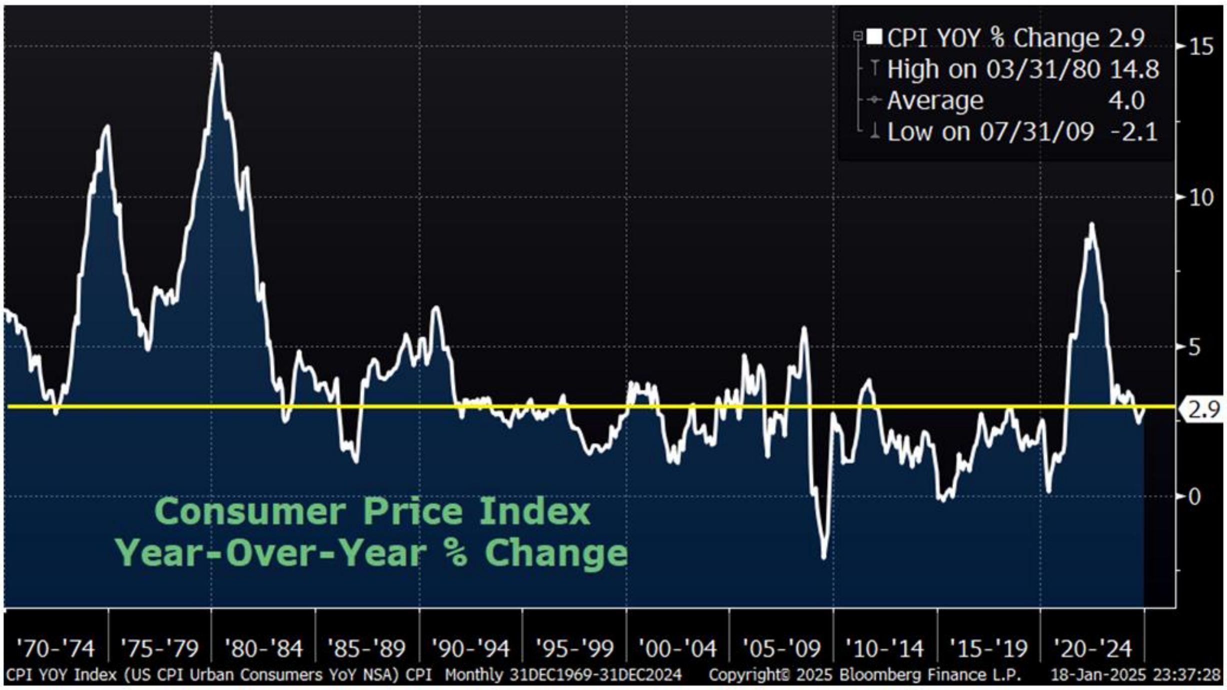
NOTE: Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. PCE inflation and core PCE inflation are the percentage rates of change in, respectively, the price index for personal consumption expenditures (PCE) and the price index for PCE excluding food and energy. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. Longer-run projections represent each participant's assessment of the rate to which each variable would be expected to converge under appropriate monetary policy and in the absence of further shocks to the economy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The September projections were made in conjunction with the meeting of the Federal Open Market Committee on September 17–18, 2024.

1. For each period, the median is the middle projection when the projections are arranged from lowest to highest. When the number of projections is even, the median is the average of the two middle projections.
2. The central tendency excludes the three highest and three lowest projections for each variable in each year.
3. The range for a variable in a given year includes all participants' projections, from lowest to highest, for that variable in that year.
4. Longer-run projections for core PCE inflation are not collected.

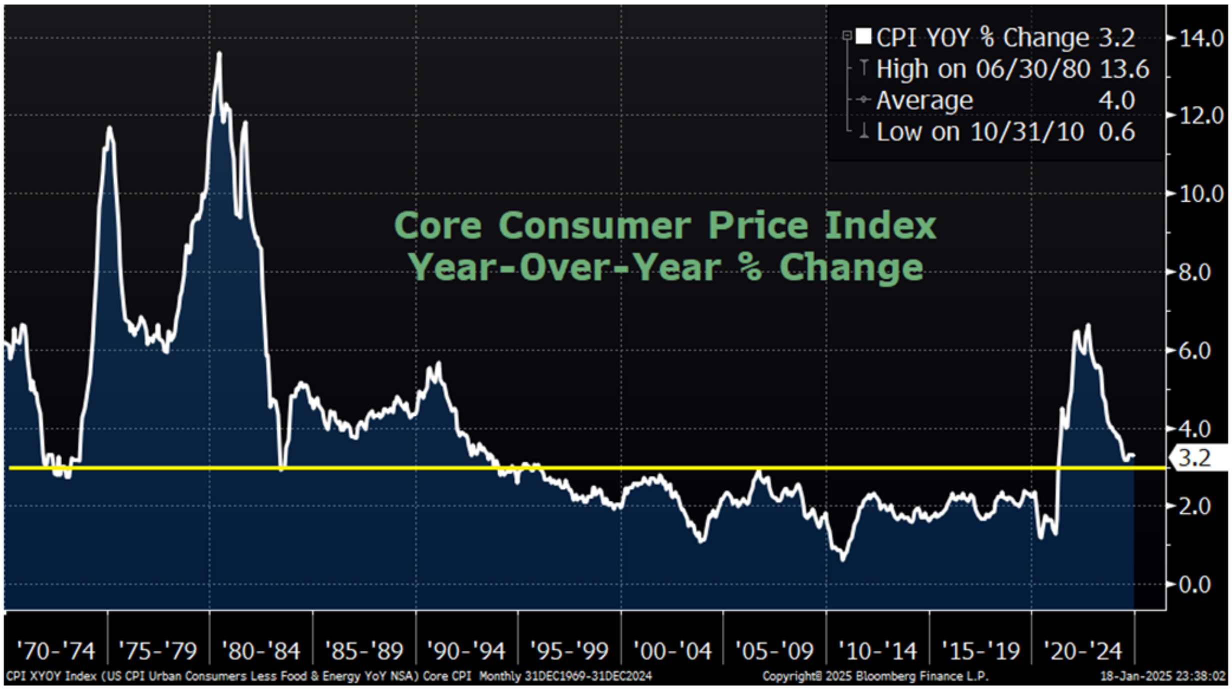
And speaking of inflation, what really ignited the equity advance last week was a lower-than-expected year-over-year increase in prices at the wholesale level of 3.3% last month vs. the forecasted rise in the producer price index of 3.5%,...



…and the even-more-important consumer price index (CPI) for December climbing 2.9%, in line with estimates,…



…but the so-called core CPI, which excludes volatile food and energy prices, advancing "only" 3.2%, less than the 3.3% consensus projection.



Though years of evidence show that stocks don't mind if the Federal Reserve is easing or tightening monetary policy,...

Concurrent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.245%	419	13.6%	10.6%	10.8%	10.7%
More than 4.245%	419	14.6%	9.7%	12.4%	9.3%
3-Month Drop	388	17.8%	12.3%	14.3%	10.9%
3-Month Rise	446	11.0%	8.2%	9.2%	9.1%
6-Month Drop	366	16.4%	12.7%	14.3%	11.0%
6-Month Rise	462	12.1%	8.0%	9.4%	8.9%
12-Month Drop	371	14.4%	11.7%	12.8%	9.6%
12-Month Rise	445	13.3%	8.5%	10.2%	9.5%

From 07.31.1954 through 06.30.2024. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Subsequent Stock Performance & Change in Federal Funds Eff. Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 4.245%	420	12.2%	10.2%	10.6%	10.1%
More than 4.245%	420	15.5%	9.6%	12.1%	9.1%
3-Month Drop	383	13.8%	10.3%	11.1%	10.2%
3-Month Rise	442	13.6%	9.4%	11.3%	8.8%
6-Month Drop	366	15.4%	11.8%	12.2%	12.0%
6-Month Rise	456	12.2%	8.2%	10.4%	7.4%
12-Month Drop	371	16.9%	11.8%	12.3%	11.9%
12-Month Rise	445	10.9%	8.0%	10.1%	7.3%

From 07.31.1954 through 06.30.2024. Subsequent 12-month return. SOURCE: Kovitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

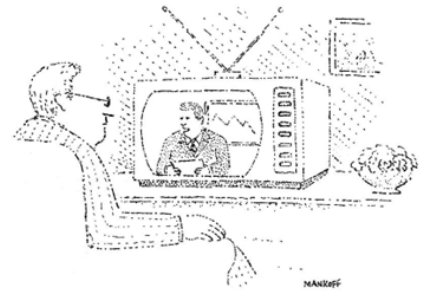
Many thought the Federal Reserve hiking the Fed Funds would be a big headwind for equities, but such was again not the case. Anything could have happened, of course, but seven decades of annualized data showed that equities performed admirably, ON AVERAGE, both concurrent with and subsequent to increases in the Fed Funds rate over 3-, 6-, and 12-month time spans. More importantly today, given that the Fed appears poised to now cut rates, stocks have performed even better, historically speaking, in a falling rate environment.

…or if government bond yields are rising or falling,…

Concurrent Stock Performance & Change in 10-Year Treasury Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 3.92%	585	10.9%	9.9%	9.8%	9.2%
More than 3.92%	578	15.4%	9.4%	11.7%	9.1%
3-Month Drop	577	13.9%	12.0%	13.9%	11.5%
3-Month Rise	582	12.3%	7.2%	7.6%	6.7%
6-Month Drop	561	13.7%	11.1%	12.9%	10.9%
6-Month Rise	592	12.5%	8.1%	8.5%	7.3%
12-Month Drop	561	11.5%	9.8%	11.2%	7.7%
12-Month Rise	580	14.5%	9.1%	9.9%	10.0%

From 06.30.1927 through 06.30.2024. Concurrent annualized 12-month returns. SOURCE: Kovitz using data from Professor Robert J. Shiller and Professors Eugene F. Fama and Kenneth R. French



"On Wall Street today, news of lower interest rates sent the stock market up, but then the expectation that these rates would be inflationary sent the market down, until the realization that lower rates might stimulate the sluggish economy pushed the market up, before it ultimately went down on fears that an overheated economy would lead to a reimposition of higher interest rates."

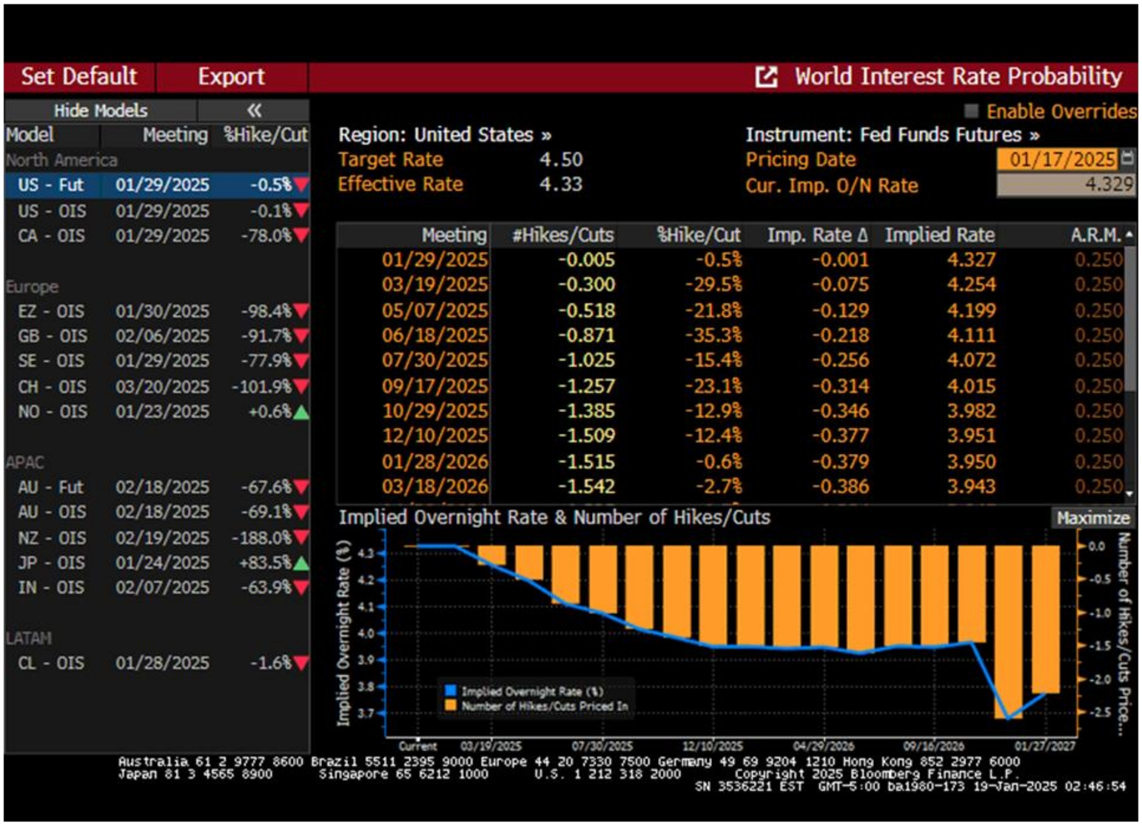
Subsequent Stock Performance & Change in 10-Year Treasury Rate

	Count	Value	Growth	Payers	Non-Payers
Less than 3.92%	586	11.8%	10.4%	10.5%	9.7%
More than 3.92%	579	14.3%	8.4%	10.5%	8.0%
3-Month Drop	574	16.7%	13.7%	13.7%	13.5%
3-Month Rise	576	9.4%	5.2%	7.4%	4.4%
6-Month Drop	561	15.1%	12.5%	12.5%	11.5%
6-Month Rise	586	10.9%	6.3%	8.5%	6.2%
12-Month Drop	561	12.8%	10.9%	10.8%	9.9%
12-Month Rise	580	12.9%	7.4%	9.9%	7.3%

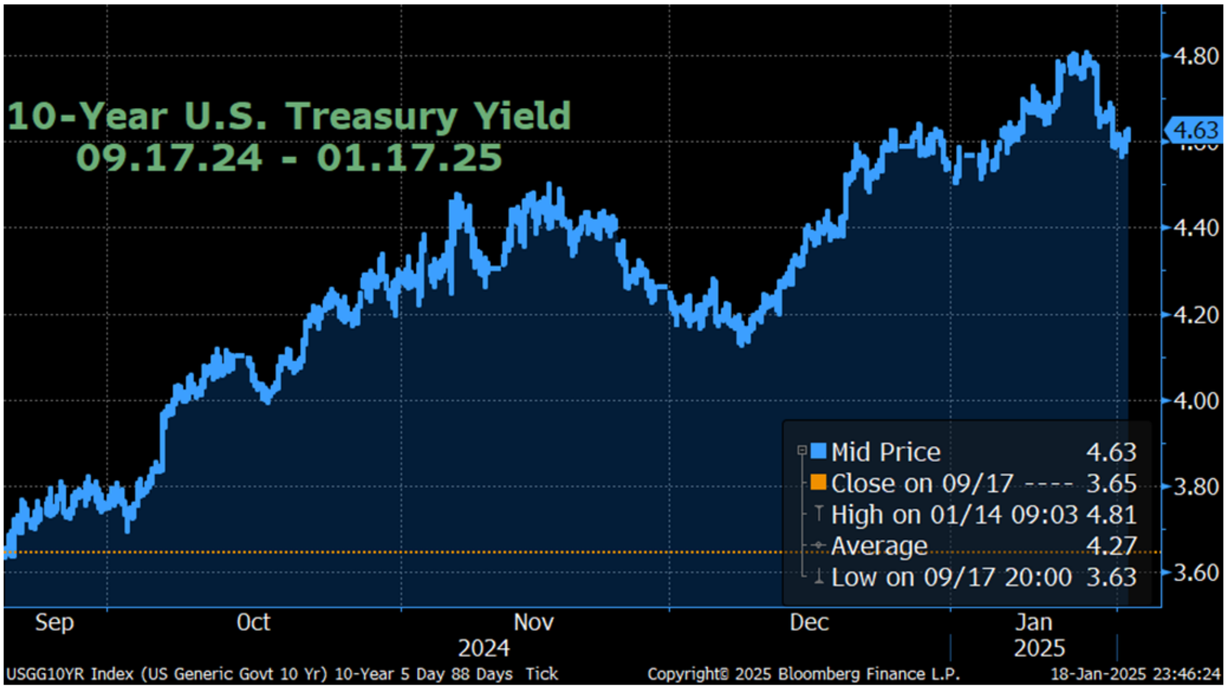
From 06.30.1927 through 06.30.2024. Subsequent 12-month return. SOURCE: Kovitz using data from Professor Robert J. Shiller and Professors Eugene F. Fama and Kenneth R. French

It is logical to think that higher yields on "safe" investments like the 10-Year U.S. Treasury make equities less appealing, and vice versa, but more than nine decades of returns figures show that stocks in general have performed admirably, ON AVERAGE, with Value Stocks leading the charge no matter the direction of interest rates.

…traders were buoyed last week by a drop in the expected 2025 year-end Fed Funds rate betting to a rate of 3.95% from 4.04% the week prior,…



...and a dip in the yield on the 10-Year U.S. Treasury to 4.63%, down from 4.76% at the end of the preceding week.



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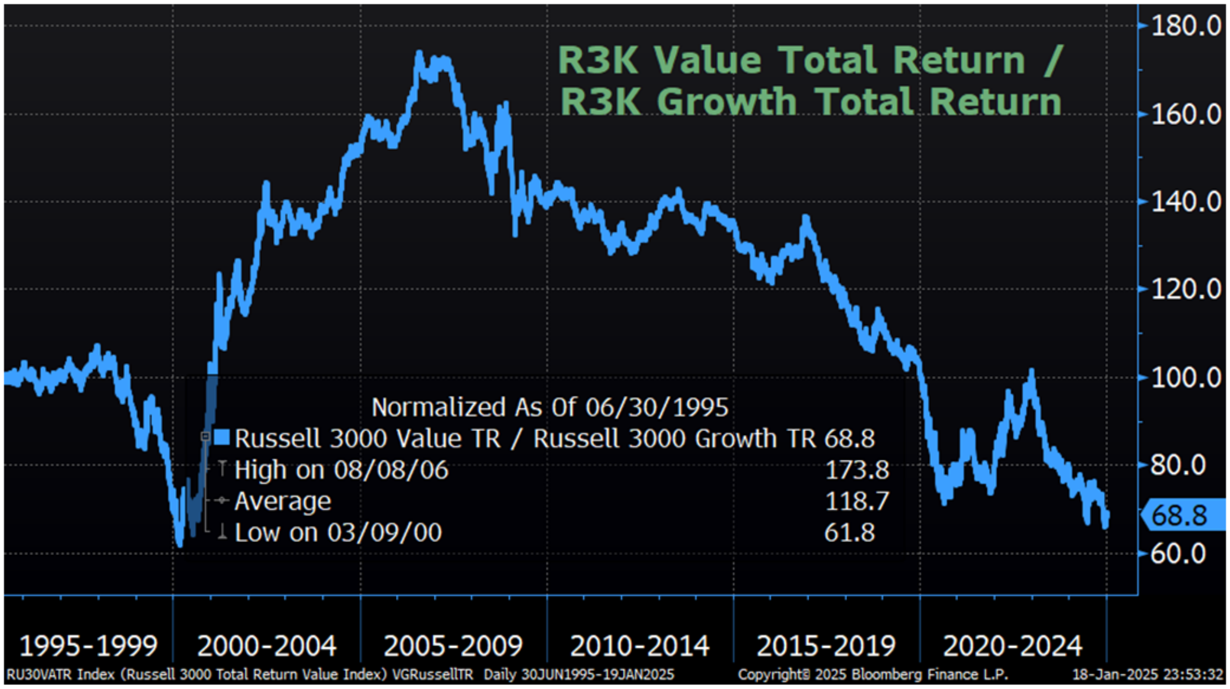
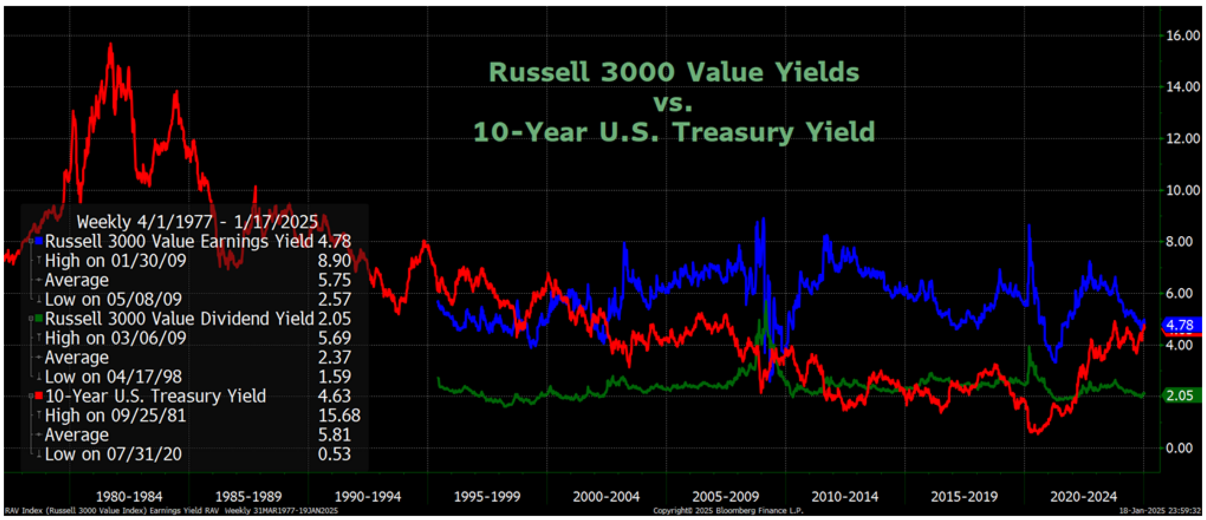
No doubt, we liked what we saw last week with Value stocks leading the equity charge, especially as there is a very long way to go for inexpensively priced companies to catch up with their Growth peers, much less reassert their long-term propensity to outperform,...



...while we still think the Russell 3000 Value index is attractively priced,...

While the Earnings Yield, which is the inverse of the P/E ratio, on the S&P 500 (3.70%) is still reasonable relative to the current (and well below average) 4.63% yield on the 10-Year U.S. Treasury, we like that Value stocks, as measured by the Russell 3000 Value index, boast a much higher Earnings Yield (4.78%) AND a generous dividend yield (2.05%), both of which are not too far from the historical norms for those measures dating back to 1995.



...even as it and its fellow Value gauges have turned in strong returns relative to international stocks, commodities and bonds for much of the past two decades.

Handsome Annualized Long-Term Returns for Value: Absolute & Relative

Name	Index	1-Year	3 Year	5 Year	7 Year	10-Year	20-Year
	Value Stocks						
Russell 3000 Value Index	**Russell 3000 Value**	**20.5%**	**6.2%**	**9.0%**	**8.2%**	**9.0%**	**8.1%**
Russell 2000 Value Index	**Russell 2000 Value**	**17.0%**	**2.4%**	**7.6%**	**5.9%**	**7.6%**	**7.3%**
Russell 1000 Value Index	**Russell 1000 Value**	**20.7%**	**6.5%**	**9.1%**	**8.3%**	**9.1%**	**8.2%**
S&P 500 Value Index	**S&P 500 Value**	**16.0%**	**9.3%**	**10.5%**	**9.9%**	**10.5%**	**8.6%**
S&P 500 Pure Value Index	**S&P 500 Pure Value**	**20.0%**	**5.2%**	**8.8%**	**6.9%**	**8.7%**	**9.4%**
MSCI USA Value Net Total Return USD Index	**MSCI USA Value**	**18.9%**	**5.5%**	**8.0%**	**7.4%**	**8.4%**	**7.3%**
MSCI World Value Index	**MSCI World Value**	**17.5%**	**6.1%**	**8.2%**	**6.8%**	**8.0%**	**7.0%**
	Global Equities						
MSCI ACWI Excluding United States Index	MSCI ACWI excluding United States	11.5%	1.4%	4.5%	3.5%	5.6%	5.7%
MSCI EAFE Index	MSCI EAFE (Europe, Australasia, Far East)	9.2%	2.6%	5.4%	4.2%	6.1%	5.6%
MSCI Europe Index	MSCI Europe	9.2%	2.6%	5.8%	4.6%	6.0%	5.7%
MSCI Emerging Markets Index	MSCI Emerging Markets	14.8%	-2.3%	1.4%	0.9%	4.0%	6.4%
CAC 40	CAC 40 Index - France	2.8%	1.9%	6.1%	5.4%	7.8%	5.7%
Deutsche Boerse AG German Stock Index DAX	Deutsche Boerse - Germany	20.3%	5.7%	7.4%	4.2%	6.2%	7.0%
FTSE 100 Index	FTSE 100 Index - United Kingdom	13.7%	3.6%	4.3%	3.4%	4.3%	4.5%
S&P/ASX 200	S&P/ASX 200 - Australia	11.8%	4.3%	6.4%	6.3%	7.3%	8.5%
Hang Seng Index	Hang Seng - Hong Kong	34.9%	-3.0%	-4.3%	-3.4%	1.5%	5.4%
Ibovespa Brasil Sao Paulo Stock Exchange Index	Ibovespa - Brazil	-22.4%	1.6%	-6.5%	-3.1%	0.8%	4.1%
Shanghai Stock Exchange Composite Index	Shanghai - China	16.1%	-4.7%	2.4%	-0.2%	0.3%	8.0%
BSE SENSEX TR	Sensex - India	4.2%	3.7%	9.8%	8.3%	8.2%	11.1%
Nikkei 225	Nikkei 225 - Japan	4.6%	1.9%	4.4%	3.9%	7.6%	5.9%
Korea Stock Exchange KOSPI Index	KOSPI - Korea	-3.0%	-9.1%	-0.4%	-2.4%	1.8%	5.1%
	Other Assets						
S&P GSCI Index Spot	S&P GSCI Commodities	8.1%	-1.1%	6.2%	3.5%	4.0%	2.8%
Philadelphia Stock Exchange Gold and Silver Index	Gold & Silver Index	32.3%	6.5%	9.4%	8.9%	7.6%	3.6%
Bloomberg US Agg Total Return Value Unhedged USD	Bloomberg Barclays U.S. Agg Bond	2.5%	-1.8%	-0.4%	1.1%	1.2%	3.0%
Bloomberg Global-Aggregate Total Return Index Value Unhedged USD	Bloomberg Barclays Global Agg Bond	0.3%	-4.3%	-2.0%	-0.8%	0.1%	1.9%
ICE U.S. Treasury 7 - 10 Year TR Index	ICE U.S. Treasury 7 - 10 Year	0.7%	-3.6%	-1.5%	0.5%	0.4%	3.2%
ICE U.S. Treasury 3 -7 Year TR Index	ICE U.S. Treasury 3 -7 Year	2.5%	-0.8%	0.1%	1.3%	1.1%	2.8%
ICE U.S Treasury 1 - 3 Year TR Index	ICE U.S Treasury 1 - 3 Year	4.1%	1.6%	1.4%	1.8%	1.3%	2.0%

As of 1.17.25. Source: Bloomberg. In U.S. Dollars

We are always braced for moves to the downside, but we continue to sleep very well at night given the valuation metrics on our broadly diversified portfolios of what we believe are undervalued stocks.

CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	18.0	14.5	0.9	2.3	2.4
ValuePlus	18.8	15.2	1.2	2.4	2.2
Dividend Income	18.4	15.0	0.9	2.2	2.6
Focused Dividend Income	17.5	13.7	1.1	2.3	2.8
Focused ValuePlus	17.8	14.7	1.1	2.3	2.5
Small-Mid Dividend Value	13.7	12.6	0.5	1.5	2.8
Russell 3000	27.9	25.8	2.8	4.7	1.2
Russell 3000 Growth	39.0	35.3	5.6	12.8	0.6
Russell 3000 Value	20.9	19.7	1.7	2.7	2.0
Russell 1000	27.2	25.3	2.9	4.9	1.2
Russell 1000 Growth	37.8	34.5	6.0	13.9	0.6
Russell 1000 Value	20.5	19.3	1.8	2.8	2.0
S&P 500 Index	27.0	25.2	3.1	5.2	1.2
S&P 500 Growth Index	35.5	31.9	6.5	11.9	0.6
S&P 500 Value Index	19.7	20.3	1.7	2.8	2.2
S&P 500 Pure Value Index	11.0	11.1	0.5	1.3	2.8

As of 01.18.2025. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

Stock Updates

Keeping in mind that all stocks are rated as a “Buy” until such time as they are a “Sell,” a listing of all current recommendations is available for download via the following link: **https://theprudentspeculator.com/dashboard/**. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Jason Clark, Chris Quigley and Zack Tart look at earnings reports and other market-moving news of note out last week for more than a few of our recommendations…

Asset management giant **BlackRock** (BLK – $1,004.96) earned $11.93 per share in Q4 vs. $8.68 a year ago, and ahead of the $11.46 estimated by the Street. Revenue was up 23% from the same period a year ago. Net inflows totaled $281 billion (the highest in a quarter ever) and total assets under management stood near $11.6 trillion.

CFO Martin Small said, “We executed breakthrough investment offerings and industry-leading partnerships. 2024 marks a quantum leap forward for BlackRock against our long-term value creation objectives and an invigoration of the future of asset management and technology services for our clients…We finished 2024 with sequential quarters of at or above target organic growth. More importantly, that organic growth is broad-based across institutional, wealth, and technology and across regions. Clients want to consolidate more of their portfolios with a partner that’s with them for the long term. They want portfolios that are seamlessly integrated across public and private markets that are dynamic and that are underpinned by data, risk management, and technology. BlackRock is now truly in a category of one. We’ve built a unique asset management and fintech platform that’s integrated across public and private markets. With the close of the GIP transaction this past October and our planned acquisition of HPS, BlackRock’s private markets and alternatives platform is expected to be $600 billion in client assets, a top five provider, and over $3 billion in revenues or about 15% of 2024 revenues.”

CEO Laurence D. Fink added, “We expect 2025 to be a dynamic investing environment. As policies and economic questions play out, the most important factor will be the growth backdrop. Mega forces like AI and ongoing evolution in the debt financing and the low-carbon transition are transforming economies with long-term growth trajectories. Capital markets will play a key role in this transformation. Private market assets are an increasingly vital part of capital markets and blending both public and private markets will be critical to fully capturing growth opportunities.”

Blackrock repurchased $375 million of stock in the fourth quarter and expects to buy back the same amount next quarter. Over the last decade, BLK has repurchased 28 million shares at an average price of $510. We thought BLK turned in a great quarter, once again propelled by market movements and strong execution. We continue to like BlackRock’s emphasis on building a diversified investment & technology platform, which has continued to demonstrate it’s a method of generating positive organic growth in good and in less-good times. Shares gained more than 5% last week and our Target Price has been hiked to $1,171.

Financial services giant **Bank of New York Mellon** (BK – $83.29) reported $1.72 (vs. $1.58 est.) of adjusted EPS in Q4, a 34% increase as revenue grew 9%

year-over-year to $4.85 billion. The net interest margin came in at 1.32%, 15 basis points better than the consensus estimate. BNY Mellon has $2.03 trillion of assets under management with $52.1 trillion under administration.

CEO Robin Vince said, “2025 will be a milestone year for BNY’s adoption of the platform’s operating model. This transition is not just about driving efficiency, it is also about enabling topline growth. By simplifying, streamlining, and collaborating through cross-functional teams, we create more intuitive client journeys, improve our ability to anticipate unmet needs, and accelerate speed-to-market. This quarter, we’re planning to activate our largest wave of platforms yet, so that by the end of March, more than half of our people will be working in the model. We believe that our transition into this model will have a meaningful impact of BNY over the years to come, and so we’ve included in the appendix of this presentation a summary of the program and the timeline for implementation.”

Mr. Vince continued, “To summarize this broader alpha and beta theme, we believe that we are well-positioned to capture market beta and capitalize on evolving market trends, while we remain focused on generating Alpha through the continued transformation of the company. I’ll wrap up on Page 6 by reminding you of the value proposition that we laid out for our clients, our shareholders, and our people at the beginning of last year. Our strategic priorities and financial goals are clear, and we remain focused on consistent execution. Before I turn the call over to Dermot for our financial update and outlook, I’d like to close by thanking our teams around the world. I’m proud of what our people have accomplished over the past two years and grateful for everyone’s continued dedication to the hard work that’s ahead of us.”

CFO Dermot McDonogh added, “In January of last year, we shared our firmwide medium-term financial targets, which were to improve BNY’s pre-tax margin to equal to or greater than 33% and our return on tangible common equity to equal to or greater than 23% over the medium term while maintaining a strong balance sheet. We have made solid progress towards these targets over the past 12 months and are excited about the year in front of us as our people harness the momentum and continue to embrace our pillars and principles in order to consistently meet or exceed our targets through the cycle. We’re pleased with our performance this past year and we’re heading into 2025 with good momentum, confident that we’re on the right path to unlock the opportunity embedded in our company.”

BK shares climbed 10% last week, coming off a 52% total return in 2024. Due to healthy growth in earnings and revenue over that time, the valuation remains very reasonable. Shares trade for 12x forward earnings and yield 2.3%. Our Target Price has been raised to $93.

Financial behemoth **JPMorgan Chase** (JPM – $259.16) posted robust Q4 2024 performance, delivering net income of $14 billion and earnings per share of $4.81. Revenue surged 10% year-over-year to $43.7 billion, driven by strong results across its major segments. The Consumer & Community Banking segment reported steady revenue growth, supported by higher card revolving balances and increased auto originations, while Corporate & Investment Banking saw significant increases in investment banking fees, up 49%, and markets revenue, which rose 21%. Asset & Wealth Management achieved record inflows, with client assets reaching $5.9 trillion, bolstered by higher average market levels and strong advisor growth. The firm's return on tangible common equity remained stellar at 21%, highlighting its superior profitability and operational efficiency.

When questioned about the bank's level of capital and the ability to generate similar returns on capital in the future CEO Jamie Dimon quipped, "I've never thought that having cash in your pocket is a bad thing. I think it's a huge mistake to look at like you have to deploy capital."

CFO Jeremy Barnum provided updated guidance, projecting that 2025 net interest income (NII) ex-markets would be approximately $90 billion, with total NII expected to reach $94 billion. He highlighted that while deposit balances have stabilized, modest deposit margin compression is anticipated in 2025, with growth in the latter half of the year driven by card loan activity and increased deposit levels. The card net charge-off rate for 2025 is forecasted at approximately 3.6%.

Even as the bank fires on all cylinders, leadership continuity remains a focus for JPMorgan. Mr. Dimon confirmed that he plans to stay with the firm for several more years, with a base case of eventually transitioning from CEO to Board Chair. As part of JPMorgan's succession planning, Jennifer Piepszak was promoted to Chief Operating Officer, effective by mid-2025, following Daniel Pinto's planned retirement at the end of 2026. While Ms. Piepszak has indicated she is not seeking the CEO role, her promotion highlights the depth of talent within JPMorgan's leadership. Potential successors, including Marianne Lake, Troy Rohrbaugh and Doug Petno, remain key figures within the firm's executive team. These strategic moves underscore JPMorgan's commitment to stability and a well-structured leadership transition, ensuring continued operational excellence.

JPM's diversified business model continues to set the standard for the banking industry. Its strong capital position, with a CET1 ratio of 15.7%, and efficient cost management have allowed it to deliver peer-leading returns. While the firm remains optimistic about its long-term growth trajectory, its management is mindful of risks associated with potential macroeconomic headwinds. Nevertheless, JPMorgan's ability to consistently generate profits across economic cycles reinforces its reputation as a best-in-class financial institution. We have marveled at the bank's ability to continue producing such returns on tangible equity despite its size and continue to view the stock as a core holding. But we acknowledge that the shares change hands at nearly 3 times tangible book value per share, though the forward P/E is just 14. The dividend yield is now 1.9% and our Target Price has been lifted to $279.

Goldman Sachs (GS – $625.94) delivered $11.95 of Q4 profit per share, significantly beating consensus estimates of $8.21 by 45%. Net revenue for the Wall Street juggernaut was $13.9 billion, contributing to full-year revenue of $53.5 billion, an impressive 16% year-over-year increase. For the year, Goldman achieved earnings per share of $40.54, a 77% surge from 2023, with a return on equity of 14.6% in Q4 and 12.7% for the full year. The firm's return on tangible equity also improved to 15.5% in Q4, driven by robust performance across segments.

Global Banking & Markets posted $35 billion in 2024 revenue, up 16% year-over-year, with investment banking fees rising 24% and record FICC and equities financing revenue. Asset & Wealth Management saw a 16% revenue increase to $16.1 billion, driven by record management fees, strong private banking growth and $3.1 trillion in assets under supervision, supported by robust inflows and $72 billion in alternatives fundraising.

CEO David Solomon called attention to "a significant backlog from sponsors and an overall increased appetite for deal-making supported by an improving regulatory backdrop."

He added, "We are very pleased with our strong results for the quarter and the year. I'm encouraged that we have met or exceeded almost all of the targets we set in our strategy to grow the firm five years ago, and as a result, have both grown our revenues by nearly 50% and enhanced the durability of our franchise. With an improving operating backdrop and growing CEO confidence, we are harnessing the power of One Goldman Sachs to continue to serve our clients with excellence and create further value for our shareholders."

Goldman's ongoing transformation and investment in durable revenue streams continue to strengthen its position as a premier financial institution. The firm's diversified business model, robust balance sheet and focus on high-growth areas such as private credit and alternatives position it well for long-term success. Shares rose nearly 12% over the past week but still trade for just 13.4 times forward earnings and offer a dividend yield of 1.9%, while analysts forecast a double-digit growth rate for EPS in each of the next few years. Our Target Price for GS has been boosted to $680.

Citigroup (C – $79.99) turned in terrific EPS in Q4, exceeding projections by 11% ($1.36 vs. $1.22 est.) on $19.58 billion of net revenue, reflecting a return on equity of 11.63% and return on assets of 0.42%. The stock jumped 12% on the news last week.

Quarterly Services revenue for the banking giant grew 15% year-over-year, driven by robust performance in Security Services and Treasury and Trade Solutions (TTS), which benefited from fee growth, higher deposit volumes and reduced impact from Argentina's currency devaluation. Markets revenue surged 36%, marking the best Q4 in a decade, with fixed income revenue up 37% and equities revenue rising 34%. Meanwhile, Banking revenue increased 27%, supported by a 35% jump in investment banking fees, and delivered a full-year return on tangible common equity of 7%. Wealth Management posted a 20% increase in Q4 revenue, driven by a 22% rise in investment fees and robust net new investment assets, which grew 40% year-over-year. U.S. Personal Banking (USPB) revenue rose 6%, fueled by branded card growth (+7%) and greater customer engagement in retail services.

Citi CEO Jane Fraser commented, "2024 was a critical year and our results show our strategy is delivering as intended and driving stronger performance in our businesses. Our net income was up nearly 40% to $12.7 billion and we exceeded our full-year revenue target, including record years in Services, Wealth, and U.S. Personal Banking. We delivered expenses within our guidance and improved our efficiency ratio while concluding a significant reorganization of our firm. We returned nearly $7 billion of capital to common shareholders, and our Board of Directors has authorized a program to repurchase $20 billion in common stock."

She added, "We entered 2025 with momentum across our businesses and we continue to strengthen our ability to serve our clients. While we now expect our 2026 RoTCE to be between 10% and 11% in order to make additional investments in our businesses and Transformation, this level is a waypoint, not a destination. We intend to improve returns well above that level and deliver Citi's full potential for our shareholders."

Akin to turning a massive ship, Ms. Fraser & Co. continue their efforts to redesign the nation's third largest bank by assets into a more pointed enterprise. Banamex was separated into its own legal entity in December, with the bank now focused on an IPO. We continue to like moves Citi is making to narrow its focus, shore up risk controls and advance its tech suite as it waits for higher returns on tangible capital in the future. Of course, shares are up 55% over the past 12 months to a fresh 52-week high, closing the gap on tangible book value per share. Still, with the forward P/E below 11 and it falling into the single digits a couple of years out, we have no interest in cashing in any of our chips at the moment. The dividend yield is 2.8% and our Target Price for C has been increased to $93.

Despite a short-lived dip after reporting Q4 financial results, shares of super regional bank **PNC Financial** (PNC – $198.54) rose more than 5% last week. PNC posted adjusted EPS of $3.90, more than 17% above the consensus analyst estimate, while total revenue revealed a modest beat as well. The bottom-line improvement was driven by lower credit costs and stronger fees.

The initial selloff in shares after the results release was due to management giving weaker-than-desired net interest income guidance for the full-year 2025, but after the algorithmic trading was completed, investors realized that a better-than-expected outlook for fee income left full-year forecasts still in line with consensus estimates. Credit quality improved in the quarter with net charge-offs falling 5 basis points, given fewer losses in the bank's commercial real estate office loan portfolio. Capital also improved with the CET1 ratio rising 20 bps quarter over quarter to 10.5%.

CEO Bill Demchak commented, "PNC achieved strong results in 2024 while continuing to invest in the future of the franchise. We grew customers, deepened relationships, and continued to support all of our constituents. We generated record revenue and strengthened our capital levels. At the same time, we maintained our disciplined approach to expenses and delivered positive operating leverage. As we enter 2025, I have never been more excited about the opportunities in front of us to grow our franchise and deliver value for our stakeholders."

We continue to appreciate PNC's cautious approach to risk management, strong capital position and focus on shareholder returns. We expect the company to benefit from its leading technology, robust deposit franchise, healthy capital levels and prudent expense management. Shares have returned more than 36% over the past year, but still trade for about 11 times the current 2026 consensus EPS estimate. The dividend yield is an appealing 3.2% and our Target Price for high-quality PNC now stands at $240.

Bank of America (BAC – $46.53) shares edged up better than 3% last week, after the company reported solid Q4 financial results, including adjusted EPS of $0.82 (vs. $0.77 est.) on $25.5 billion of revenue. Net interest income (NII) increased 3% year-over-year to $14.3 billion. Noninterest income grew 37%, with 3% growth in Global Banking, including investment banking fees (+43%) and service (+8%). Underwriting in equity was up more than 100% while debt was +21% and M&A advisory almost jumped 50%.

The bank returned $5.5 billion to shareholders through dividends ($2 billion) and share buybacks ($3.5 billion), leaving the Common Equity Tier 1 (CET1) capital ratio at 11.9%, comfortably above the regulatory minimum.

CEO Brian Moynihan explained, "We finished 2024 with a strong fourth quarter. Every source of revenue increased, and we saw better than industry growth in deposits and loans. We also ended with strong capital and liquidity, enabling us to return $21 billion of capital to shareholders in 2024. We believe this broad momentum sets up 2025 very well for Bank of America. I thank all my teammates for another great year, and together we look forward to driving the company forward in 2025."

Long considered a core financial holding, we think BAC is one of the best positioned large banks given its consumer deposits, cost management, credit quality and reputation for returning capital to shareholders. Even though shares have given investors a total return of more than 48% over the past twelve months, BAC's NTM adjusted EPS multiple sits at 12.6 and the dividend yield is at 2.2%. We continue to like the numerous levers the company has and can't disagree with investors that believe the incoming Trump administration could likely relax heavy bank regulation and push policies that could drive capital markets and investment banking activity (BofA ranked #3 in global investment banking fees in 2024). Couple these things with a solid U.S. economy, positive loan growth potential and an increasing chance of lower rates at the short end of the yield curve, supporting increased NII growth, and we have moved our Target Price up to $53.

Morgan Stanley (MS – $137.87) reported an adjusted $2.22 of EPS in Q4 on $16.2 billion of revenue, generating a 20.2% return on tangible common equity. The Wall Street giant attributed the strong quarter to tailwinds in the Institutional Securities business, healthy underwriting and M&A activity in the Investment Banking business and growth in the Wealth Management business.

Global growth, particularly in investment banking, debt underwriting and advisory services contributed to 19% year-over-year growth for the Institutional Securities division's $6.8 billion in revenue. Management said M&A activity in EMEA countries was strong, while equity and fixed-income underwriting saw notable year-over-year improvements, supported by global macroeconomic shifts. Wealth Management reached record revenue of $7.3 billion, backed by $64 billion of net new assets, bringing assets under management to $6 trillion.

CEO Ted Pick explained, "The Morgan Stanley investment thesis is robust. In 2024, we deliver top-line and bottom-line strength and consistency. The full-year results are strong relative to our long-term firmwide goals. We ended 2024 with total client assets at $7.9 trillion, wealth management pre-tax margins of 27%, a firm efficiency ratio of 71%, and a return on tangible of 19%. Of note, we added a new goal to achieve durable wallet share gains in institutional securities. The additional metric for institutional securities is an appropriate reflection of the expected contribution of this business segment to the firm's growth narrative. The key word is durable. There will always be market and business cycles in each of these businesses. Morgan Stanley's trusted relationships over the very long term lead to superior results. Against the four pillars of strategy, culture, financial strength, and growth, delivering the integrated firm is foundational to durable earnings growth and 20% returns through the cycle."

We thought MS turned in a solid quarter, showing strength across the board. The Wealth Management business margin continues to expand towards the 30% target while trading and M&A activity seems unlikely to slow down this year. Shares rose 40% last year and jumped more than 11% last week, making for a somewhat stretched valuation. MS still resides on the Value end of the spectrum compared with other Diversified Financials, and we think there's more upside potential. The dividend yield is 2.7% and our Target Price now resides at $146.

Bank OZK (OZK – $49.74), enjoyed a nearly 10% bounce in its discounted share price on Friday, after the company reported Q4 EPS of $1.56, exceeding the consensus estimate of $1.44 by 9%. Quarterly net revenue for the regional bank totaled $412.3 million, surpassing the $407.1 million projection. OZK achieved a return on equity of 12.2% and a return on average assets of 1.76%. Its efficiency ratio was 33.7%, reflecting strong operational control and effective cost management. Net interest income grew alongside record loan and deposit balances, despite ongoing margin pressures.

The Commercial and Institutional Banking (CIB) unit emerged as a key contributor to growth, with management projecting mid- to high-single-digit expansion in 2025. Efforts to scale CIB include strengthening operations across core markets in Arkansas, Texas, Florida and other Southeastern states.

CEO George Gleason highlighted plans to position CIB as a significant growth engine, complementing the Real Estate Specialties Group (RESG), which continues to deliver consistent performance despite reduced origination activity. RESG maintains low loan-to-value (LTV) ratios, averaging 44%, emphasizing the bank's focus on conservative underwriting and risk management. Additionally, other business lines, such as trust, wealth management and consumer banking, are being expanded to support diversified growth.

We appreciate that the bank remains focused on disciplined loan growth and maintaining high credit quality, particularly within its commercial real estate portfolio, which has historically demonstrated resilience through various economic cycles. OZK's strategy of diversified growth across multiple business segments, along with proactive cost management, positions the bank to navigate the current environment while building towards stronger financial performance in the future. Despite the latest bump higher, the stock has been rangebound for about 3.5 years, while EPS will have grown by nearly a third in that span. Trading at 8.5 times FY25 estimated earnings, the stock offers a dividend yield of 3.4%. Our Target Price for Bank OZK has been pushed higher to $69.

Truist Financial (TFC – $47.65) reported adjusted EPS of $0.91 for Q4 2024, exceeding consensus expectations of $0.88. Revenue for the quarter reached $5.1 billion, a 1.2% beat against estimates, supported by higher deposit balances and end-of-period loan growth of over 1%. Non-interest income was down 0.9% sequentially due to lower investment banking and trading revenue, while non-performing loans held for investment declined $38 million quarter-over-quarter. The CET1 ratio stood at 11.5%, after paying the dividend and spending $500 million on share repurchases.

CEO Bill Rogers stated, “2024 was an important year for Truist. We added new clients and deepened existing relationships, invested in our core banking business, made enhancements to our technology and risk infrastructure, and maintained our credit and expense discipline. We executed on several important strategic initiatives, including the sale of Truist Insurance Holdings and the repositioning of our balance sheet. These actions increased our capital and further enhanced our ability to support the growth needs of clients, while also returning capital to shareholders.”

He added, “Going into 2025, we have strong momentum and look forward to growing with our clients in some of the best markets in the country. At our foundation is our purpose to inspire and build better lives and communities. Our dedication to our purpose, along with a clear strategy, deep expertise, seamless teamwork, and client focus positions us to drive our performance and increased profitability in 2025 and beyond.”

For 2025, Truist expects revenue growth of 3.0% to 3.5%, supported by low-single-digit loan and deposit growth. Expenses are projected to rise by 1.5%, resulting in positive operating leverage of 150 to 200 basis points. Asset quality is expected to remain steady, with net charge-offs forecasted at 60 basis points. The company anticipates two Federal Reserve rate cuts (in March and September) to provide additional tailwinds for net interest income recovery. Despite an 11% bounce last week, TFC shares remain attractively valued at 12 times forward earnings with a dividend yield of 4.4%. We continue to like Truist’s strong brand and presence in high-growth markets. Our Target Price for TFC is now $56.

Shares of **Citizens Financial** (CFG – $47.54) jumped almost 10% last week as the Northeast regional bank reported adjusted EPS of $0.85, versus the consensus estimate of $0.83, with $1.99 billion of revenue slightly higher than expected. The fourth quarter beat was driven by stronger net interest income and lower credit costs, though CFG realized increased expenses in the three-month period. Additionally, the Private Bank saw a solid increase in deposits and the company's non-interest income jumped 6%, driven by strength in capital markets as higher loan syndication and M&A fees benefited results.

CEO Bruce Van Saun commented, "We were pleased to post solid performance in Q4 given strong execution of our key initiatives and nice improvement in our net interest margin. Good sequential growth in revenues delivered a return to positive operating leverage, and our balance sheet remains strong with CET1 at 10.8%, LDR below 80% and credit metrics all trending favorably. Our Private Bank hit year end balances of $7 billion in deposits, $3.1 billion in loans, and $4.7 billion AUM, tracking very well to targets. I would like to thank our colleague base for their fine effort and dedication in continuing to serve our customers well and in positioning us for a strong 2025 and bright future."

Considering 2025, Mr. Van Saun added, "Turning to our 2025 outlook, we expect solid growth in NII, given further NIM expansion and a resumption of modest net loan growth. Fees should grow nicely, paced by capital markets and wealth. We have confidence in this revenue outlook, so we'll step up investments in OpEx and CapEx to support key growth initiatives. We anticipate attractive positive operating leverage for the full year of around 1.5%. Credit costs are projected to improve year-on-year and we expect to see reserve releases continue throughout the year. We will manage our CET1 ratio above the high end of our 10% to 10.5% range, given ongoing uncertainty, but we expect to continue with regular share repurchases. We remain confident in our ability to achieve our medium-term 16% to 18% ROTCE target. Exciting time for Citizens. Our strategy rests on a transformed consumer bank, the best-positioned super-regional commercial bank and the aspiration to have the premier bank-owned private bank."

Despite some continued headwinds, CFG shares have delivered a total return above 50% over the past year, yet the adjusted EPS NTM multiple is 12.3, and based on the current consensus 2026 EPS estimate, the multiple falls below 10. We think the bank's capital ratios are healthy even as there remains the risk of some increased charge-offs in commercial lending should rates remain elevated, however, we do appreciate that CFG has no rent-regulated exposure in the segment. Despite the spike in share price, CFG's dividend yield is still 3.5% and our Target Price has been bumped to $56.

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