MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

FEBRUARY 2025

- The best performing sector for January was Communication Services while the worst was Information Technology
- The introduction of DeepSeek appears to have greatly affected the Information Technology sector
- President Trump announced tariffs on Canada, Mexico, and China

DAVENPORT EQUITY RESEARCH

Ann H. Gurkin
(804) 780-2166
agurkin@investdavenport.com

F. Drake Johnstone
(804) 780-2091
djohnstone@investdavenport.com

Jeff Omohundro, CFA
(804) 780-2170
jomohundro@investdavenport.com

Joel M. Ray, CFA
(804) 780-2067
jray@investdavenport.com

Evan J. Gilbert, CFA
(804) 915-2749
egilbert@investdavenport.com

Justin E. Corlett
(804) 780-2099
jcorlett@investdavenport.com

One James Center
901 East Cary Street, Suite 1100
Richmond, VA 23219
(804) 780-2000

Davenport & Company LLC
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Equity markets started off 2025 to the upside in January, reinforced by generally strong earnings reports across industries including several market leading technology companies. Further supporting equities has been a restrained interest rate environment with the Federal Reserve holding interest rate policy steady. After fueling a significant portion of 2024's market gains, the technology sector in January was pushed to the sidelines amidst fear and uncertainty linked to the development of a new artificial intelligence (AI) large language model developed in China by DeepSeek that holds the potential to disrupt the expected trajectory of AI industry growth. With the Technology sector dropping in January, market leadership broadened with notable gains across the Communication Services, Health Care, and Financials sectors.

Although concerns have been plentiful regarding potential policy moves by the new administration, the reality in January was relatively benign with changes beginning to be seen in early February with significant new tariff announcements. Against a backdrop where market valuations appear relatively full when compared to historical levels, new volatility can be unsettling but we continue to see opportunities across equities, including in some areas that have lagged relative to the Mag 7 leaders.

Equity markets overall gained in January with the Dow Jones Industrial Average up by 4.7%, the S&P 500® index up 2.7%, and the smaller cap weighted Russell 2000® rising 2.6%. The VIX index, or fear gauge spiked from the mid-teens range to over 22 in advance of the Fed's January meeting before retracing back by month-end as interest rate policy met broad market expectations.

Ten of the eleven industry sectors of the S&P 500 increased during January. The best performing sector was Communication Services which increased 9.0% and was followed by the Health Care sector which was up 6.6% and the Financials sector up 6.4%. The weakest performance in the month by far was posted by the Information Technology sector which decreased by 2.9% followed by the Real Estate sector which was up 1.7% and the Consumer Staples sector which increased by 1.9%. For the prior twelve months period, the Communication Services sector was the best performer with a 44.4% increase followed by the Consumer Discretionary sector which was up 39.8%, while the Health Care sector was the worst performer for the past twelve months with a 4.6% increase followed by the Energy sector which was up 4.9%.

The first month of the new year started well for equity investors as the new administration was ushered in without event and the Federal Reserve maintained a steady hand on monetary policy. This combination proved supportive for a broadening in market performance beyond information technology companies and the Magnificent 7. The emergence of a new Chinese AI large language model called DeepSeek-V3, however, raised questions across a range of technology issues and roiled technology stocks near month-end.

DeepSeek-V3 is a large language model or LLM reportedly developed at a fraction of the cost of competing artificial intelligence models. The disruptive pricing of the model combined with its strong inferencing performance, could potentially shift capital flows across many areas of technology investment. The impact of this change was quickly seen by sharp drops in leading chip manufacturers including those that produce graphics processing units or GPU's that are widely used in artificial intelligence related applications. Although the potential impact of DeepSeek is still being determined, its immediate impact on the stock market was seen by the quick retrenchment in the technology sector at month-end.

The following chart from Bloomberg highlights the S&P 500 index which is the red line versus the S&P Information Technology sector index which is the black line. As can be seen at the right of the chart, the technology sector experienced a somewhat unusual pullback of 2.9% relative to the broader market gain of 2.7% in January.

S5INFT vs SPX

Source: Bloomberg

At the beginning of February, President Trump announced new tariffs on imports from Canada, Mexico, and China before pausing them on Canada and Mexico. Although many had hoped negotiations with trade partners would see a go slow approach emerge from the new administration, President Trump announced that new tariffs would become effective within a week on imports from Canada, Mexico and China, while an announcement on similar import taxes on a range of products from the EU is expected in the near term. Regarding Canada and Mexico, a 25% tariff was announced on all imports from both countries excluding energy resources from Canada that would be taxed at 10% (to avoid impacting domestic gasoline prices). In addition, a 10% tariff was announced that is expected to apply to all imports from China. After the initial tariff announcement, it was revealed that following discussions between President Trump and Mexico President Scheinbaum, the Mexico tariffs would be paused with the country sending 10,000 soldiers to the border to prevent drug trafficking. Likewise, after discussions with Canada Prime Minister, Justin Trudeau, the Canadian tariffs were also paused for thirty days with assurances of Canadian support at the border.

The January FOMC meeting was uneventful, with the committee voting unanimously to leave the target range for Fed funds unchanged at 425-450 BPS, which was widely expected by the market. The language of the meeting summary statement was initially deemed hawkish as it excluded the line "Inflation has made progress toward the Committee's 2 percent objective…" Instead, the January directive said that "Inflation remains somewhat elevated." This wasn't too surprising with investors expecting the FOMC to remain cautious as the economy and labor market continue to evolve. Fed Chair Powell's remarks at his post meeting press conference down played the changes suggesting it was just a matter of 'cleaning up' some wording. Most importantly, he suggested "The broad sense of the Committee is that we don't need to be in a hurry to adjust the policy stance." Thus, as we expected, the FOMC is taking a 'watch and wait' approach at this juncture given arrival of a new president with shifting policy initiatives now emerging that will influence the economy and likely future FOMC policy decisions.

The Bureau of Economic Analysis (BEA) reported updated stats on 4Q2024 GDP at the end of January. U.S. economic growth slowed a bit more than expected in the final three months of 2024 with annualized growth running at 2.3% - being driven by sustained consumer spending (up 4.2%) and government investment (up 3.2%) that offset lower private sector/corporate investment (down 5.6%). Although a still healthy rate, the figure came through below economist targets that stood at 2.5% (trending below the 3Q2024 pace of 3.1%). Thus, for the full year of 2024, GDP ramped by 2.8%, representing a downshift from the 2.9% pace of 2023 – with this report closing out 2024 on a somewhat downbeat note, though growth held reasonably solid.

The BEA also reported Personal Consumption Expenditures (PCE) datasets for yearend 2024. Headline PCE increased 2.6% on a year-over-year basis in December (up from November's 2.4% pace), while Core PCE excluding energy and food costs was up 2.8%. On a monthly basis, Headline PCE rose 0.3% while Core increased 0.2% - again, both in line with economist forecasts as well. Food prices increased just 0.2% on the month, but energy jumped 2.7%. Durable goods prices, which include items such as aircraft, appliances and electronics, showed deflation, falling 0.4%. Nondurables saw a 0.5% increase.

Heading into 2025, we thought it likely that uncertainty and market volatility could be the dominant factors in the near-term as businesses, consumers, and investors prepare for incoming Trump administration policy announcements. We remain encouraged by the U.S. economy appearing to be on track for a soft landing in 2025 – with investors anticipating further gradual abatement of inflation, a solid overall employment market and further cuts to the funds rate. In addition, corporate earnings from early 2024 offer easier comparisons in early 2025, while consensus earnings forecasts point to the potential for double digit growth.

Where to from here?

Looking into 2025 earnings growth potential, the street continues to look for solid double digit earnings growth at 11% plus to be sustained with momentum stronger in 2H2025 driving estimated S&P 500 EPS to $271.62 (as reported by Bloomberg). The forward, 2025E, P/E for the S&P 500 currently stands at about 22.2x - above the five year average multiple of 19.7x – suggesting that overall stocks are not unusually cheap on a near term basis given the 2.7% advance by the S&P 500 in January, while a range of uncertainties persist.

We remain optimistic on economic prospects over the intermediate term into 2H2025 and 2026 as initial FOMC rate cuts flow through the economy and just announced tariffs may prove to be more bark than bite. We recognize that uncertainties and concerns over fiscal policy, deficit spending and sticky inflation persist with interest rates poised to remain higher for longer. Still, consensus estimates target double digit corporate earnings gains into 2026 that could prove to be the critical driver for equities this year (in contrast to P/E expansion that was a key factor in 2024). If forthcoming as forecast, earnings could support appreciation of equity market averages by high single digits or more despite some potential for P/E multiple contraction. Time will tell how the U.S economy, inflation, fiscal policy, and interest rates play out in 2025. We remain selective with investment focused among quality, well-managed, companies poised to potentially benefit from an improved economic outlook into 2H2025.

MARKET AND ECONOMIC STATISTICS

Market Indices:	**1/31/2025**	**12/31/2024**	**% Change YTD**	**12/31/2024**	**% Change (Monthly)**
S&P Composite	6,040.53	5,881.63	2.70%	5,881.63	2.70%
Dow Jones Industrials	44,544.66	42,544.22	4.70%	42,544.22	4.70%
NASDAQ Composite	19,627.44	19,310.79	1.64%	19,310.79	1.64%
Russell 2000	2,287.69	2,230.16	2.58%	2,230.16	2.58%
FTSE 100	8,673.96	8,173.02	6.13%	8,173.02	6.13%
Shanghai Composite	3,250.60	3,351.76	-3.02%	3,351.76	-3.02%
Nikkei Stock Average	39,572.49	39,894.54	-0.81%	39,894.54	-0.81%
Stoxx Europe 600	539.53	507.62	6.29%	507.62	6.29%
MSCI Emerging Markets	1,093.37	1,075.48	1.66%	1,075.48	1.66%
MSCI Emerging Markets Small Cap	1,366.33	1,406.15	-2.83%	1,406.15	-2.83%
Performance of S&P 500 by Industry:	**% of Index as of 1/31/2024**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	11.44%	4.39%	20.97%	4.39%	39.77%
Consumer Staples	5.49%	1.88%	0.93%	1.88%	12.54%
Energy	3.15%	2.00%	-1.95%	2.00%	4.90%
Financials	14.10%	6.40%	10.67%	6.40%	32.79%
Health Care	10.47%	6.61%	-0.04%	6.61%	4.60%
Industrials	8.34%	4.99%	3.56%	4.99%	22.54%
Information Technology	30.71%	-2.93%	2.63%	-2.93%	26.75%
Materials	1.95%	5.52%	-4.63%	5.52%	7.84%
Communication Services	9.95%	8.98%	16.26%	8.98%	44.36%
Utilities	2.33%	2.85%	-2.46%	2.85%	26.87%
Real Estate	2.08%	1.74%	-3.89%	1.74%	8.70%
S&P 500 (Absolute performance)	100.00%	2.70%	5.87%	2.70%	24.66%
Interest Rates:	**1/31/2025**	**12/31/2024**	**YTD Change (Basis Points)**	**12/31/2024**	**Month Change (BPS)**
Fed Funds Effective Rate	4.33%	4.33%	0	4.33%	0
Prime Rate	7.50%	7.50%	0	7.50%	0
Three Month Treasury Bill	4.24%	4.28%	-4	4.28%	-4
Ten Year Treasury	4.54%	4.57%	-3	4.57%	-3
Spread - 10 Year vs 3 Month	0.30%	0.29%	1	0.29%	1
Foreign Currencies:	**1/31/2025**	**12/31/2024**	**% Change YTD**	**12/31/2024**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.17	0.16	5.6%	0.16	5.6%
British Pound (in US dollars)	1.24	1.25	-1.0%	1.25	-1.0%
Canadian Dollar (in US dollars)	0.69	0.70	-1.1%	0.70	-1.1%
Chinese Yuan (per US dollar)	#N/A N/A	7.30	#VALUE!	7.30	#VALUE!
Euro (in US dollars)	1.04	1.04	0.1%	1.04	0.1%
Japanese Yen (per US dollar)	155.19	157.20	-1.3%	157.20	-1.3%
Commodity Prices:	**1/31/2025**	**12/31/2024**	**% Change YTD**	**12/31/2024**	**% Change (Monthly)**
CRB (Commodity) Index	541.96	536.50	1.0%	536.50	1.0%
Gold (Comex spot per troy oz.)	2798.41	2624.50	6.6%	2624.50	6.6%
Oil (West Texas int. crude)	72.53	71.72	1.1%	71.72	1.1%
Aluminum (LME spot per metric ton)	2592.24	2526.78	2.6%	2526.78	2.6%
Natural Gas (Futures 10,000 MMBtu)	3.04	3.63	-16.2%	3.63	-16.2%
Economic Indicators:	**12/31/2024**	**12/31/2024**	**% Change YTD**	**11/30/2024**	**% Change (Monthly)**
Consumer Price Index	317.7	317.7	0.0%	316.4	0.4%
Producer Price Index	262.0	262.0	0.0%	259.5	1.0%
	4Q24	**3Q24**	**2Q24**	**1Q24**	**4Q23**
GDP Growth Rate (Quarterly)	2.30%	3.10%	3.00%	1.60%	3.20%
Unemployment Rate (End of Month)	**December** **4.1%**	**November** **4.2%**	**October** **4.1%**	**September** **4.1%**	**August** **4.2%**

*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation.Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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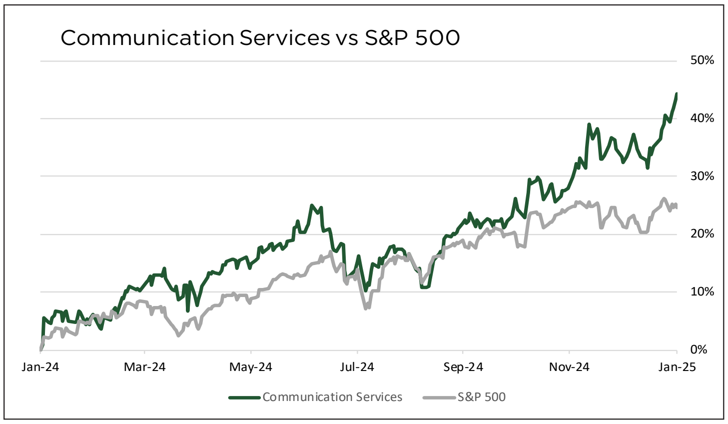
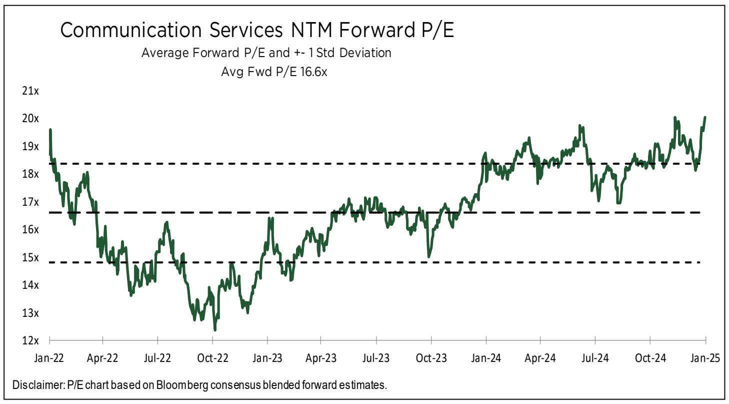




Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
8.98%	16.26%	8.98%	44.36%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Meta Platforms Inc	17.7%
	Live Nation Entertain-	11.7%
	Netflix Inc	9.6%
	Match Group Inc	9.1%
	Alphabet Inc	8.0%
Laggards	Electronic Arts Inc	-16.0%
	Comcast Corp	-10.3%
	Verizon Comm.	-1.5%
	Warner Bros Discovery	-1.2%
	Take-Two Interactive	0.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$14.76	$15.95	$17.61
25.2x	23.3x	21.1x

Sector Update

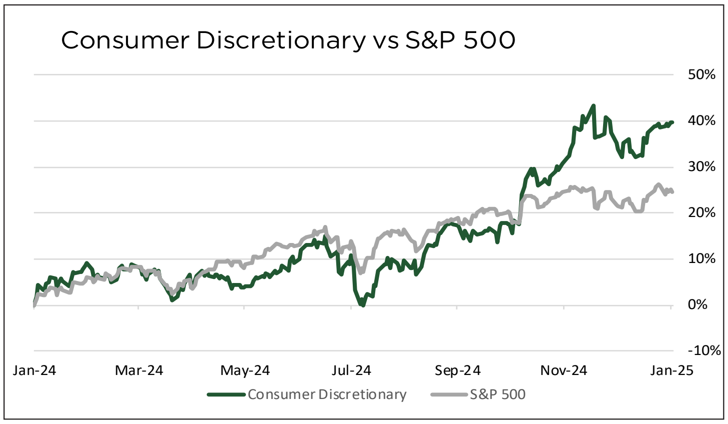
Communications Services outperformed the market in January driven by the performance of the Interactive Media & Services and Entertainment sectors. Meta Platforms and Alphabet were among the top five performing stocks in the Communications Services sector and were major contributors to the rise of the Interactive Media & Services sector. Investors were enthused by Meta Platforms when the company reported better than expected Q-4 24 results and AI outlook. The company expects to improve its ad targeting and monetization through its application of generative AI technology and expects to increase user engagement with more personalized content from Meta AI agents. Meta Platforms plans to introduce engineering AI agents this year that will have the coding and problem solving abilities of a mid-level engineer. The company could accelerate its pace of innovation by leveraging the talent of its top engineers with AI agents.

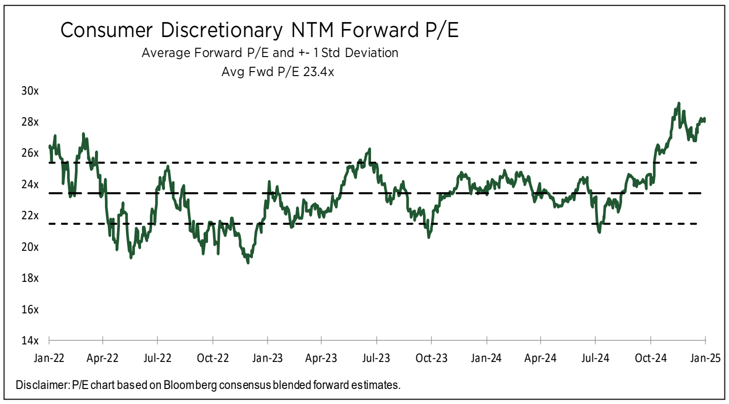
Netflix was the top performing equity in the Entertainment sector and the third best performer in the Communications Services sector due to its better than expected Q-4 24 results and FY25 guidance ahead of the consensus estimate. Netflix reported record fourth quarter subscriber additions of 19 million as it benefited from new sports content, including the Jake Paul/Mike Tyson match with 104 million viewers and two NFL Games that each drew 30 million viewers.

The Media sector significantly underperformed the market in January due to the sharp decline in Comcast's shares. The company reported a greater than expected loss of broadband subscribers in the fourth quarter due to intense competition from telecommunications carriers fixed wireless and fiber optic high-speed Internet service offerings. Comcast's management expects intense competition in the broadband market to continue this year.

The Communications Services sector appears close to fairly valued, with a P/E of 21.1x the consensus analyst FY25 EPS estimate, compared to 10% earnings growth and its average forward P/E multiple of 16.6x.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.39%	20.97%	4.39%	39.77%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Caesars Entertainment	18.0%
	BorgWarner Inc	15.6%
	DR Horton Inc	11.6%
	Carnival Corp	11.0%
	Airbnb Inc	10.2%
Laggards	Deckers Outdoor Corp	-12.7%
	Las Vegas Sands Corp	-10.8%
	Expedia Group Inc	-8.3%
	General Motors Co	-7.2%
	eBay Inc	-5.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$57.59	$58.33	$63.30
33.2x	32.8x	30.2x

Sector Update

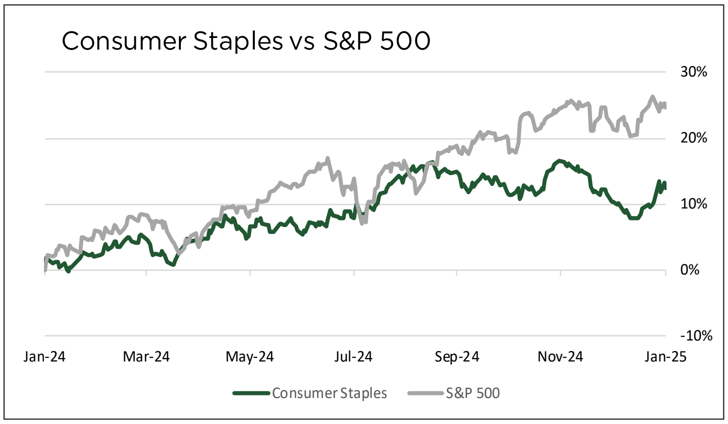
The Consumer Discretionary sector outperformed the broader market in January against a generally encouraging equity market backdrop. Among Consumer Discretionary subsectors, the strongest performance by far was posted by the Multiline Retail category fueled by ecommerce leaders followed by Specialty Retail while Automobiles and Distributors were softest. The Consumer Discretionary sector has outperformed the S&P 500 for all reported periods over the trailing twelve-months, as reflected in the accompanying chart.

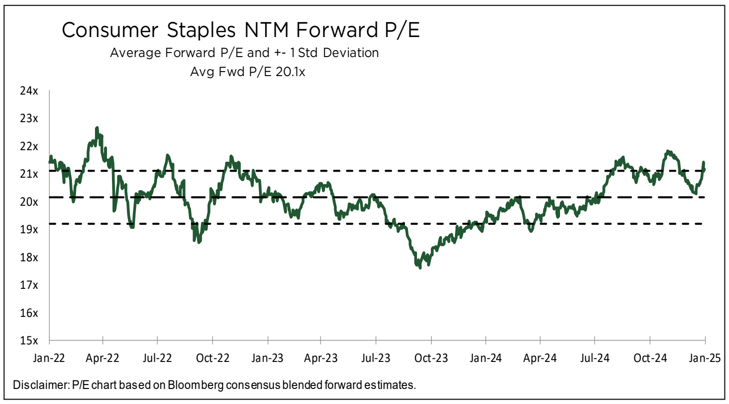
Consumers were in a mood to spend during the holidays with the December retail sales report from the Census Bureau indicating 0.4% growth with core up 0.3%. The Federal Reserve's Beige Book reinforced the strong retail sales report indicating that strong holiday sales exceeded expectations. Auto dealers reported solid December sales results as did internet or nonstore retailers albeit well below November levels of growth. Relative softness was reported by building materials, restaurants, and health & personal care stores for the month.

Affordability challenges continue to weigh on the real estate market and pressure mounted in January as 30-year mortgage rates once again climbed over 7% according to Bloomberg. This is the first time that rates have breached the 7% level since last July and appears to reflect both the increase in the broader interest rate environment and strength in the economic climate. As rates climb, homebuyers are faced with rising monthly payments and associated affordability challenges when considering a home purchase.

Reflecting broad affordability challenges, annual existing home sales for 2024 fell to a 30-year low to a rate of 4.06 million which is a pace not seen since 1995. Despite the disappointing performance for the full year, more recent home sales activity has seen some improvement with December existing home sales improving according to the National Association of Realtors. For the month of December, sales rose 2.2% reflecting the third month in a row of improvement despite a challenging mortgage rate backdrop with sales on a year-over-year basis increasing a healthy 9.3%.

For the first time in six months consumer sentiment declined according to data released by the University of Michigan. The January consumer sentiment index was reported at 71.1 versus the December reading of 74.0. Expectations that inflation may rebound in 2025 combined with growing concerns about the job market appeared to weigh on consumers. We note that the outlook for elevated inflation coincides with increasing media attention targeting potential impacts from higher tariff policy under consideration by the new administration.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.88%	0.93%	1.88%	12.54%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Estee Lauder Cos Inc/	11.3%
	Walgreens Boots Alli-	10.2%
	Walmart Inc	8.6%
	Philip Morris Interna-	8.2%
	Costco Wholesale Corp	6.9%
Laggards	Constellation Brands Inc	-18.2%
	Brown-Forman Corp	-13.1%
	Hershey Co/The	-11.9%
	Lamb Weston Holdings	-10.3%
	Campbell's Company	-7.4%

Consensus FY EPS / P/E

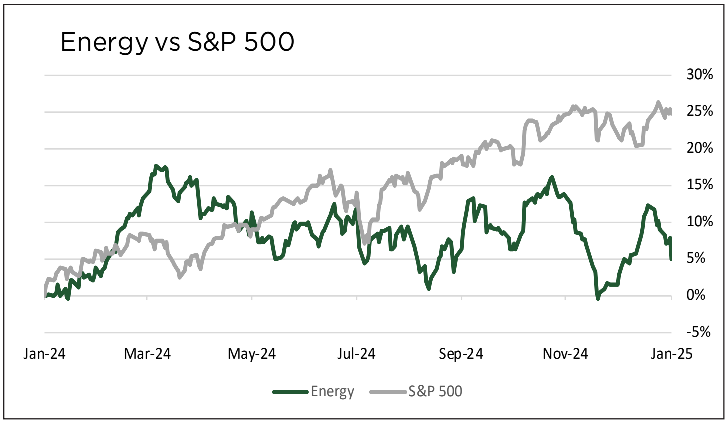
Last Year	Current Year	Next Year
$39.70	$39.76	$40.70
21.9x	21.9x	21.4x

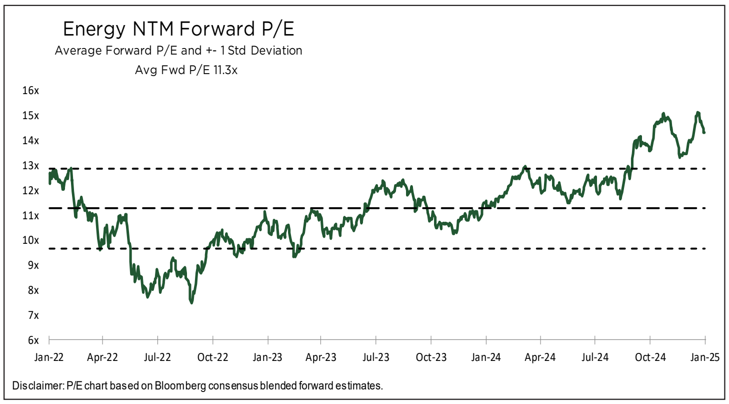
Sector Update

The Consumer Staples sector increased 1.9% on average in January and underperformed the S&P 500 Index that increased by 2.7%. Food & Staples Retailing, Tobacco, and Personal Products segments all reported gains for the month while all other segments declined as they face numerous near-term uncertainties. The Consumer Staples segment trades with a forward P/E of 21.4x FY2025 earnings as compared with its average forward P/E of 20.1x. Entering 2025, the Consumer Staples sector faces numerous near-term headwinds including potentially increased regulation by RFK and MAHA uncertainties, continued GLP-1 adoption by consumers, uncertainty regarding tariffs, proposed labels for alcohol, uncertainty about SNAP payments, and higher interest rates. Potential tariffs raise questions about input costs, potential global trade disruptions and customer demand. Fertilizers are an input for US farmers and potential tariffs could drive price increases for potassium, a key ingredient in fertilizer largely sourced from Canada. Confectionery companies face continued input cost pressures from higher cocoa costs and more moderate consumer consumption. Portfolio transformation through divestments and acquisitions as well as streamlining the number of product offerings remains a key theme. Given attractive valuations and the need for top-line growth, we continue to expect heightened M&A activity in 2025. Companies remain committed to active portfolio management and support brands with the approach to protect the category health, to protect its share and to protect its brand investment. We continue to advise a selective investment among the Consumer Staples stocks and a market weighting remains preferred.

Consumers are increasingly aware of what they eat and drink with consumption behavior leaning more into protein, portion control, functional food and beverage options, GLP-1 and mini-meals. The domestic consumer remains price and value selective. Food and Beverages companies are enhancing their investment in price with emphasis on pack size and value offerings for consumers. Protein companies are reporting stronger results on consumer demand for increased protein consumption and lower input costs (ie grains). As domestic volume recovery has taken longer than originally estimated, there is a rising concern for more aggressive promotions and pricing potentially pressuring margins. The potential for a stronger dollar could become a more relevant factor. Tobacco stocks have traded higher YTD reflecting the Trump administration's decision to withdraw the proposed menthol ban. Global grain companies face slowing demand and a global glut of stable crops (including corn and soybean) pressuring margins.

ENERGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.00%	-1.95%	2.00%	4.90%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Texas Pacific Land Corp	17.3%
	Baker Hughes Co	12.6%
	EQT Corp	10.9%
	Targa Resources Corp	10.3%
	Coterra Energy Inc	8.5%
Laggards	Occidental Petroleum	-5.6%
	APA Corp	-5.0%
	Halliburton Co	-4.3%
	ONEOK Inc	-3.2%
	Exxon Mobil Corp	-0.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$49.42	$44.52	$47.02
13.5x	15.0x	14.2x

Sector Update

The Energy sector underperformed the broader market in January while also underperforming on a 3-month, YTD, and trailing twelve-months basis. As hostilities continue in Ukraine and appear to be calming in the Middle East, we look for potential growth opportunities in the sector after two years of relative underperformance. Against this backdrop, the Oil, Gas, & Consumable Fuels subsector underperformed the Energy Equipment & Services subsector for January.

For the sixth time, OPEC reduced its 2024 estimate for world oil demand growth while indicating that 2025 and 2026 are expected to further increase. Estimates from the International Energy Agency (IEA), predict that oil demand growth may peak this decade as the world shifts to cleaner energy sources. In OPEC's monthly report, the cartel estimates that oil demand will rise by 1.45 million bpd (barrels per day) and 1.43 million bpd in 2025 and 2026, respectively. The IEA, in comparison, estimates that global oil demand will rise to 1.05 million bpd, which is down from the previous estimate of 1.1 million bpd and raised its 2024 estimate to 940,000 bpd.

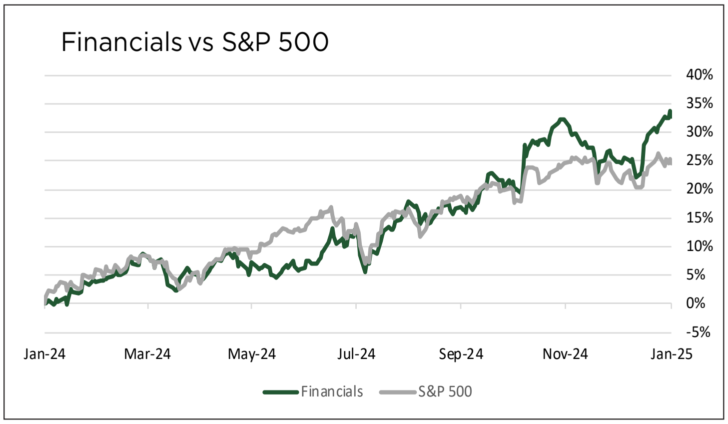
During the month, the prior U.S. administration imposed sanctions on 183 oil tankers along with oil tankers owned by Russian-based fleet operators. Before the announcement, the outflow of Russian oil could have contributed to suppressed volatility near-term. However, the IEA suggests that the new measures could "result in a tightening of crude and product balances." The IEA assessed that of the 183 tankers, around 160 had moved over 1.6 million barrels per day of Russian oil last year, accounting for 22% of Russian seaborne exports over the period.

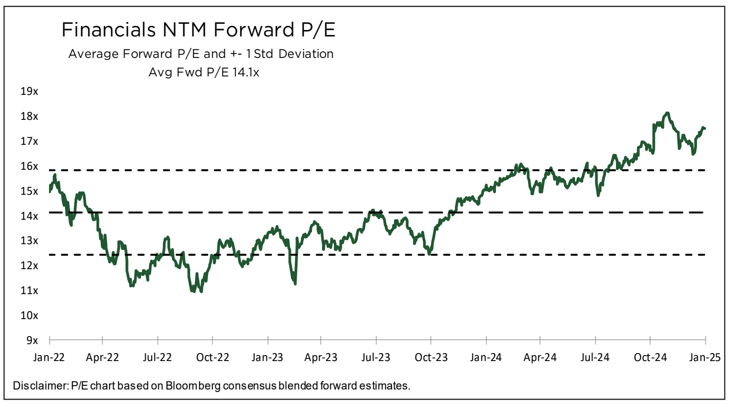
With President Donald Trump's return to the White House, questions linger on potential policy changes from the previous administration. The Trump administration has already suspended new offshore wind power leasing and revoked a 2021 executive order ensuring half of all new vehicles sold in the U.S. by 2030 are electric while promoting oil drilling and declaring a national energy emergency in the face of increased energy demands tied to AI developments.

West Texas Intermediate (WTI) crude oil prices increased to $72.53 (peaked at ~$80) at the end of the month from the $71.72 level seen last month. Natural gas prices decreased to $3.04 from $3.63 last month. Retail gasoline increased slightly to ~$3.10 from the ~$3.07 figure a month ago.

The Baker Hughes oil rig count decreased slightly to 582 in January from the 589-level last month. For the week ending January 24, U.S. crude oil inventories came in at 415.1 million barrels, which is ~6% below the five-year average for this time of year and compared to last month's 415.6 million barrels. Following the downturn seen during the height of the pandemic in 2020, U.S. crude oil production has been in an uptrend, which continued during 2024. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to a range of ~13.3 million barrels per day.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.40%	10.67%	6.40%	32.79%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Discover Financial	16.1%
	Citigroup Inc	15.7%
	Capital One Financial	14.2%
	KKR & Co Inc	13.0%
	Corpay Inc	12.4%
Laggards	Cincinnati Financial	-4.6%
	Everest Group Ltd	-4.1%
	MarketAxess Holdings	-2.4%
	Erie Indemnity Co	-2.3%
	Chubb Ltd	-1.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$44.03	$46.93	$48.30
19.4x	18.2x	17.7x

Sector Update

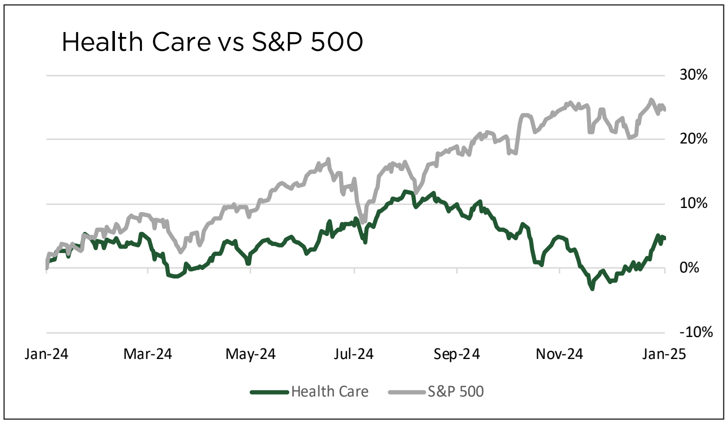
The Financials sector outperformed the broader market in January on the back of positive bank earnings. The sector also outperformed the broader market on a 3-month, YTD, and trailing twelve-months basis. All subsectors of the industry achieved positive gains ranging from 2.1% - 9.8% with consumer finance leading the subsector performance. Consumer finance was then followed by banks (9.5%) and the capital markets (7%) subsectors. Insurance (2.1%) and diversified financial services (5.1%) were the worst-performing subsectors.

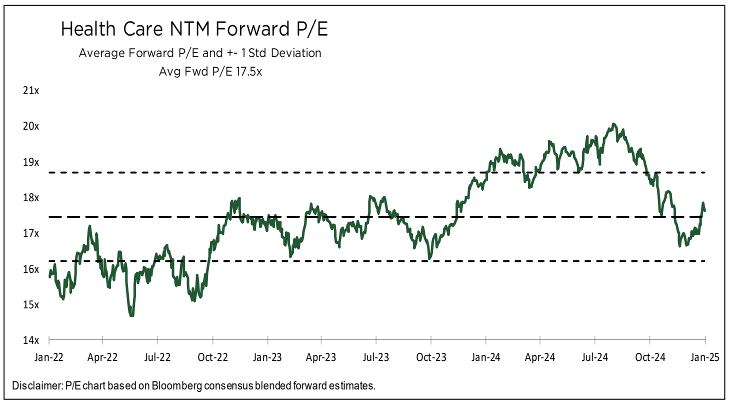
Treasury yields moved slightly lower in the month following the uplift seen last year due to concerns around deficit spending. Relatively benign inflation and a generally in-line GDP report combined with a lack of surprise at the January Fed meeting, provided a supportive backdrop for the sector during the month. Time will tell how future volatility tied to macro uncertainty including tariffs will play out. While big banks saw good net interest margin (NIM) growth in the month, we continue to remain concerned at potential headwinds with slower or limited rate-cutting from the Fed. However, potential deregulation efforts, specifically relaxed capital and liquidity rules, under President Trump may promote increased bank-merger activity and the possibility of improved investor sentiment.

Late in January, the Trump administration announced 25% tariffs on both Mexican and Canadian imports. While the implementation of these tariffs has been delayed by a month, the potential impact represents a potential overhang for U.S. markets and the Financials sector. Risks appears elevated for banks linked to potential pressure on economic growth and/or valuations if we see tariff linked impacts on consumer & retail, industrials, and automotive lending. As a result, businesses with more advisory, investment banking, and trading services may fair better if a prolonged tariff war were to emerge.

At month-end, the Financials sector traded at a forward P/E ratio of 17.7x FY25 consensus expectations, well above its three-year average forward twelve-month P/E multiple of 14.1x. Financials could possess solid earnings growth potential in the medium-term if loan growth improves, the yield curve steepens, fee incomes rebound on capital markets activity picking up, and credit reserving needs decelerate; however, valuations appear to have 'pulled forward' these expectations to a large extent.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.61%	-0.04%	6.61%	4.60%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	CVS Health Corp	25.8%
	DaVita Inc	17.8%
	Henry Schein Inc	15.6%
	Humana Inc	15.6%
	Thermo Fisher	14.9%
Laggards	Charles River Lab.	-10.7%
	Viatris Inc	-9.4%
	Biogen Inc	-5.9%
	Regeneron Pharma.	-5.5%
	Moderna Inc	-5.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$78.64	$80.41	$95.44
21.8x	21.3x	17.9x

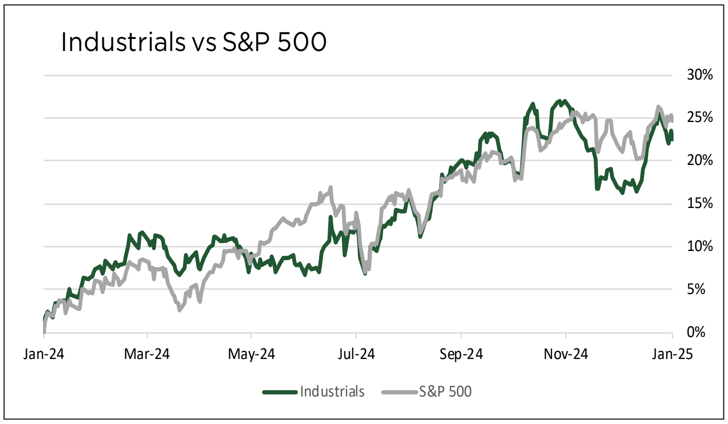
Sector Update

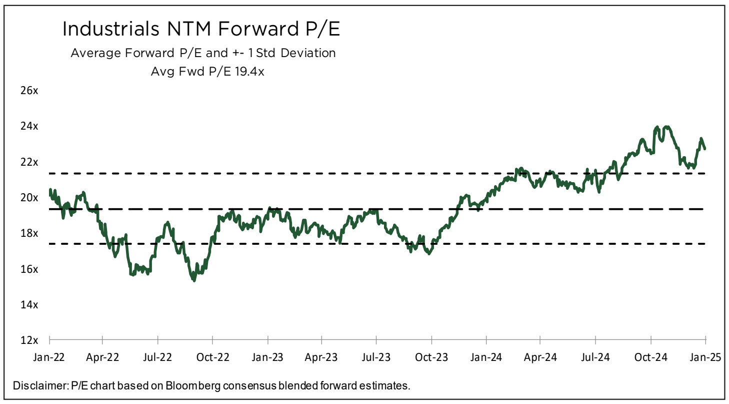
The Health Care sector's 6.61% gain in January outperformed the 2.7% gain from the S&P500. During January, Health Care was one of the best performing sectors in the market, surpassed only by Communication Services. Despite a dynamic political environment, the Health Care sector benefited from decent earnings results and expectations that Health Care earnings growth may be positioned to lead the market.

Throughout January, Donald Trump's HHS nominee Robert F. Kennedy Jr. appeared in front of the senate to clarify his stances on health policy. During his hearings, Robert F. Kennedy Jr. was questioned about his views on vaccines, Medicaid work requirements, and abortion. While many people were skeptical about RFK's chances of assuming the role of HHS secretary, odds have risen in favor of RFK Jr. in recent weeks given his strong showing in front of the senate. Over the next few weeks, RFK Jr. is set to appear in front of the full senate before he is set to be officially confirmed. Currently, PolyMarket betting odds give RFK Jr. a 97% chance of being confirmed. During January, each subsector within Health Care outperformed the S&P 500. Health Care Equipment & Supplies led the sector with a 9.8% gain, followed by Health Care Providers & Services. Life Science Tools & Services increased 7.4% during the month, While Biotechnology increased 5% and Pharmaceuticals increased 3.5%.

Looking into February, several Health Care firms are slated to report fourth quarter earnings results. In general, Health Care earnings results have been favorable throughout the past month. The Health Care sector trades at a forward P/E ratio of 17.9x 2025 earnings, above the historical average of 17.5x.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.99%	3.56%	4.99%	22.54%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	General Electric Co	22.1%
	3M Co	17.9%
	Builders FirstSource Inc	17.0%
	Howmet Aerospace Inc	15.7%
	GE Vernova Inc	13.4%
Laggards	United Parcel Service	-9.4%
	Southwest Airlines Co	-8.7%
	FedEx Corp	-5.9%
	Lockheed Martin Corp	-4.7%
	Carrier Global Corp	-4.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$44.44	$43.43	$50.46
26.4x	27.0x	23.2x

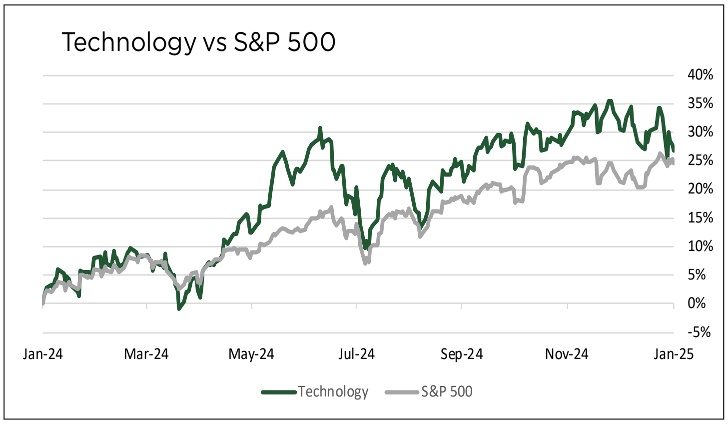
Sector Update

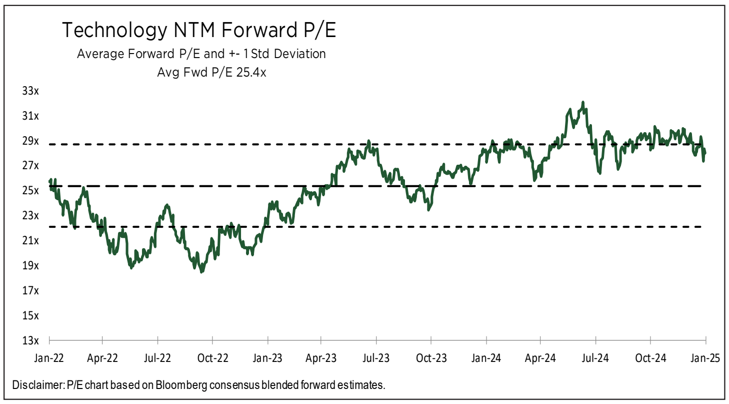
The Industrials sector outperformed the broader market in January and on a YTD basis, but is underperforming on a 3-months and trailing twelve months basis. All but three Industrials industry subsectors registered positive gains for the month. Air freight & logistics was the standout decliner within the group with the subsector dropping 6.8% compared to the second weakest subsector construction & engineering which was down 2.7%.

After 26 consecutive months of contraction the Institute for Supply Management's Purchasing Managers Manufacturing Index (PMI) registered its first expansion. The index came in at 50.9% in January, 1.7% higher compared to last months figure of 49.2% and 0.9% higher than the Bloomberg estimate. Overall, the economy continued expanding for the 57th month, excluding one month of contraction in April 2020 (Note: a Manufacturing PMI above 50% generally indicates an expansion of the overall economy). The New Orders Index was also in expansion territory for the third month after seven months of contraction, rising to 55.1% which is 3% higher than December. Timothy R. Fiore, CPSM, C.P.M, Chair of the Institute for Supply Management provided comments saying that, "U.S. manufacturing activity expanded in January... Demand clearly improved, while output expanded and inputs remained accommodative." The eight industries that registered growth in the month were Textile Mills, Primary Metals, Petroleum & Coal Products, Chemical Products, Machinery, Transportation Equipment, And Plastics & Rubber Products.

Less-than truckload (LTL) demand declined in December as total shipments were down 5.1% and tonnage was off 7.8%. LTL revenue was also pressured in December, falling 6.4%. However, pricing was still rational with revenue per ton up 0.4% which includes the impact of falling fuel surcharges. Early signs of improvement are beginning to show following the significant challenges for the past two years. The ISM manufacturing index, considered to be a leading indicator for LTL, registered an aforementioned expansion. If rates continue falling, LTL companies could see some tailwinds as M&A activity could pick up, continuing consolidation. However, according to Bloomberg it takes 300bps in tonnage growth to offset 100bps in lower rates.

At period end, the Industrials Sector was trading at a forward P/E ratio of 23.2x FY2025 earnings, exceeding its three-year average of approximately 19.4x. Time will tell if the expansion in PMI seen this print will continue given an uncertain policy outlook, specifically with the tariff overhang.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.93%	2.63%	-2.93%	26.75%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	F5 Inc	18.2%
	KLA Corp	17.2%
	Crowdstrike Holdings	16.3%
	International Business	16.3%
	CDW Corp/DE	14.4%
Laggards	ON Semiconductor	-17.0%
	NVIDIA Corp	-10.6%
	Dell Technologies Inc	-10.1%
	Enphase Energy Inc	-9.3%
	Teradyne Inc	-8.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$127.21	$132.67	$159.45
35.2x	33.7x	28.1x

Sector Update

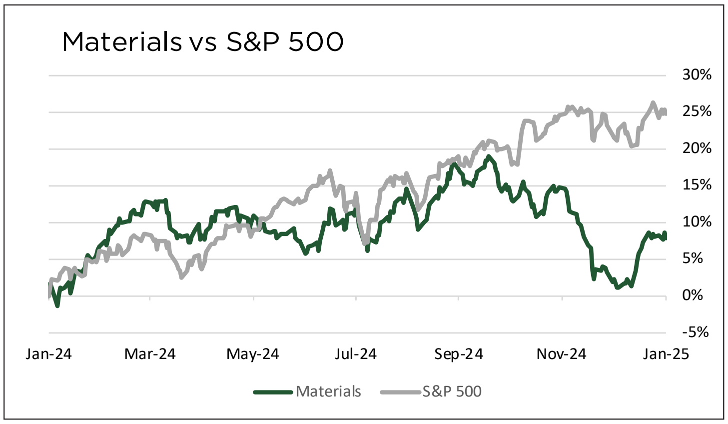
The Technology sector significantly underperformed the market in January due to the sharp decline in the Semiconductors & Semiconductor Equipment sector. ON Semiconductor shares fell after it reported weak demand in the automotive and industrial sectors. These trends were confirmed by other semiconductor companies that reported results over the past month.

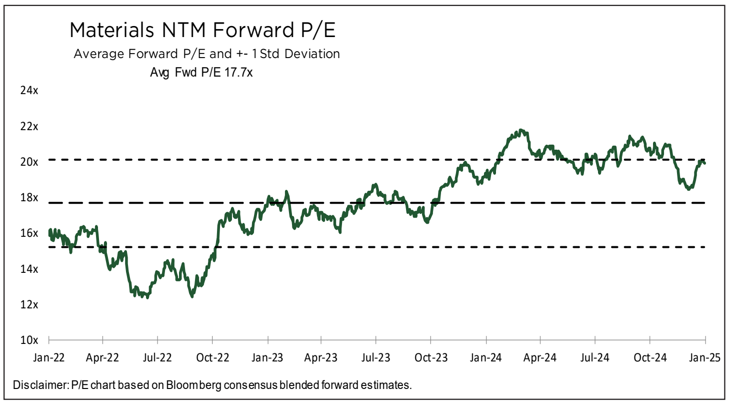
News that Chinese company DeepSeek was able to train an advanced large language model at a fraction of the cost of leading models from Open AI and Meta Platforms contributed to the decline in the shares of NVIDIA, the largest provider of GPUs for training gen AI models. Investors were concerned that companies could develop new LLMs with fewer GPUs based on DeepSeek's "mixture of experts" approach, which allows researchers to train many smaller models at the same time and then combine the selected outputs to users. This approach to training AI models potentially can be accomplished with fewer and less advanced chips than the models developed by U.S. AI companies.

The popularity of the low cost DeepSeek model may contribute to the significant decline in LLM prices. The potential commoditization of large language models could benefit software companies, since they can train their AI agents at a lower cost and could drive customer adoption of AI agents through attractive, usage- based pricing.

The commoditization of large language models could drive higher enterprise demand for AI agents/applications and AI application software development. Most enterprises lack the engineering and consulting resources to develop and implement new AI models, therefore they rely on consulting firms such as IBM to help them select and train AI models and develop new AI applications.

The Technology sector appears close to fairly valued, with a P/E of 28.1x the consensus analyst FY25 EPS estimate, compared to 20% earnings growth, and its average forward P/E of 25.4x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
5.52%	-4.63%	5.52%	7.84%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Air Products and Chem-	15.6%
	Newmont Corp	14.8%
	FMC Corp	14.8%
	Corteva Inc	14.6%
	Mosaic Co/The	13.5%
Laggards	Freeport-McMoRan Inc	-5.9%
	Packaging Corp of	-5.5%
	PPG Industries Inc	-3.4%
	Dow Inc	-2.7%
	Albemarle Corp	-2.2%

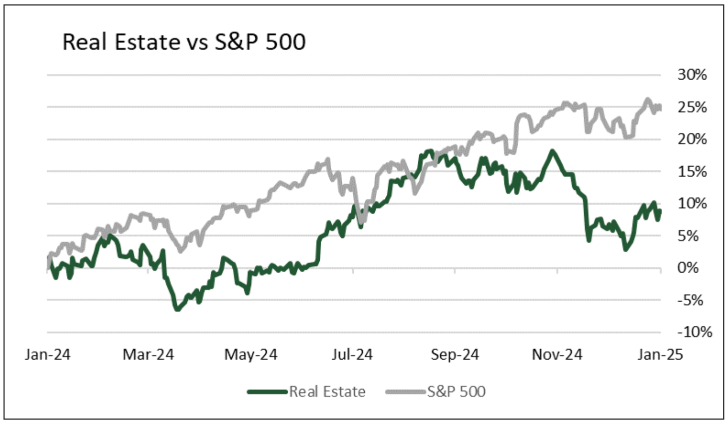
Consensus FY EPS / P/E

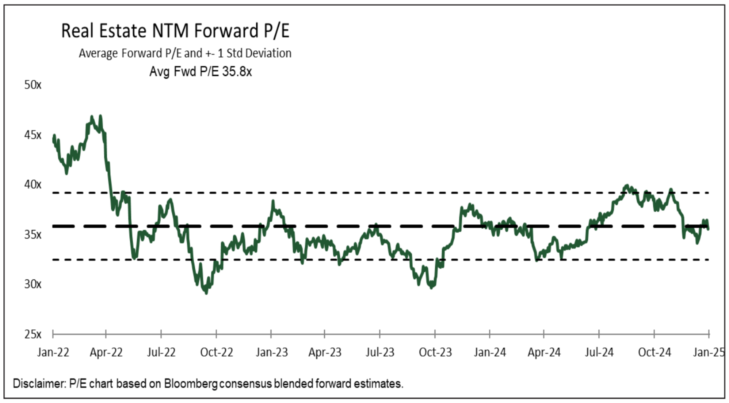
Last Year	Current Year	Next Year
$24.24	$24.08	$27.28
23.1x	23.2x	20.5x

Sector Update

The Materials sector started 2025 with strong performance with a 5.5% gain in January that significantly outpaced the 2.7% increase for the S&P 500. All segments gained for the month with the exception of Containers and Packaging that declined only modestly. The Materials sector trades with a forward P/E of about 20.5x FY2025 earnings estimates vs its historical average valuation range of 17.7x. Potential tariffs and global market outlook currently outweigh underlying company fundamentals and market themes for 2025. As expected many companies issued conservative initial guidance for 2025 and remain cautious regarding the timing for demand and margin normalization. Higher energy costs in Europe, slower China growth, and supply overcapacity remain factors. Companies are executing cost savings programs, restructurings and cap ex reductions. The initial outlook for 2025 includes an expected greater level of merger and acquisition activity as companies seek improved costs and leverage capacity utilization.

Shares of crop chemical companies strengthened to begin 2025, but weakened in early February on concerns about a more modest 2025 than originally expected. Inventories in channels remain elevated, production costs remain higher and pricing lags for some companies. Potential tariffs create near-term uncertainty on the group and potential inflationary pressures on customers. Higher natural gas prices and grain planting intentions remain key factors to monitor as the year progresses. Metal companies have had a strong start for FY25 resulting from heightened global uncertainties including potential tariffs and global trade war. The gains follow strong results in 2024. Gold prices have increased about 8.5% year to date and demand remains strong. Silver prices have advanced about 14% year to date supported by higher global uncertainties. Companies seek to mitigate costs with supply chain and domestic manufacturing opportunities. Building companies seek to capitalize on the eventual building and housing volume rebound while leveraging innovation, restructuring and cost efficiencies to drive higher earnings. Home prices are forecast to rise in 2025 vs 2024 given tight supply. Additional factors to monitor in 2025 include inventories, input cost trends, capacity utilization, interest rates and the supply and demand balance. Mortgage interest rates remain elevated in 2025 creating greater uncertainty. Confidence in job security for consumers also remains critical for demand. Selective investment among the group remains a key factor with a preference for strong management teams, high-quality businesses and strong balance sheets.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.74%	-3.89%	1.74%	8.70%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Prologis Inc	12.8%
	CBRE Group Inc	10.2%
	Weyerhaeuser Co	8.8%
	Welltower Inc	8.3%
	CoStar Group Inc	7.0%
Laggards	Digital Realty Trust Inc	-7.6%
	Host Hotels & Resorts	-4.6%
	Kimco Realty Corp	-4.2%
	UDR Inc	-3.8%
	Iron Mountain Inc	-3.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$12.86	$13.00	$13.50
20.2x	20.0x	19.3x

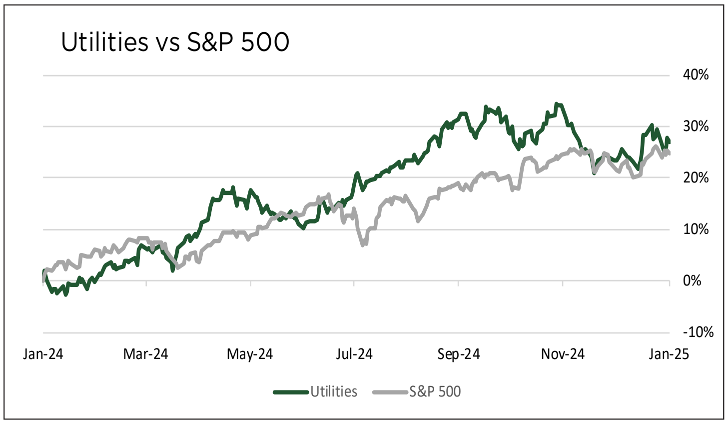
Sector Update

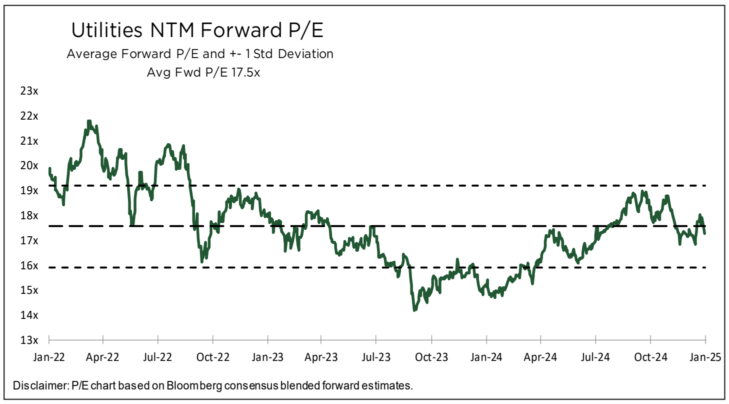
The Real Estate sector continues to underperform, advancing by 1.74% in January that contrasts with the S&P 500 that gained 2.70%. As depicted in the adjacent graphics, one sees that the sector has lagged the broad based equity market over the past year, although for a brief period last summer when FOMC rate cuts became widely anticipated the group did outperform for a couple of months. That is, given economic uncertainties along with a status as bond proxy investments, real estate sector performance remains closely tied to performance of the 10-year Benchmark Treasury rate. In 4Q2024, investor concerns over federal government deficit spending drove the 10-year rate up by roughly 100 BPS. Into early January, a stronger than forecast December Jobs report heightened inflation fears that saw the 10-year rate rise further to 4.79% into mid-month. Subsequent inflation reports on Producer and Consumer prices for December came through a bit below expectations driving a relief rally for both equities and fixed income as the 10-year rate retrenched to a recent 4.54% - also lifting many bond proxy real estate issues. Volatility set in late in the month as Chinese AI-powered LLM DeepSeek roiled mega cap domestic AI issues as a low cost competitor causing shares among data center operators to retreat including those of Digital Realty.

Of late, we have entered 4Q2024 earnings season with expectations for a recovery in the commercial real estate sector in 2025 being bandied about by investors. A positive earnings report by Prologis supported solid gains for the shares in January with management commenting they anticipated improved leasing demand into yearend. In other news, CBRE announced the acquisition of a remaining stake in Industrious National Management adding a growth leg in property management to their business. Weyerhaeuser reported upside earnings for the 4Q2024 (but still below year earlier levels) driven by improved pricing.

We continue to view future returns for the Real Estate sector to remain closely tied to interest rates and growth prospects for the U.S. economy. The Trump Administration has hit the ground running during the first two weeks in office with latest tariff announcements creating heightened uncertainty near term. Thus, shifting expectations may continue to weigh on Real Estate valuations until clarification on fiscal policy initiatives and any adjustments to FOMC rate policy are forthcoming.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.85%	-2.46%	2.85%	26.87%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
2.70%	5.87%	2.70%	24.66%

	Company Performance	1 Month
Leaders	Constellation Energy	34.1%
	Vistra Corp	21.9%
	NRG Energy Inc	13.5%
	Entergy Corp	6.9%
	American Electric Pow-	6.6%
Laggards	Edison International	-32.4%
	PG&E Corp	-22.4%
	AES Corp/The	-14.5%
	Sempra	-5.5%
	Public Service ENT.	-1.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$20.79	$20.57	$22.42
19.0x	19.2x	17.7x

Sector Update

The Utilities sector delivered volatile, varied results for investors in January. Although overall performance had the sector gaining 2.85% for the month, outperforming the S&P 500 advance of 2.70%, individual stock moves exhibited far greater advances or declines. That is, historically investors focus on the utility sector as an interest rate proxy class of investment with shifts in rates driving performance for the group that has fairly predictable operating performance. Heightened fears of resurging inflation drove interest rates into yearend 2024. Subsequent inflation reports (consumer price index) came through light of forecasts driving a relief rally for the group. In the meantime, on January 21st, President Trump announced the $500 billion Stargate project to spur development of AI infrastructure that spurred heightened expectations for electric demand. Volatility later set in toward month end when Chinese AI-powered chatbot DeepSeek announced its much lower cost LLM competitor. Questions arose, leading some to question if leading domestic AI firms would move forward on substantial new investment? Shares among AI mega cap leaders, data center operators, and electric utilities expected to serve demand all retrenched sharply although higher multiple utilities Constellation Energy, Vistra and NRG Energy all achieved substantial double digit appreciation in January.

In the meantime, on January 7th, wildfires erupted across Los Angeles County. Exacerbated by strong, Santa Ana winds, low humidity, dry vegetation, and an extended dry period. The fires covered over 40,000 acres, destroyed an estimated 17,000 structures, and lead to at least 28 fatalities before containment was achieved. Not surprising, utility issues serving the region were impacted by this disaster. Shares of Edison International (serves LA County), PG&E (serves region from Bakersfield to Santa Barbara), AES and Sempra that serve Los Angeles in varying ways all experienced measurable selling pressure on common shares.

Still, despite volatility of late and ongoing interest rate sensitivity, we see substantial growth in power demand and investment as needed to maintain and expand the power grid across the U.S., while data center infrastructure appears poised to expand substantially with emerging AI efforts into the next decade. Investment requirements could continue to demand an ‘all of the above’ approach to generation capacity—benefitting traditional power producers, renewables, and nuclear operators alike with potential earnings growth well above historical trends.

The Utilities sector currently trades in line with its historical three year average P/E multiple of 17.5x based on FY25 earnings estimates. Given persistence of secular growth tailwinds, the group appears reasonably valued and could be deserving of a premium valuation relative to its historical average; however, would likely require more stable bond market conditions or a falling rate environment to inspire material multiple expansion. Net, long-term focused and income-oriented investors willing to accept rate driven volatility in the near-term should consider remaining overweight the Utilities sector relative to its 2.7% representation in the S&P 500 index.

ECONOMIC CALENDAR

Date	Release	For	Prior
3-Feb	S&P Global US Manufacturing PMI - Final	Jan	50.10%
3-Feb	ISM Manufacturing Index	Jan	49.2%
3-Feb	Construction Spending	Dec	0.2%
4-Feb	Factory Orders	Dec	-0.8%
4-Feb	JOLTS - Job Openings	Dec	8.156M%
5-Feb	MBA Mortgage Applications Index	2/1	-2.0%
5-Feb	ADP Employment Change	Jan	122K
5-Feb	Trade Balance	Dec	-$78.2B
5-Feb	S&P Global US Services PMI - Final	jan	52.8
5-Feb	ISM Services	Jan	54.1%
5-Feb	EIA Crude Oil Inventories	2/1	+3.46M
6-Feb	Productivity-Prel	Q4	2.20%
6-Feb	Unit Labor Costs-Prel	Q4	0.80%
6-Feb	Initial Claims	2/1	207K
6-Feb	Continuing Claims	1/25	1858K
6-Feb	EIA Natural Gas Inventories	2/1	-321 bcf
7-Feb	Nonfarm Payrolls	Jan	256K%
7-Feb	Nonfarm Private Payrolls	Jan	223K%
7-Feb	Avg. Hourly Earnings	Jan	0.30%
7-Feb	Unemployment Rate	Jan	4.10%
7-Feb	Average Workweek	Jan	34.3
7-Feb	Univ. of Michigan Consumer Sentiment - Prelim	Feb	7110.00%
7-Feb	Wholesale Inventories	Dec	-0.2%
7-Feb	Consumer Credit	Dec	-$7.5B
12-Feb	MBA Mortgage Applications Index	2/8	NA
12-Feb	CPI	Jan	0.4%
12-Feb	Core CPI	Jan	0.20%
12-Feb	EIA Crude Oil Inventories	2/8	NA
12-Feb	Treasury Budget	Jan	-$87.0B
13-Feb	PPI	Jan	0.20%
13-Feb	Core PPI	Jan	0%
13-Feb	Initial Claims	2/8	NA
13-Feb	Continuing Claims	2/1	NA
13-Feb	EIA Natural Gas Inventories	2/8	NA
14-Feb	Retail Sales	Jan	0.40%
14-Feb	Retail Sales ex-auto	Jan	0.40%
14-Feb	Export Prices ex-ag.	Jan	0.30%
14-Feb	Import Prices ex-oil	Jan	0.10%
14-Feb	Industrial Production	Jan	0.90%
14-Feb	Capacity Utilization	Jan	77.60%
14-Feb	Business Inventories	Dec	0.10%
18-Feb	Empire State Manufacturing	Feb	-12.6

ECONOMIC CALENDAR

18-Feb	NAHB Housing Market Index	Feb	47
18-Feb	Net Long-Term TIC Flows	Dec	$79.0B
19-Feb	MBA Mortgage Applications Index	2/15	NA
19-Feb	Housing Starts	Jan	1499K
19-Feb	Building Permits	Jan	1483K
19-Feb	EIA Crude Oil Inventories	2/15	NA
20-Feb	Initial Claims	2/15	NA
20-Feb	Continuing Claims	2/8	NA
20-Feb	Philadelphia Fed Index	Feb	44.3
20-Feb	Leading Indicators	Jan	-0.10%
20-Feb	EIA Natural Gas Inventories	2/15	NA
21-Feb	Exisiting Home Sales	Jan	4.24M
21-Feb	Univ. of Michigan Consumer Sentiment - Final	Feb	NA
25-Feb	FHFA Housing Price Index	Dec	0.30%
25-Feb	S&P Case-Shiller Home Price Index	Dec	4.30%
25-Feb	Consumer Confidence	Feb	NA
26-Feb	MBA Mortgage Applications Index	2/22	NA
26-Feb	New Home Sales	Jan	698K
26-Feb	EIA Crude Oil Inventories	2/22	NA
27-Feb	Continuing Claims	2/15	NA
27-Feb	Dutable Goods -ex transportation	Jan	NA
27-Feb	Durable Orders	Jan	NA
27-Feb	GDP - Second Estimate	Q4	NA
27-Feb	GDP Deflator - Second Estimate	Q4	NA
27-Feb	Initial Claims	2/22	NA
27-Feb	Pending Home Sales	Jan	NA
27-Feb	EIA Natural Gas Inventories	2/22	NA
28-Feb	Adv. Intl. Trade in Goods	Jan	NA
28-Feb	Adv. Retail Inventories	Jan	NA
28-Feb	Adv. Wholesale Inventories	Jan	NA
28-Feb	PCE Prices	Jan	NA
28-Feb	PCE Prices - Core	Jan	NA
28-Feb	Personal Income	Jan	NA
28-Feb	Personal Spending	Jan	NA
28-Feb	Chicago PMI	Feb	NA

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Sectors and sector components defined by Standard & Poor's GICS Level 1 index. For the list of all holdings in GICS Level 1 index sectors, contact your Davenport Financial Advisor.

Leaders: Represent top five best stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

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Members: The GICS Level 1 Telecommunication Services sector has only three component companies. This sector will not include "Leaders and Laggards", but will show all three members and their price performance over the previous calendar month.

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Dow Jones Industrials: The Dow Jones Industrial Average is an index of 30 "blue chip" stocks of U.S. "industrial" companies.

NASDAQ Composite: The Nasdaq-100 Index is a "modified capitalization-weighted" index designed to track the performance of a market consisting of the 100 largest and most actively traded non-financial domestic and international securities listed on The Nasdaq Stock Market, based on market capitalization.

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Nikkei Stock Average: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index comprised of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average Index in the United States.

Stoxx Europe 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

MSCI Emerging Markets: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. (MSCI Website).

MSCI Emerging Markets Small Cap: The MSCI Emerging Markets Small Cap Index includes small cap representation across 23 Emerging Markets countries. With 1,889 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

US Dollar Index (USDX, DXY): An index (or measure) of the value of the United States dollar relative to a basket of currencies, often referred to as a basket of US trade partners' currencies.

VIX: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

Shanghai Composite (SSE Index): The Shanghai Composite Index, also known as the SSE Index is a stock market index of all stock (A shares and B shares) that are traded at the Shanghai Stock Exchange.

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CORPORATE HEADQUARTERS

One James Center | 901 East Cary Street, Suite 1100 | Richmond, Virginia 23219
(804) 780-2000 (800) 846-6666
www.investdavenport.com

Abingdon
153 W. Main St., Ste. 100
Abingdon, VA 24210
(276) 274-8277

Atlanta*
515 E. Crossville Rd., Ste. 380
Roswell, GA 30075
(404) 865-4040

Charlotte*
101 North Tryon St., Ste. 1220
Charlotte, NC 28246
(704) 375-0550

Charlottesville
600 E. Water St., Ste. A
Charlottesville, VA 22902
(434) 296-9013

Danville
165 Holt Garrison Pkwy., Ste. 570B
Danville, VA 24540
(434) 836-5528

Farmville
101 North Main St.,
Farmville, VA 23901
(434) 392-9813

Franklin
114 West 2nd Ave.
Franklin, VA 23851
(757) 562-0053

Fredericksburg
904 Princess Anne St., Ste. 102
Fredericksburg, VA 22401
(540) 373-1863

Greensboro
628 Green Valley Rd., Ste. 306
Greensboro, NC 27408
(336) 297-2800

Harrisonburg
21 Carpenter Lane, Suite 101
Harrisonburg, VA 22801
(540) 383-6550

Kilmarnock
141 Technology Park Dr.
Kilmarnock, VA 22482
(804) 435-7705

Leesburg*
19301 Winmeade Dr., Ste. 218
Leesburg, VA 20176
(571) 223-5893

Lynchburg
1104 Commerce St.
Lynchburg, VA 24504
(434) 948-1100

Marion
201 East Main St., Ste. 103
Marion, VA 24354
(276) 243-0008

Newport News
11827 Canon Blvd., Ste. 404
Newport News, VA 23606
(757) 595-5740

Norfolk
101 West Main St., Ste. 4000
Norfolk, VA 23510
(757) 314-3600

Raleigh
3605 Glenwood Ave., Ste. 310
Raleigh, NC 27612
(919) 571-6550

Richmond
901 East Cary St., Ste. 1100
Richmond, VA 23219
(804) 780-2000

Roanoke
10 Franklin Road S.E., Ste. 450
Roanoke, VA 24011
(540) 345-1909

Sanford
201 Chatham Street., Ste. 1
Sanford, NC 27330
(919) 777-9823

Staunton
202 S. Lewis Street, Suite 201
Staunton, VA 24401
(540) 609-5386

Suffolk
330 West Constance Rd., Ste. 200
Suffolk, VA 23434
(757) 539-5355

Towson*
8600 LaSalle Rd., Ste. 618
Towson, MD 21286
(410) 296-9426

Virginia Beach
477 Viking Dr., Ste. 200
Virginia Beach, VA 23452
(757) 498-4000

Williamsburg
5400 Discovery Park Blvd., Ste. 301
Williamsburg, VA 23188
(757) 258-2800

Nashville*
3200 West End Ave., Ste 503
Nashville, TN 37203
(615) 208-6596

**Public Finance office.*