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Highland ReCAP

A Review of Capital Markets

January 2025

Summary

Markets started 2025 on solid footing with major asset classes posting positive returns in January. Global equity markets moved higher and interest rate volatility was muted during the month. While markets closed January with an eye toward the impact of evolving trade policies related to President Trump's tariff threats. Earlier gains prevailed against any looming uncertainty.

Equities

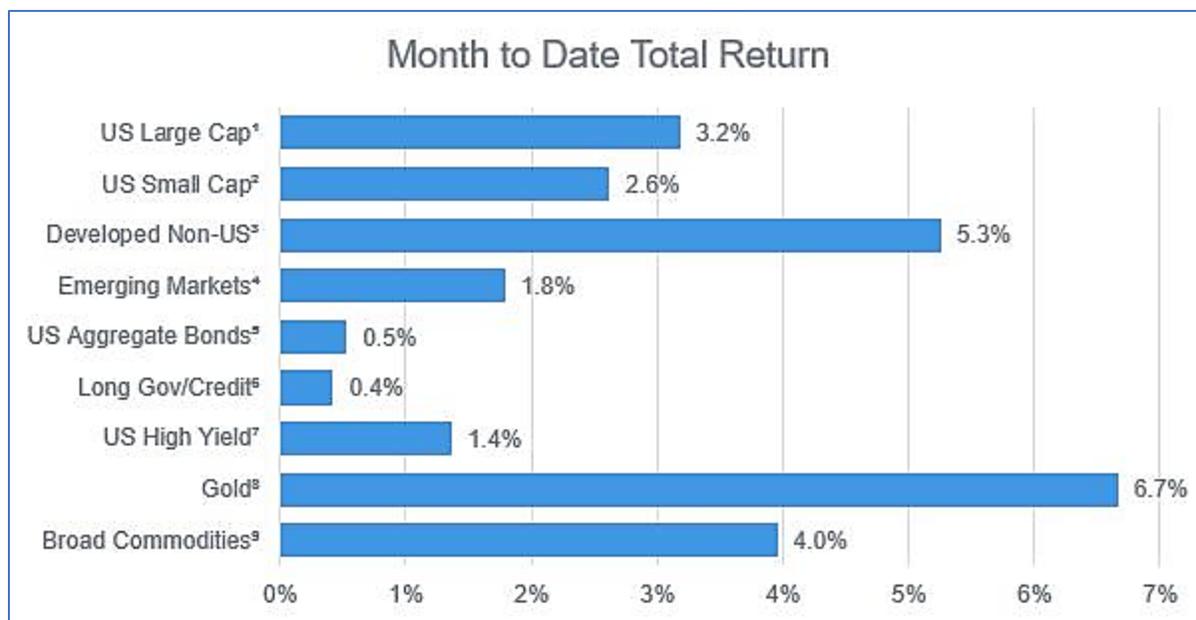
Global equity markets opened the year in the green, with developed international markets leading the way, returning 5.3% for January. Domestically, large cap stocks beat small caps, while emerging equities lagged, up 1.8% during the month. The positive vibes were dampened into month-end, as investors hunkered down for a potential global trade war, leading to a pullback in U.S. stocks.

Fixed Income

The Federal Reserve held rates steady in January, a widely anticipated move. Meanwhile the 10-year Treasury yield traded as high as 4.8% but finished the month little changed. As a result, bond investors clipped a coupon in January and realized modest gains. Inflation remained muted but will likely re-enter the market's crosshairs in 2025. Both investors and the Fed are monitoring the impact of the Trump administration's economic policies on the price of goods.

Market Trends

As of January 31, 2025



	1M	3M	1Y	3Y	5Y	10Y
US Large Cap ¹	3.2%	6.8%	26.7%	11.7%	15.0%	13.5%
US Small Cap ²	2.6%	4.5%	19.1%	5.6%	8.7%	8.4%
Developed Non-US ³	5.3%	2.3%	8.7%	5.1%	6.3%	5.7%
Emerging Markets ⁴	1.8%	-2.0%	14.8%	-0.7%	3.0%	3.8%
US Aggregate Bonds ⁵	0.5%	-0.1%	2.1%	-1.5%	-0.6%	1.2%
Long Gov/Credit ⁶	0.4%	-2.5%	-2.3%	-7.5%	-4.2%	0.4%
US High Yield ⁷	1.4%	2.1%	9.7%	4.3%	4.5%	5.2%
Gold ⁸	6.7%	2.3%	36.0%	15.5%	11.0%	7.3%
Broad Commodities ⁹	4.0%	5.4%	9.1%	2.5%	9.3%	2.0%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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