

The background features a dark teal color with a grid pattern. Overlaid on this are various financial data visualizations: a series of white candlesticks with black outlines, some with white fill, and a series of blue 3D-style bars. Several percentage values are scattered across the chart, including +2,53%, -0,35%, +0,66%, -0,44%, and -0,61%. Some numbers like 432434, 433411, 343343, 234223, 343223, and 23332 are also visible, appearing to be price points or indices. The overall aesthetic is professional and data-driven.

WJ Charts of the Month

January 2025

WJ Interests
WEALTH ADVISORS

WJ Charts of the Month Intro

"WJ Charts of the Month" is a comprehensive monthly slide deck designed to showcase recent significant financial events and data. The presentation is organized into four sections, beginning with a "Highlights" slide that sets the stage for the subsequent content.

1. What Happened Last Month: This section features a curated collection of charts and images from various publications, offering a visual summary of the previous month's key events.

2. WJ State of the Economy: Our team at WJ has created an array of charts to emphasize crucial economic factors and trends.

3. WJ State of the Markets: Similarly, this section comprises a series of charts crafted by WJ to provide an overview of the core markets we monitor.

We strive to maintain consistency across the charts to facilitate easy comparison month-over-month. However, we may adjust or emphasize specific charts if their relevance shifts over time.

Our objective with this publication is to establish a "One-Stop Shop" for the most vital financial information, presented in a concise and easily digestible format. **We value your feedback to help us achieve this goal.** If you have suggestions regarding the format, or if there's particular information you'd like to see in future editions, please don't hesitate to let us know.

Highlights

[The Trade Wars have Begun](#)

[DeepSeek Spooks the Market](#)

[More Connected, More Isolated](#)

[UPDATED Government Spending Diagram](#)

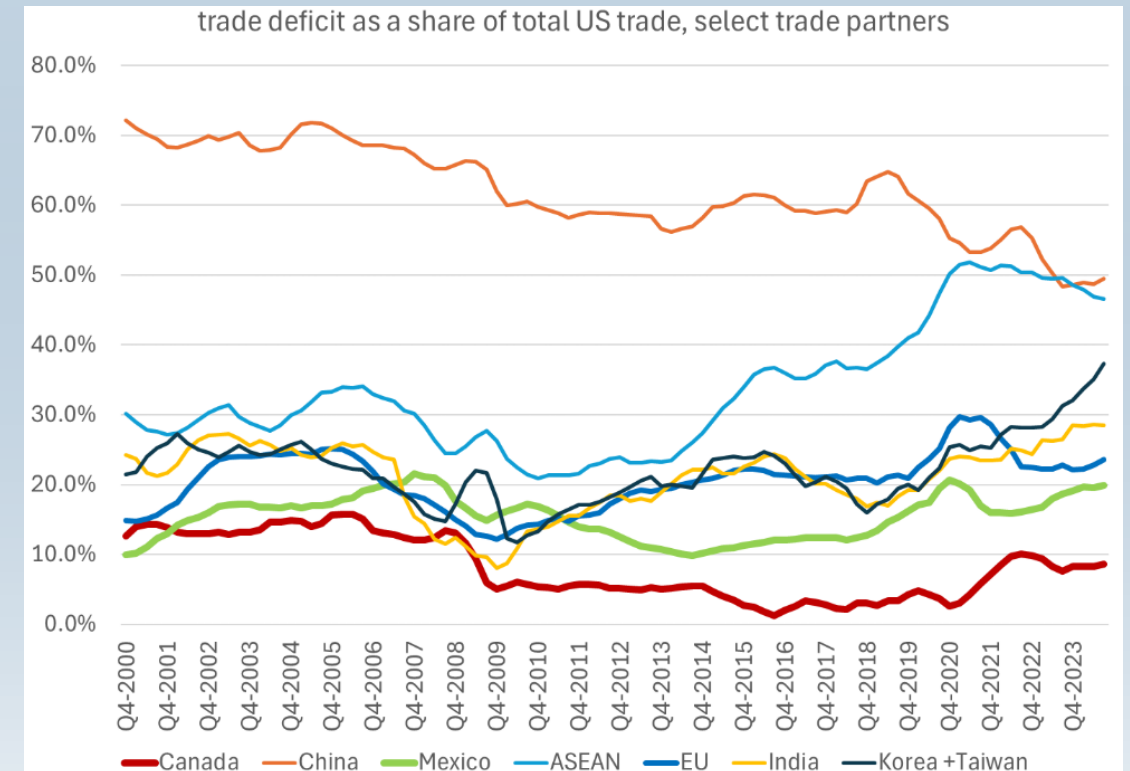
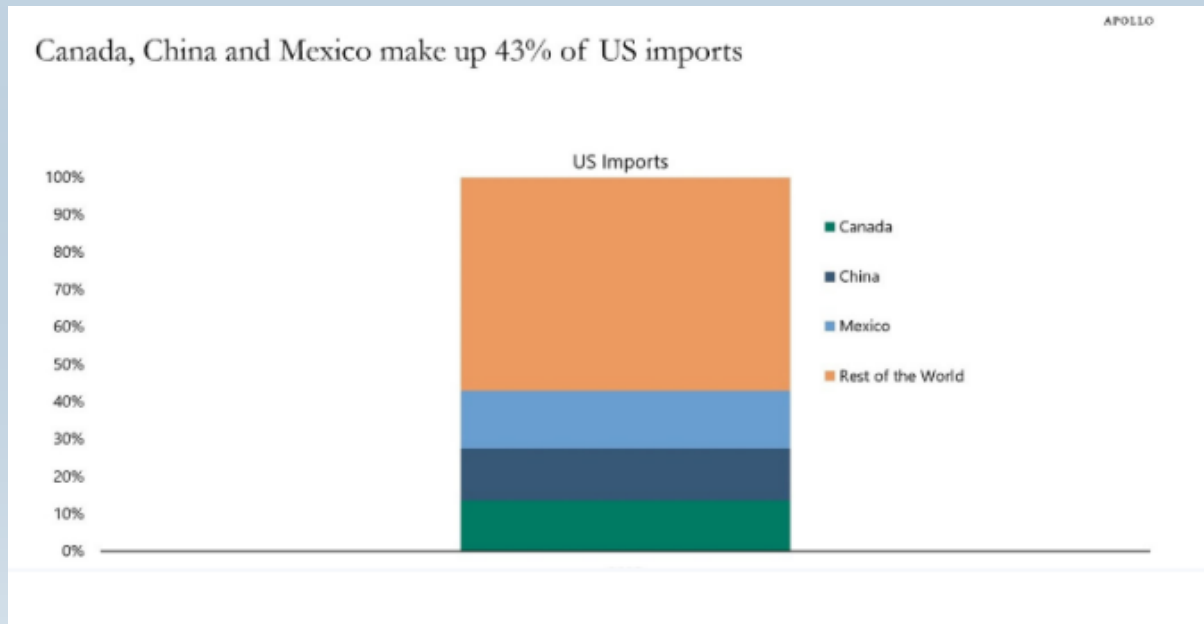
[Market Recap](#)

What Happened

The Trade Wars Have Begun

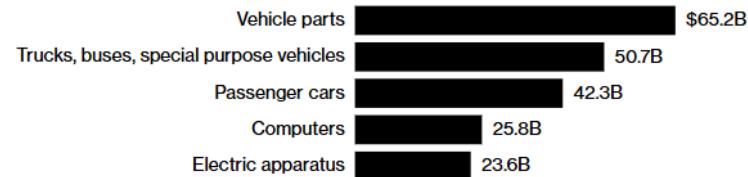
President Trump announced a 25% Tariff on most products from Mexico and Canada, as well as a 10% tariff on China. This is significant, as these 3 countries make up 43% of all imports. A tariff is a tax on imports, or things America buys from other countries. If a restaurant buys maple syrup from Canada for \$1 a bottle, and there's a new 25% tariff, the business who bought it pays that extra \$0.25 and presumably passes the cost to the end consumer.

Trump campaigned on this so it's not necessarily a surprise. The more surprising part is that the more severe tariffs were placed on Mexico and Canada rather than China. Trump has expressed concerns about the U.S. trade deficit (meaning we buy more from other countries than they buy from us), viewing it as a sign of economic weakness and unfair trade practices by other nations. However, Canada and Mexico are near the bottom in terms of our trade deficit with them (right chart). Recently the Canada/Mexico tariffs were suspended for 30 days in exchange for commitments to strengthen the border, so this set of tariffs was perhaps more an immigration play rather than a trade deficit position, but we'll have to see what happens after the 30 days are up.



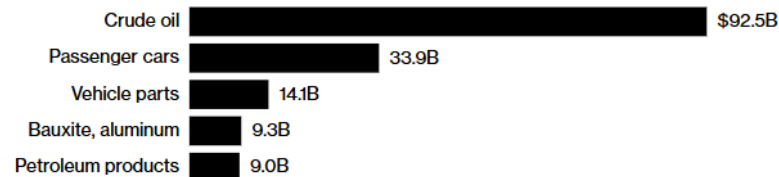
Which Affect Many Popular Goods

Top 5 US Goods Imports by Value from Mexico



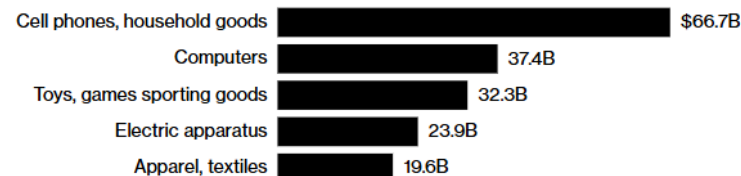
Source: US Census Bureau
Note: Data from 2023. Trucks and buses category also includes special-purpose vehicles.

Top 5 US Goods Imports by Value from Canada



Source: US Census Bureau
Note: Data from 2023. US goods returned, and reimports are excluded.

Top 5 US Goods Imports by Value from China



Source: US Census Bureau
Note: Data from 2023; apparel/textile total is nonwool or cotton

These two graphics summarize the main goods affected by tariffs, highlighted by food, alcohol, lumber, oil and vehicle parts. Vehicles are interesting because even American cars pass back and forth over the border during the manufacturing process.

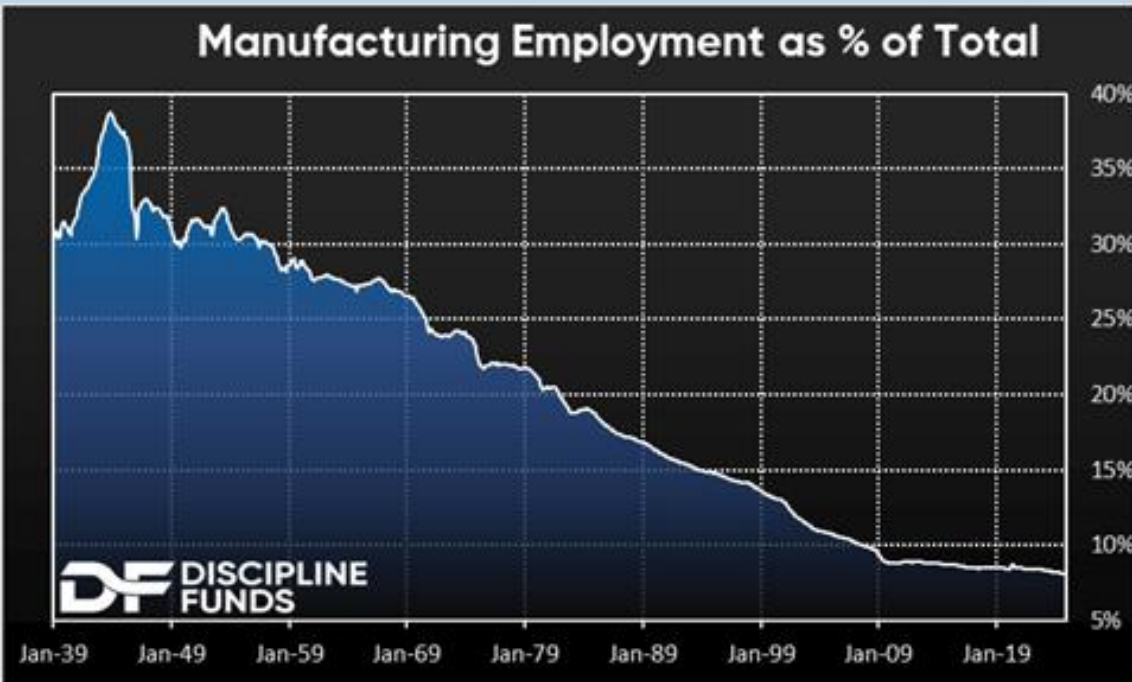
Affected goods as a % of total imports

Item	Canada	China	Mexico	Affected goods	Rest of world
Fresh vegetables	21%	1%	69%	91%	9%
Avocados	0%	0%	90%	90%	10%
Beer	1%	0%	83%	84%	16%
Toys, games & sports equipment	1%	73%	4%	78%	22%
Berries	5%	0%	67%	72%	28%
Poultry products and eggs	66%	1%	3%	70%	30%
Baked goods, cereals, & pasta	44%	1%	20%	65%	35%
Wood/wood products	49%	8%	3%	60%	40%
Pork & pork products	51%	0%	9%	60%	40%
Mineral fuel/oil	51%	0%	7%	58%	42%
Furniture, bedding, light fixtures, etc	8%	28%	19%	55%	45%
Vehicles and parts	13%	4%	36%	53%	47%
Distilled spirits	5%	0%	46%	52%	48%
Electric machinery	2%	26%	19%	47%	53%
Condiments & sauces	19%	6%	18%	43%	57%
Salt, sulfur, earth, stone, cement plaster	26%	6%	10%	43%	57%
Nuclear reactors, boilers (big machinery)	6%	16%	20%	42%	58%

Why Tariffs?

Given that tariffs raise the prices on goods that we regularly use, why use them? Trump has discussed his support of tariffs all the way back to the 1980s, explaining how we've been shipping American jobs to other countries, and in many cases are being taken advantage of by those other countries. The charts below highlight how our manufacturing sector as a % of total employment has been falling while tariff rates have gone down. Tariffs are designed to make foreign goods less attractive by making them more expensive, which could bolster various industries here at home.

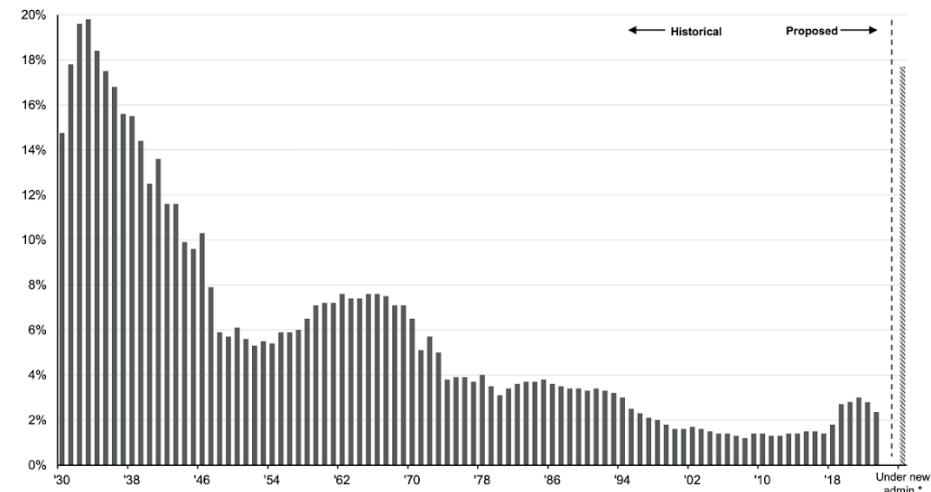
The counter argument is that the US has transitioned to primarily a tech and services economy. Manufacturing was a dominant industry when we were an emerging economy but is no longer our core competency and shouldn't be. Manufacturing is still huge in America. At \$2.5 trillion this sector is larger than the entire Canadian economy. But as a % of everything else we do, it's gone down significantly over time. Tariffs are an effort to reverse that.



Tariff Rate on U.S. Goods



Average tariff rate on U.S. goods imports for consumption
Duties collected / value of total goods imports for consumption



Source: J.P. Morgan Asset Management, Tax Foundation, United States International Trade Commission, U.S. Department of Commerce, chart recreated by Ritholtz Wealth Management

DeepSeek Spooks the Market



On January 20th, a little Chinese startup called DeepSeek released an AI model that caused a major stir in markets. They showed that their model was able to perform similarly to the top American AI models at a fraction of the cost. When the market opened, Nvidia fell about 17%, which given its size was a loss of over \$500 billion in market value (about the size of Visa). This was the largest value loss in history, doubling the 2nd largest loss from...Nvidia... just 5 months prior.

Nvidia has been the darling of the stock market for a while but is no stranger to volatility. It now boasts 8 of the 10 largest single day market cap losses in stock history.

Biggest Single-Day Market Cap Losses

	Firm	Biggest single day market cap losses	Date
1	Nvidia	-\$589B	1/27/25
2	Nvidia	-\$279	9/3/24
3	Meta	-\$251	2/3/22
4	Nvidia	-\$228	1/7/25
5	Nvidia	-\$212	4/19/24
6	Nvidia	-\$208	6/24/24
7	Amazon	-\$206	4/29/22
8	Nvidia	-\$205	7/17/24
9	Nvidia	-\$205	7/24/24
10	Nvidia	-\$197	8/29/24

Source: Bloomberg Bloomberg

DeepSeek Cont'd

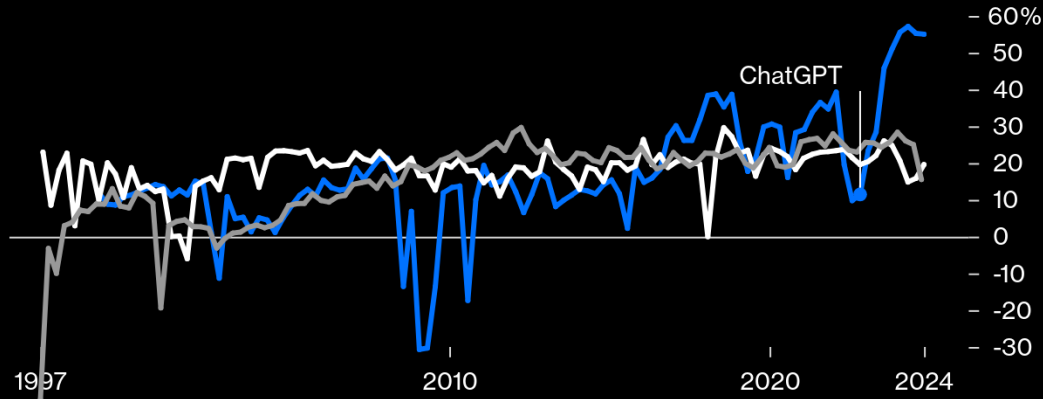
Nvidia crashed because it sells most of the chips needed to build these AI models. Currently, since they make the best chips and there is so much demand for them, they get to sell their chips at a 50-60% profit margin! Apple is one of the most profitable businesses in history and only had a 20-30% margin. If DeepSeek can build a good model with only a fraction of those chips, perhaps that incredible demand goes away...

Another aspect of this story is the energy side. It takes an incredible amount of energy to run the datacenters that house these chips. If the AI builders need less of them, then they also need less energy. Constellation Energy, an energy producer, fell 20% on the news. Since the crash, both stocks have partially recovered, but it's marked a major shift in the potential risks these AI giants face, and reveals how dependent the overall market is to them.

Can Nvidia Keep Making Money?

Since ChatGPT, Nvidia has enjoyed unprecedented profitability

■ Nvidia Profit Margin ■ Cisco Profit Margin ■ Apple Profit Margin



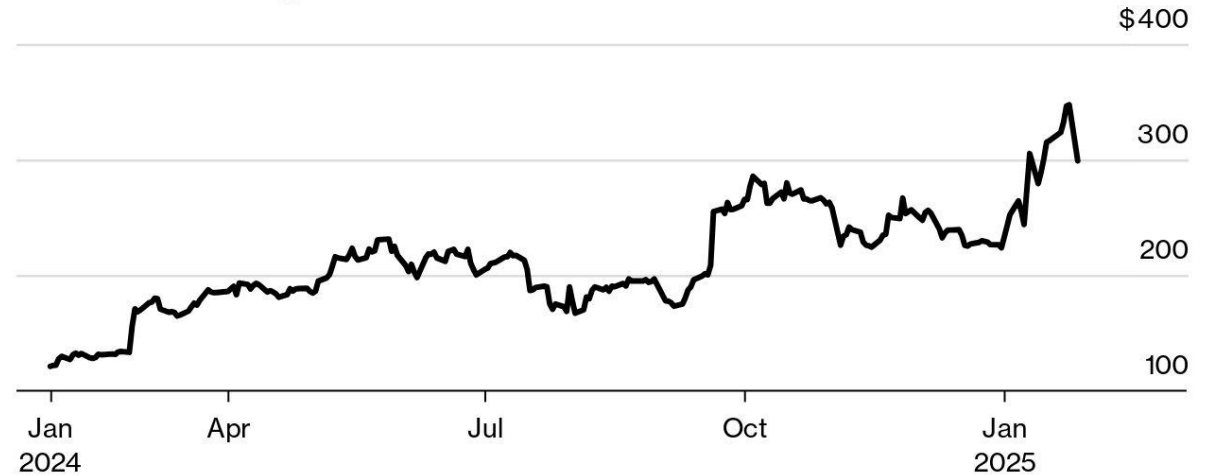
Source: Bloomberg

Note: Two Cisco loss-making quarters excluded for legibility

Bloomberg Opinion

Constellation Set to Sink as DeepSeek Update Triggers Selloff

■ Constellation Energy



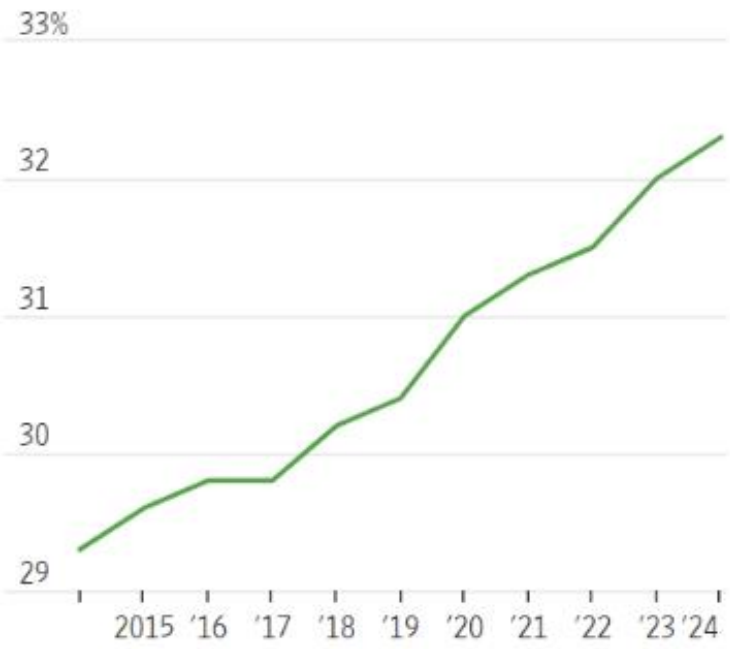
Source: Bloomberg

Note: includes Jan. 27 premarket data

Bloomberg

Housing Unaffordability Continues

Share of average mortgage payment going to taxes and insurance

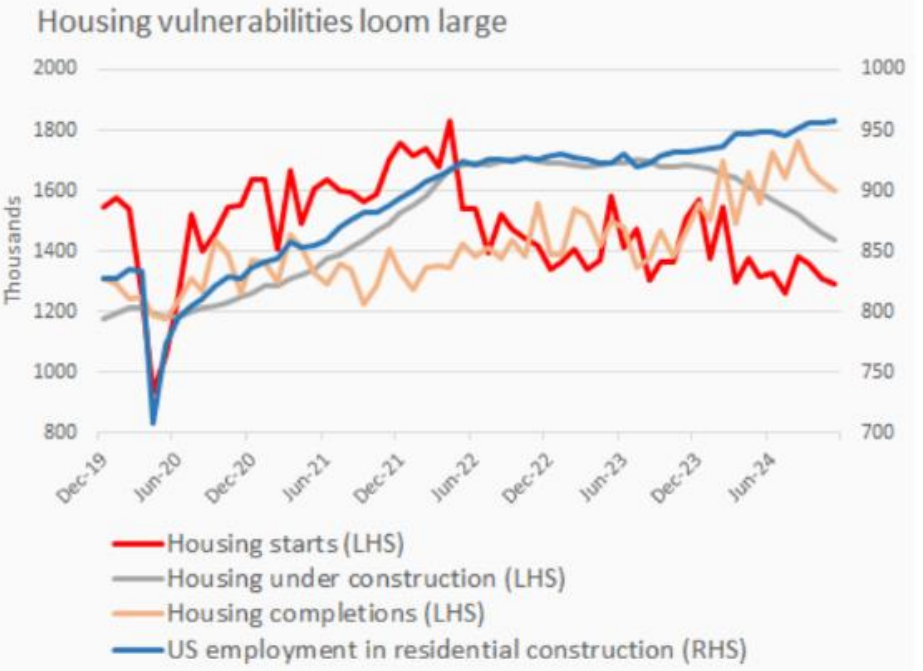


Note: Single-family mortgages that escrow property-tax and home-insurance payments. 2024 data as of September.

Source: Intercontinental Exchange

The U.S. does not build enough homes. The chart below shows that housing starts and houses currently under construction are steadily falling. This has huge ramifications for the cost of homes going forward. High interest rates only exacerbate the issue by making construction expensive and limiting demand with high mortgage rates.

In addition to home prices and rates staying high, taxes and insurance costs are going up. The chart on the left shows the share of mortgage payments going to taxes and insurance steadily rising over time.



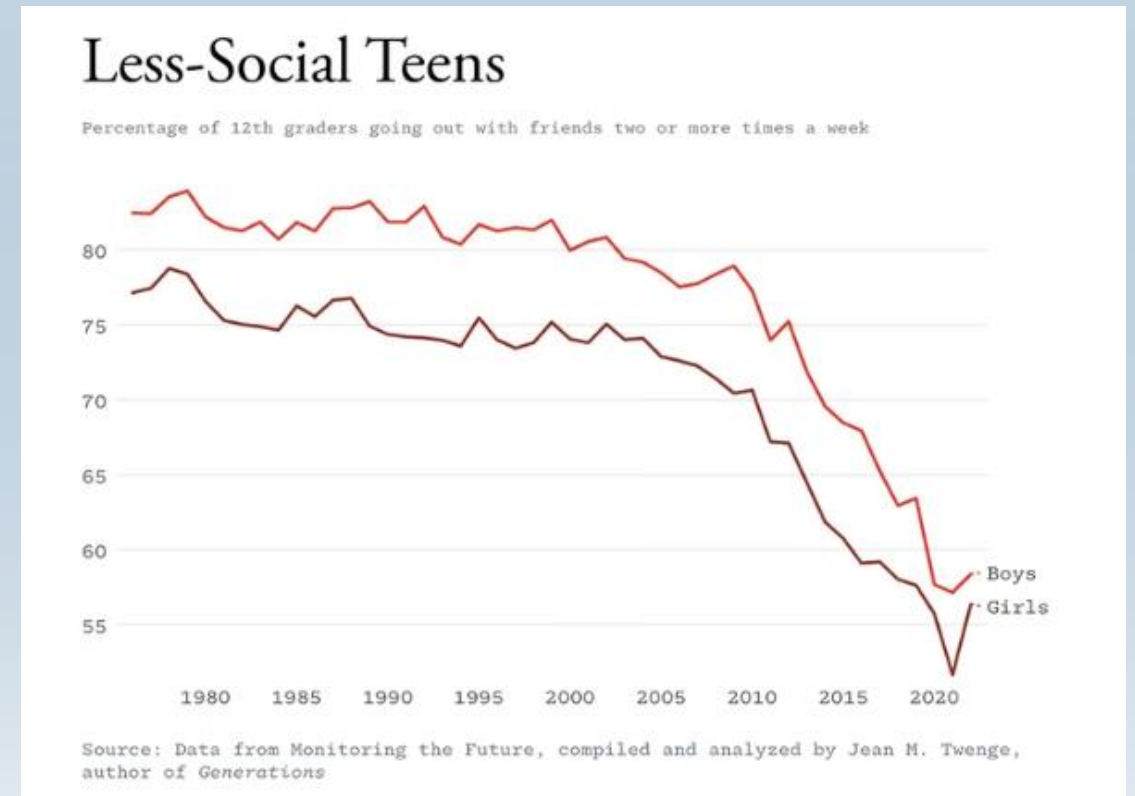
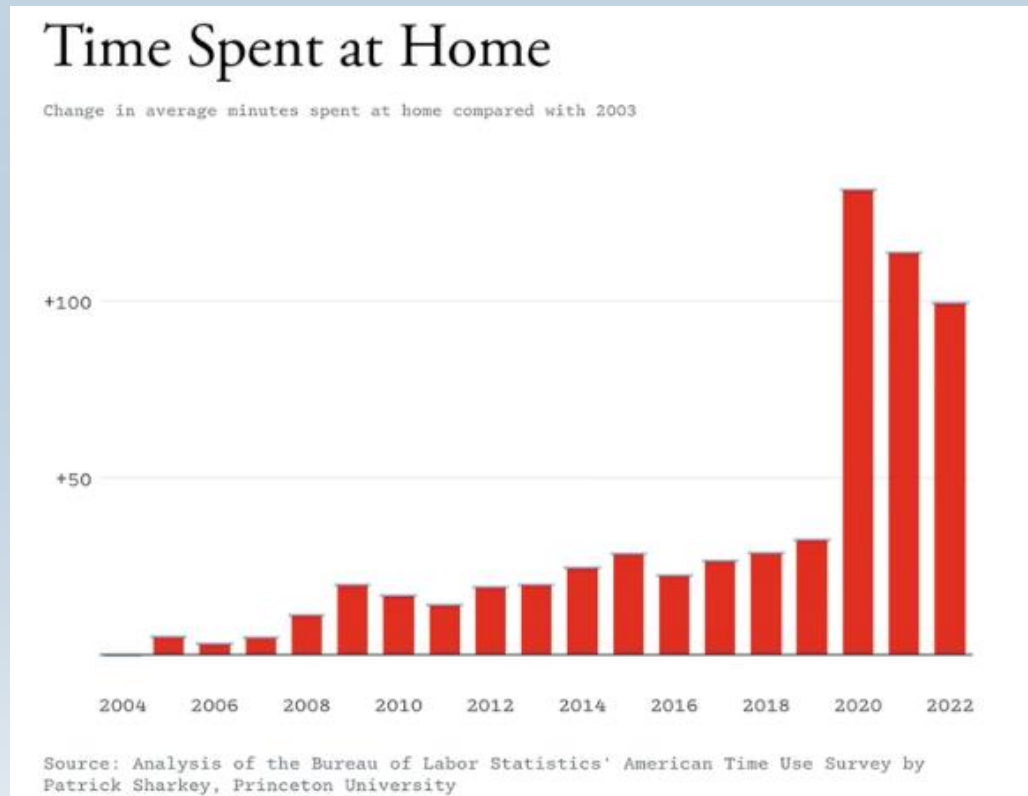
Source: BLS, Census Bureau.



Social Behavior is Changing

Unrelated to the economy, I found the following charts interesting, if not a bit depressing. Though people are more connected than ever with the internet and social media, they are arguably more isolated than ever. Part of this is a major shift from Covid, where Americans are now spending much more of their time at home. In addition, teens are hanging out with their friends in person much less than before, starting right around the early 2000's. A few other interesting facts below:

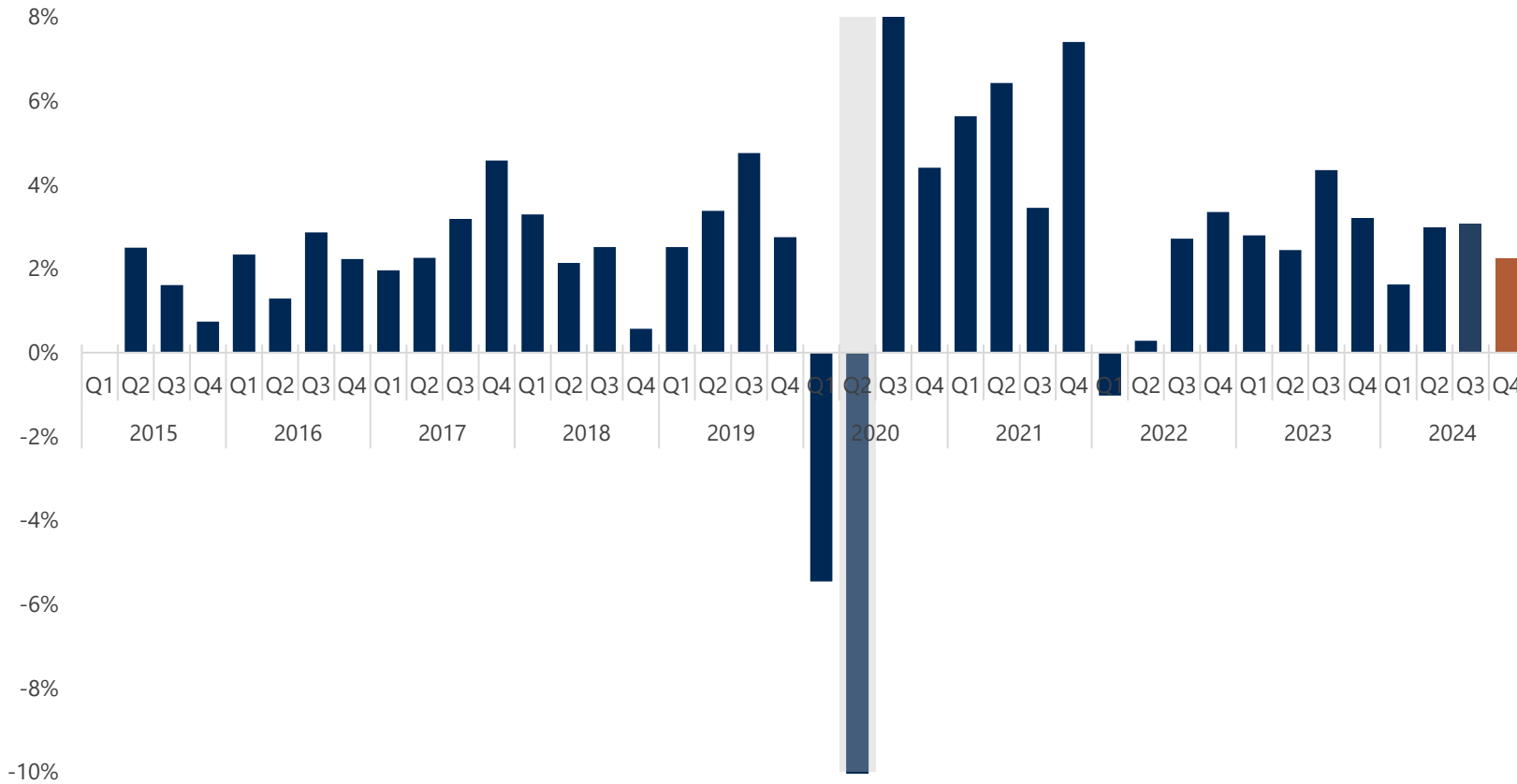
- 74% of all restaurant traffic is takeout or delivery (up from 61% pre-Covid)
- The share of people have dinner or drinks with friends on any given night has declined by more than 30% in the past 20 years.
- Adults now spend an additional 99 minutes at home on any given day compared with 2003.



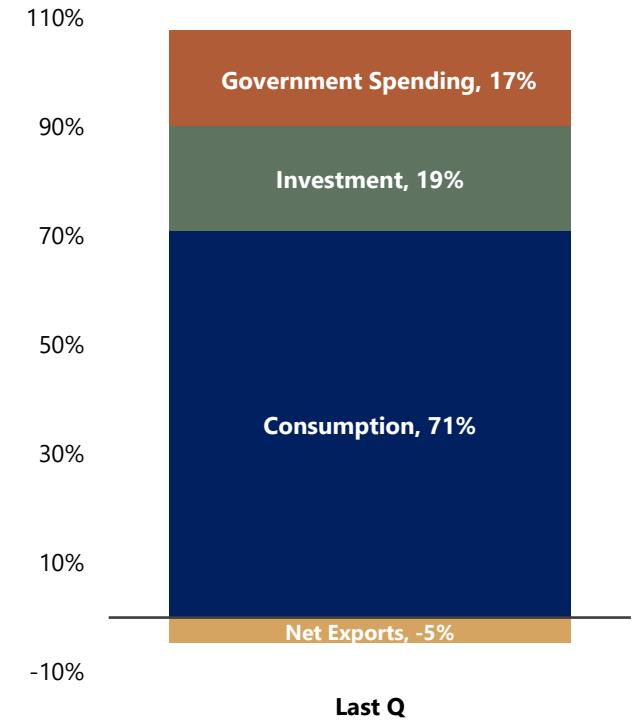
WJ State of the Economy

Q4 GDP was 2.3%, 2.8% for the Year

Annualized Real Gross Domestic Product (GDP) % Chg

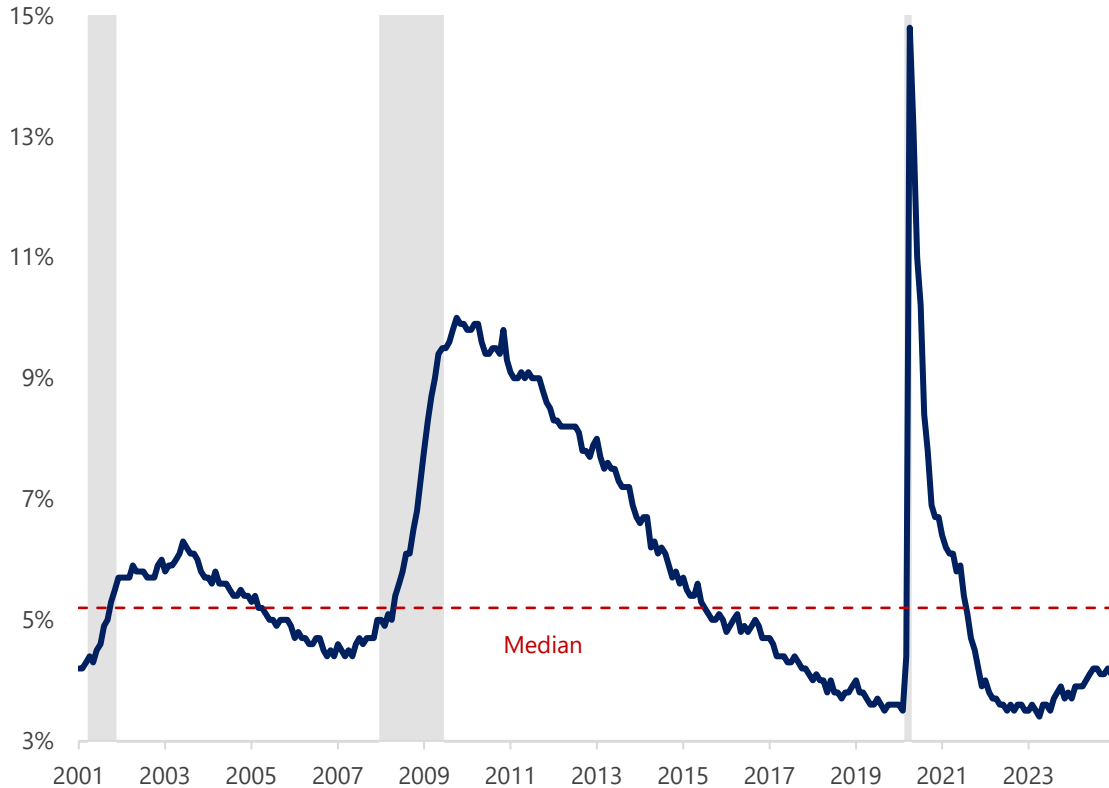


Components of GDP

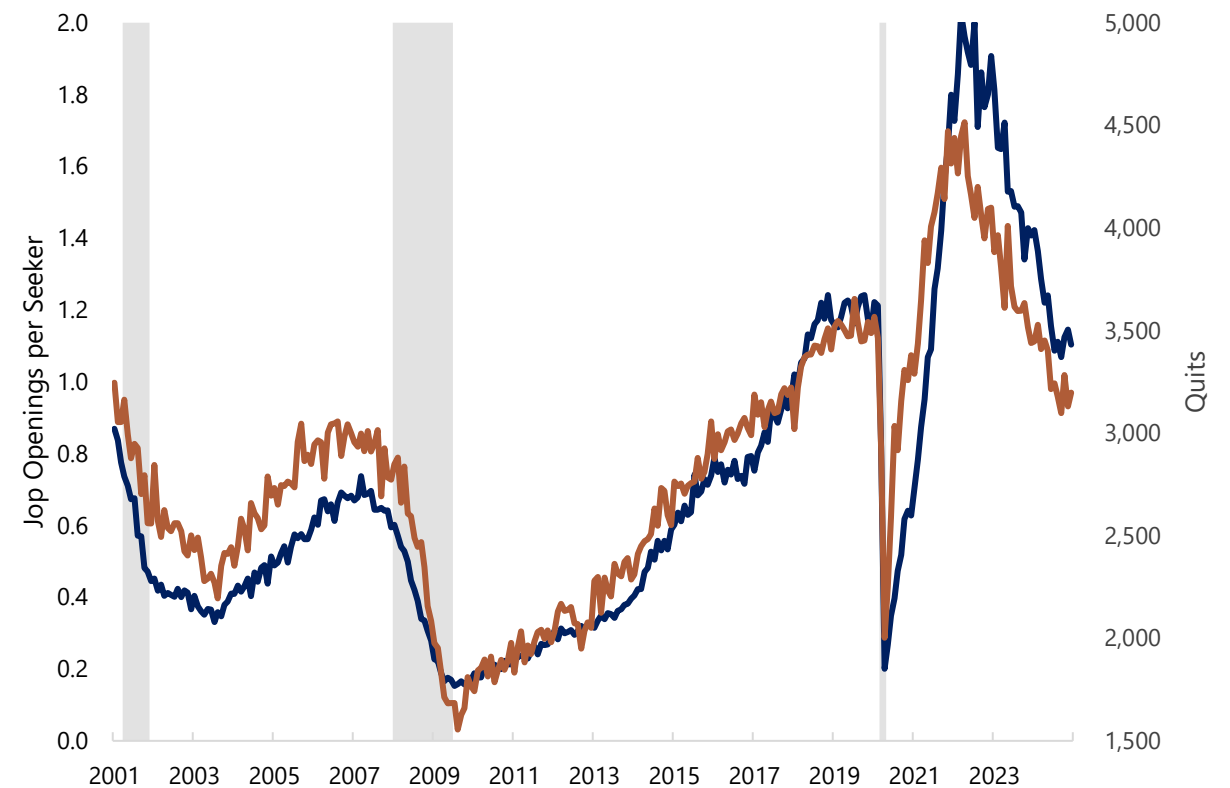


Employment Situation Remains Strong

Unemployment Rate

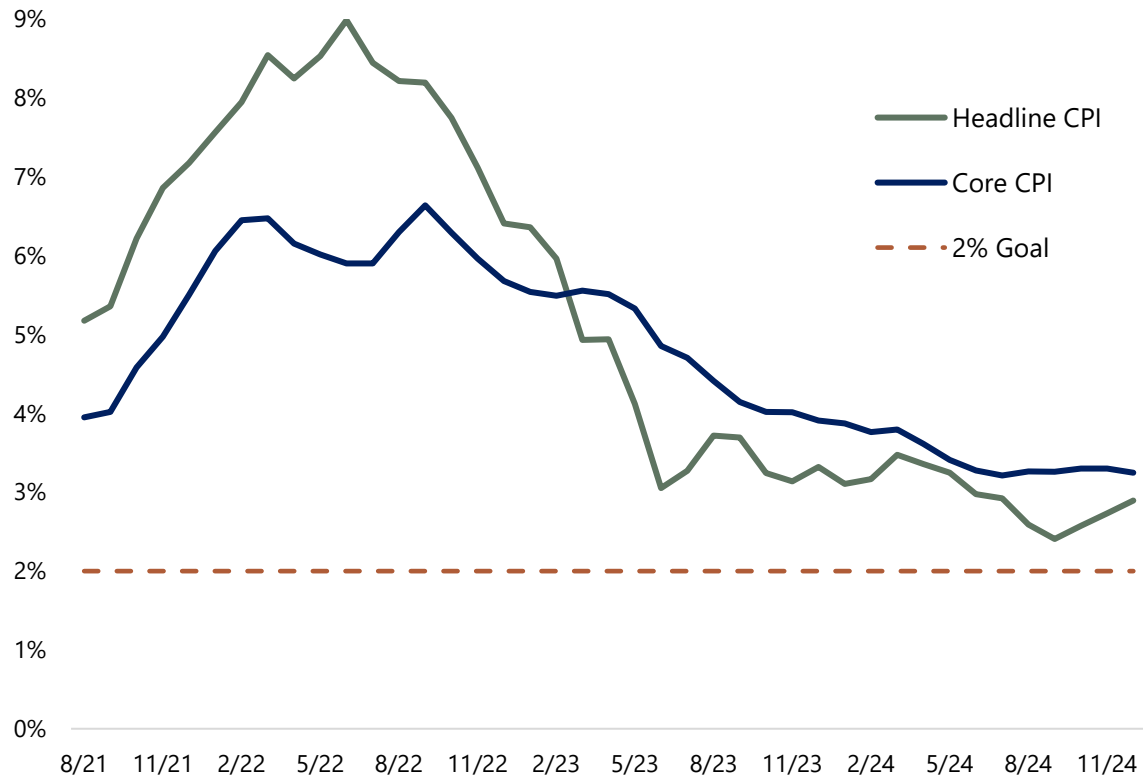


Job Opening per Seeker and Quits

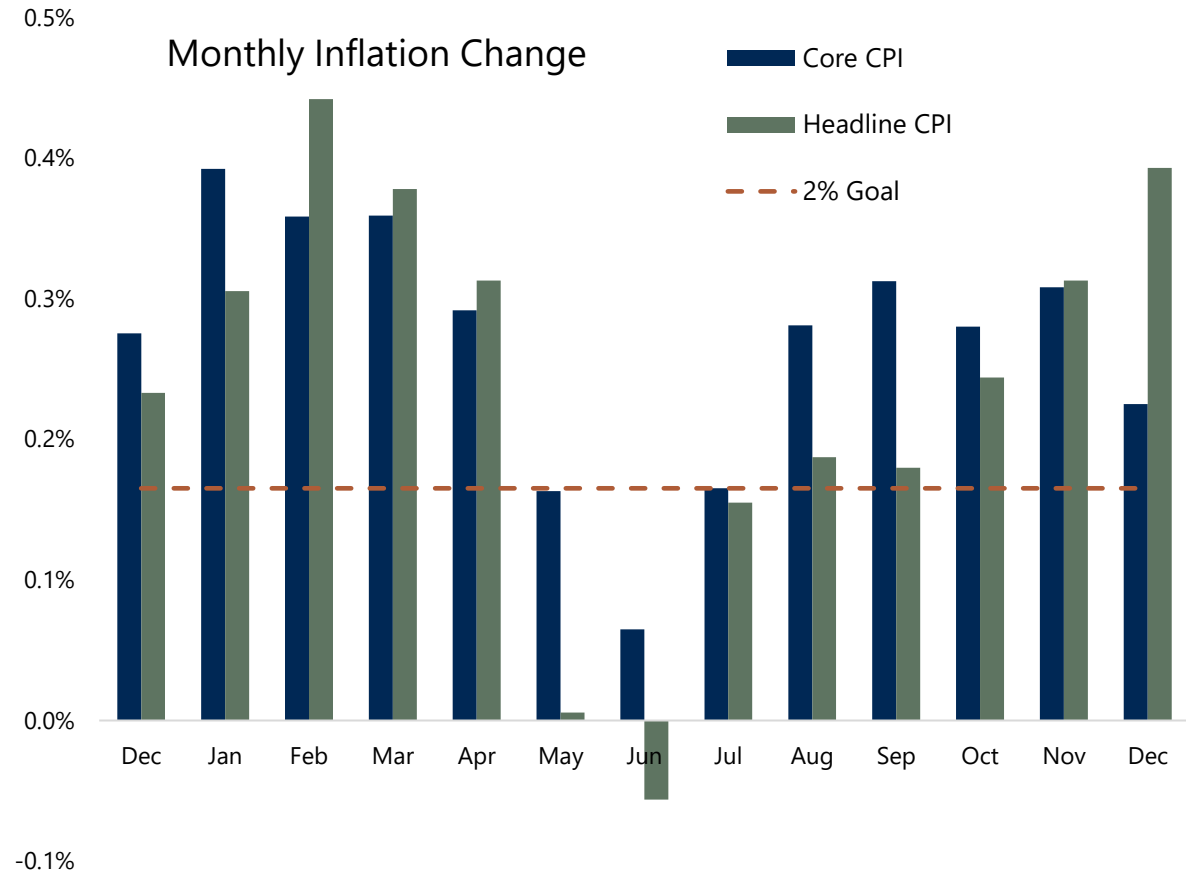


CPI was Below Expectations, But Still High

Annual Inflation Change



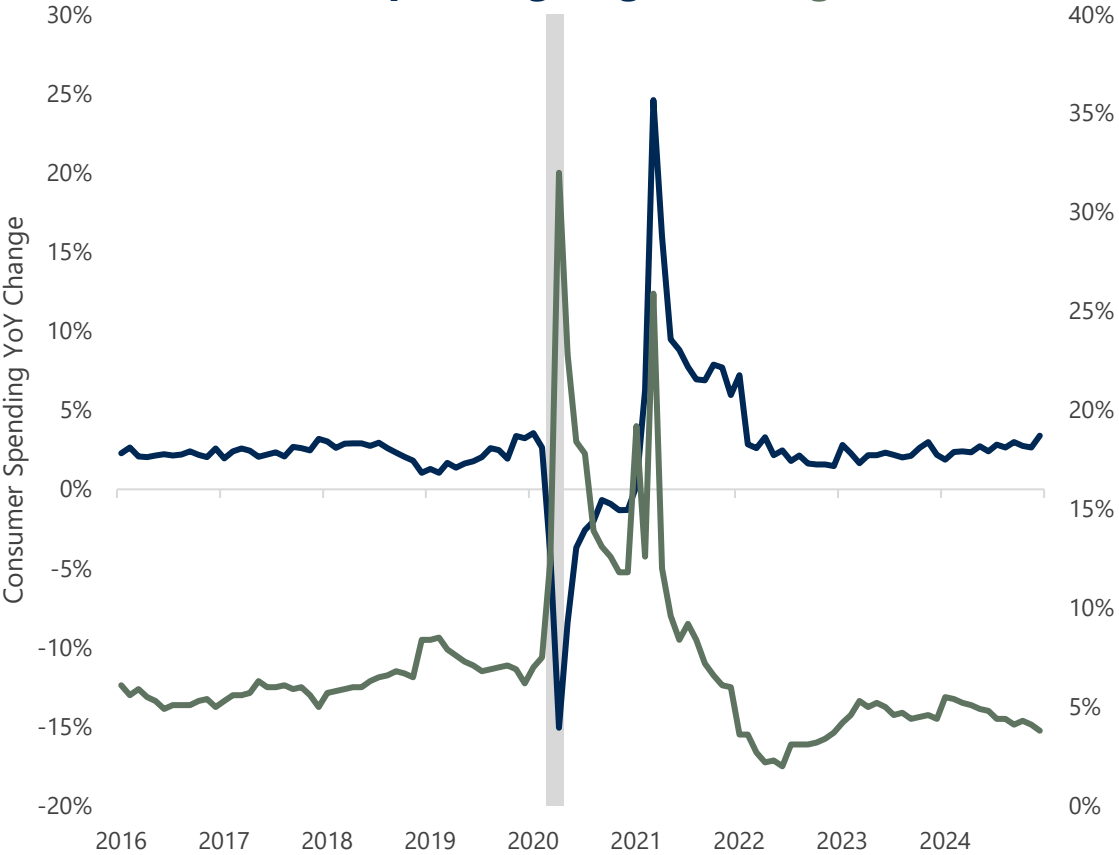
Monthly Inflation Change



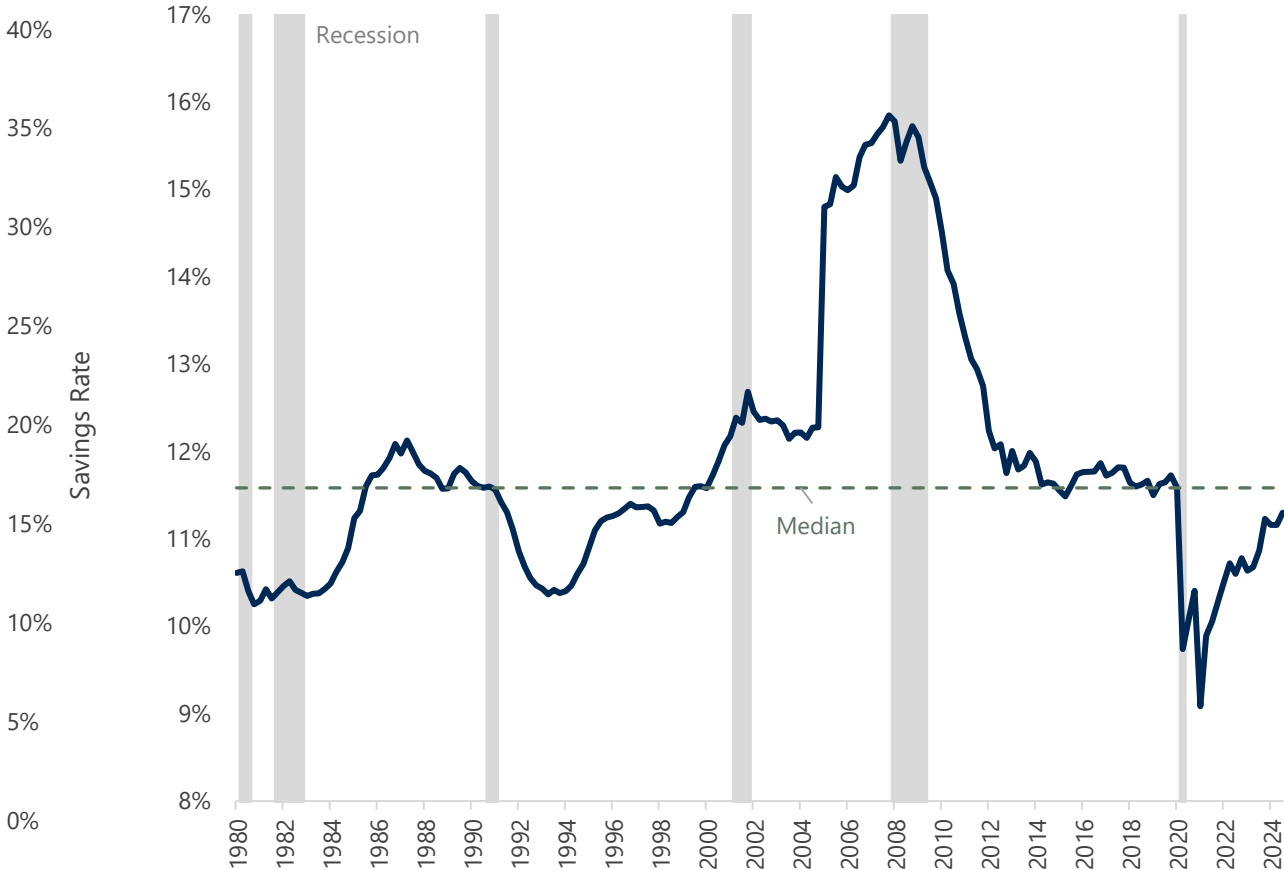
Source: Federal Reserve Economic Database (FRED). Consumer Price Index. Annual CPI Forecasts are made by WJ using past month over month CPI data and extrapolating forward with different growth rates.

Consumer Spending is Rising

Consumer Spending Chg vs Savings Rate



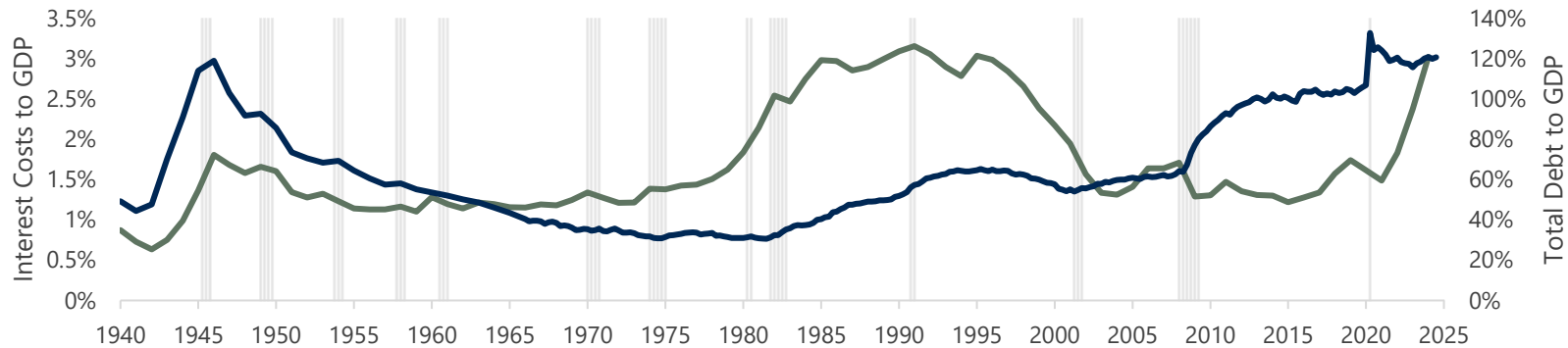
Household Debt Service Payments as % of Income



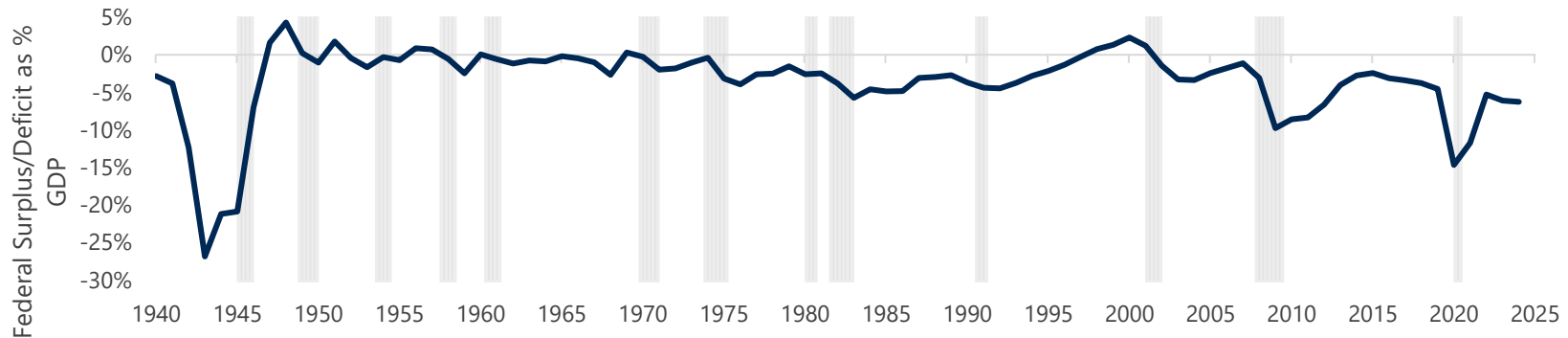
Source: Federal Reserve Economic Database (FRED). Personal Saving Rate plus Real Personal Consumption Expenditures (left) and Household Debt Service Payments as a Percent of Disposable Personal Income (right). Recessions from NBER based Recession Indicators for the United States from the Period following the Peak through the Trough

Interest Costs and the Deficit Rising

Gov't Interest/GDP and Gov't Total Debt/GDP



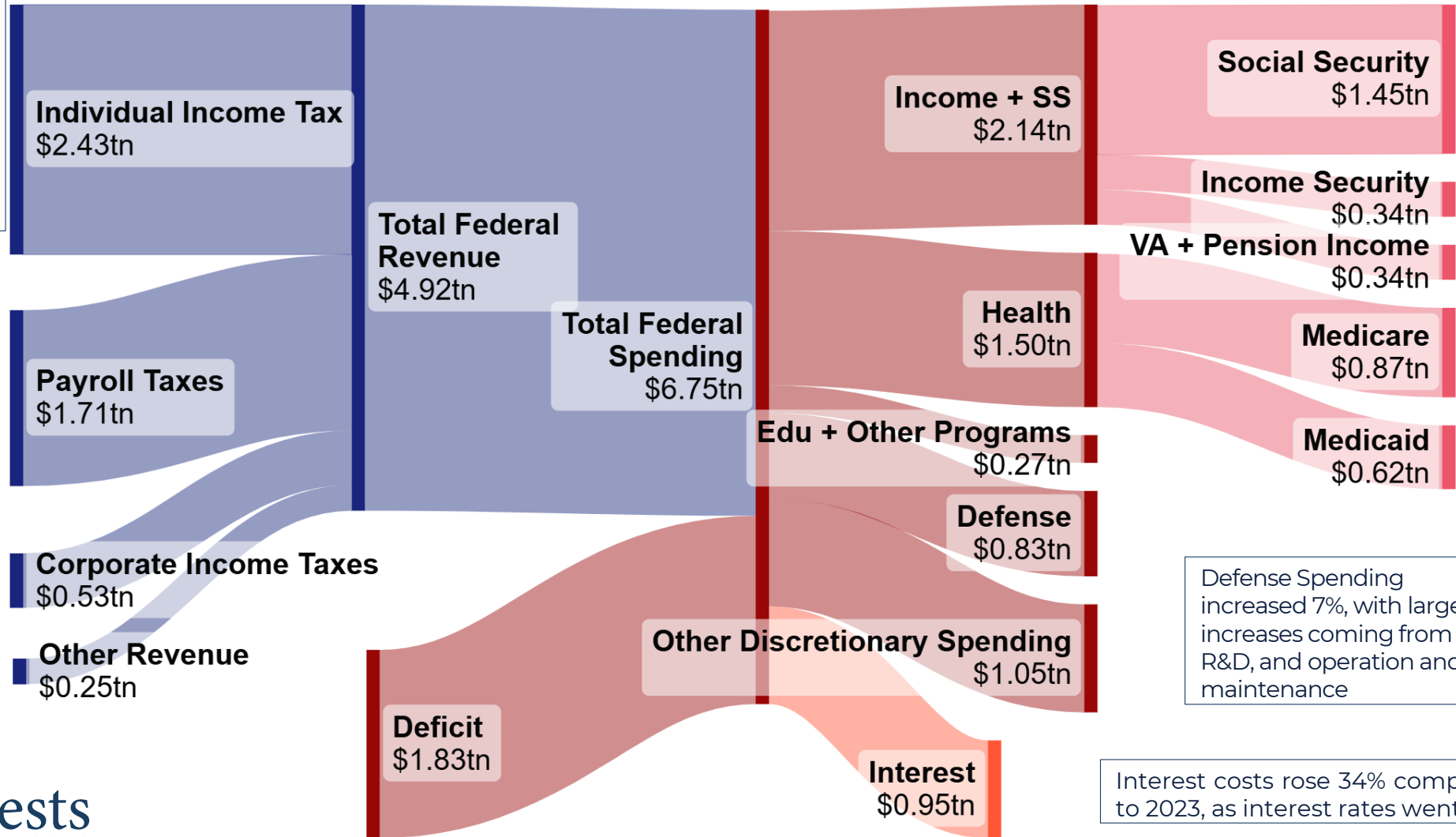
Federal Budget Surplus/Deficit



Government Expenditures 2024

This is an in depth look at how the US makes and spends money. On the spending side, the top 3 categories are known as “mandatory spending” and are unable to change without major reform. That leaves “Defense” and “Other Discretionary Spending” as the two categories congress can change on any year.

Total Receipts were up 11% in fiscal year 2024 compared to 2023. Most of these came from higher income tax receipts, and deferrals from 2023 that were paid in 2024.



Total Outlays were up 10% in fiscal year 2024 compared to 2023

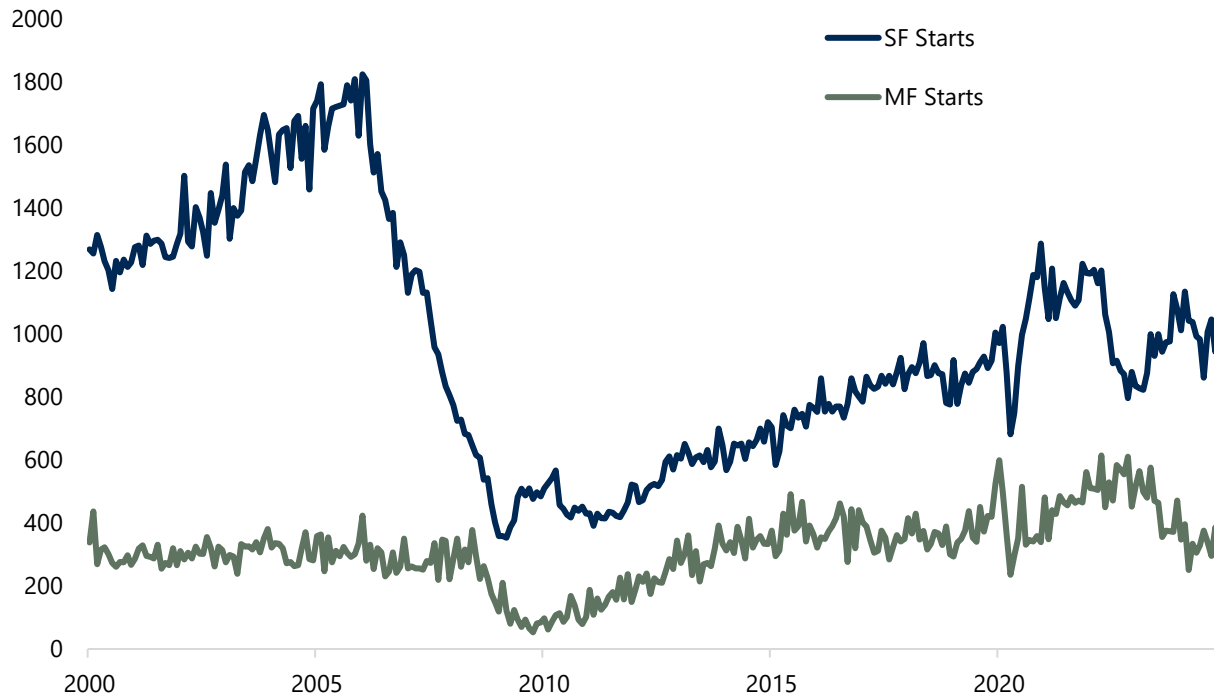
SS and Medicare rose 8% and 9% respectively, due to cost of living adjustments and more beneficiaries.

Defense Spending increased 7%, with largest increases coming from R&D, and operation and maintenance

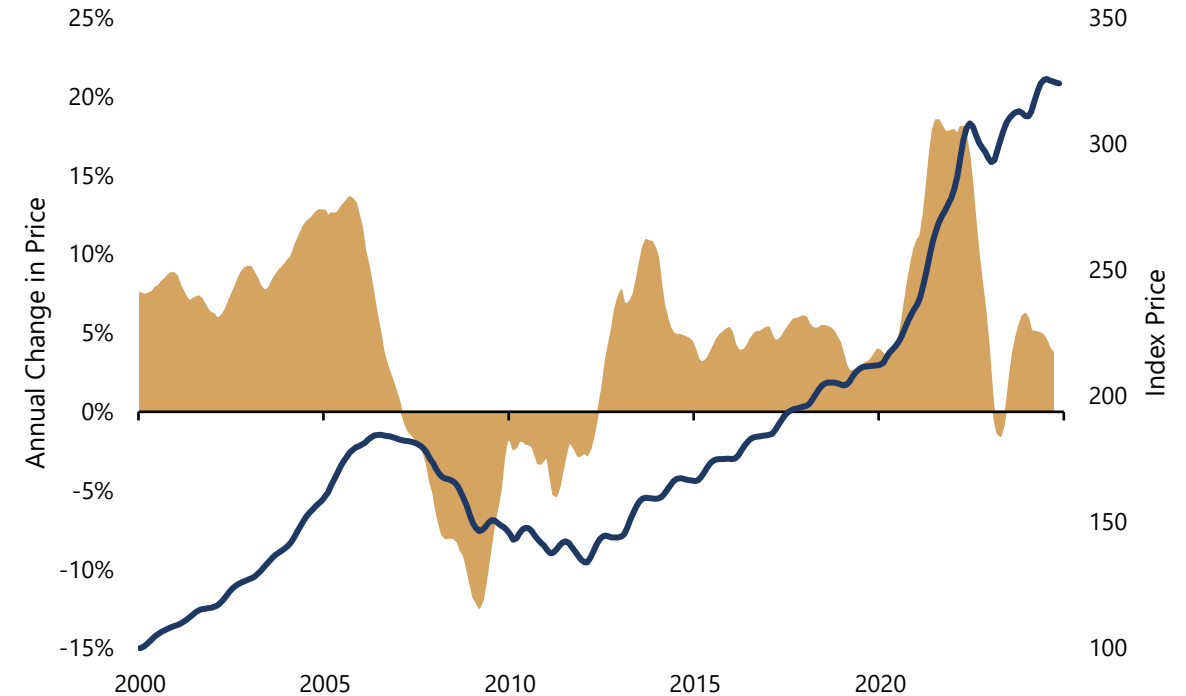
Interest costs rose 34% compared to 2023, as interest rates went up.

Housing Prices High While Starts Low

Housing Starts and Completes



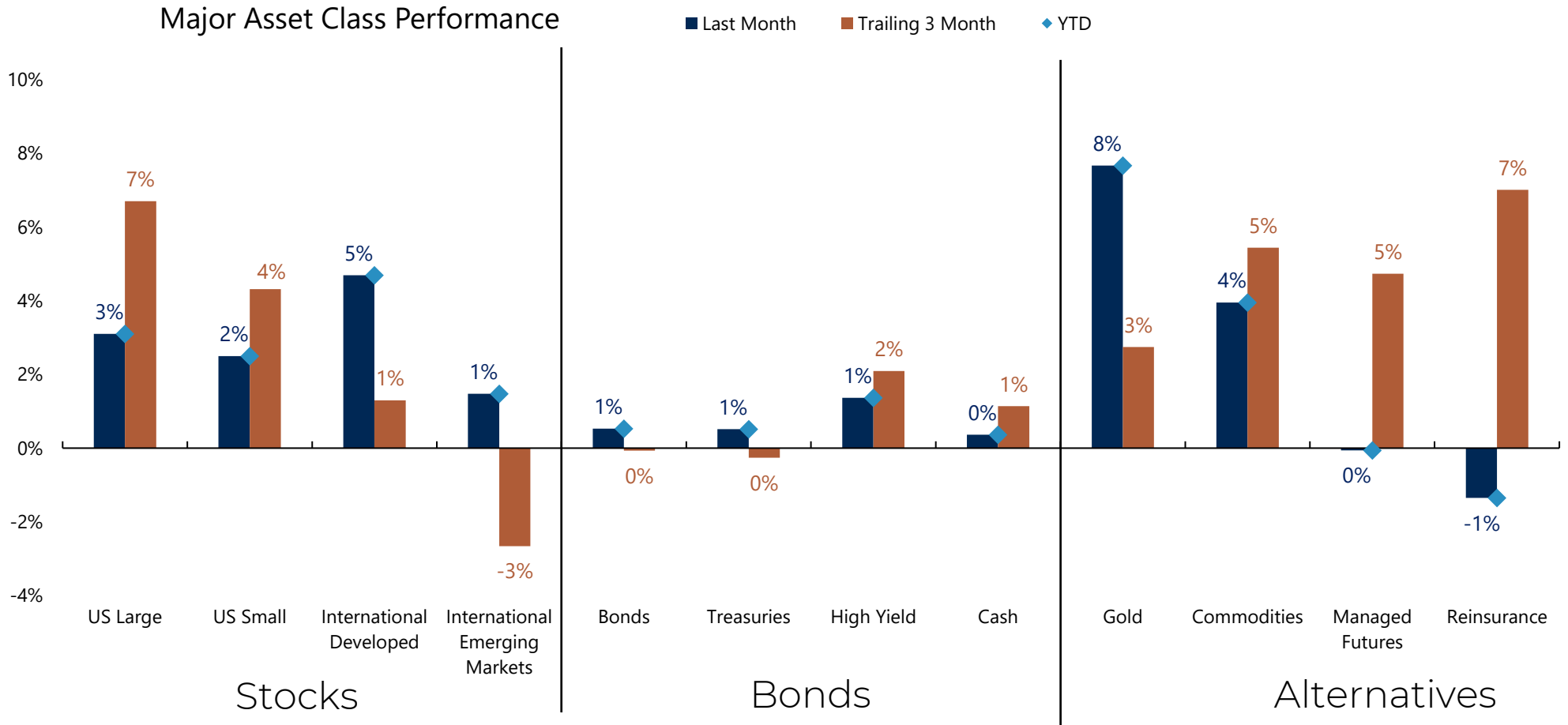
Home Prices



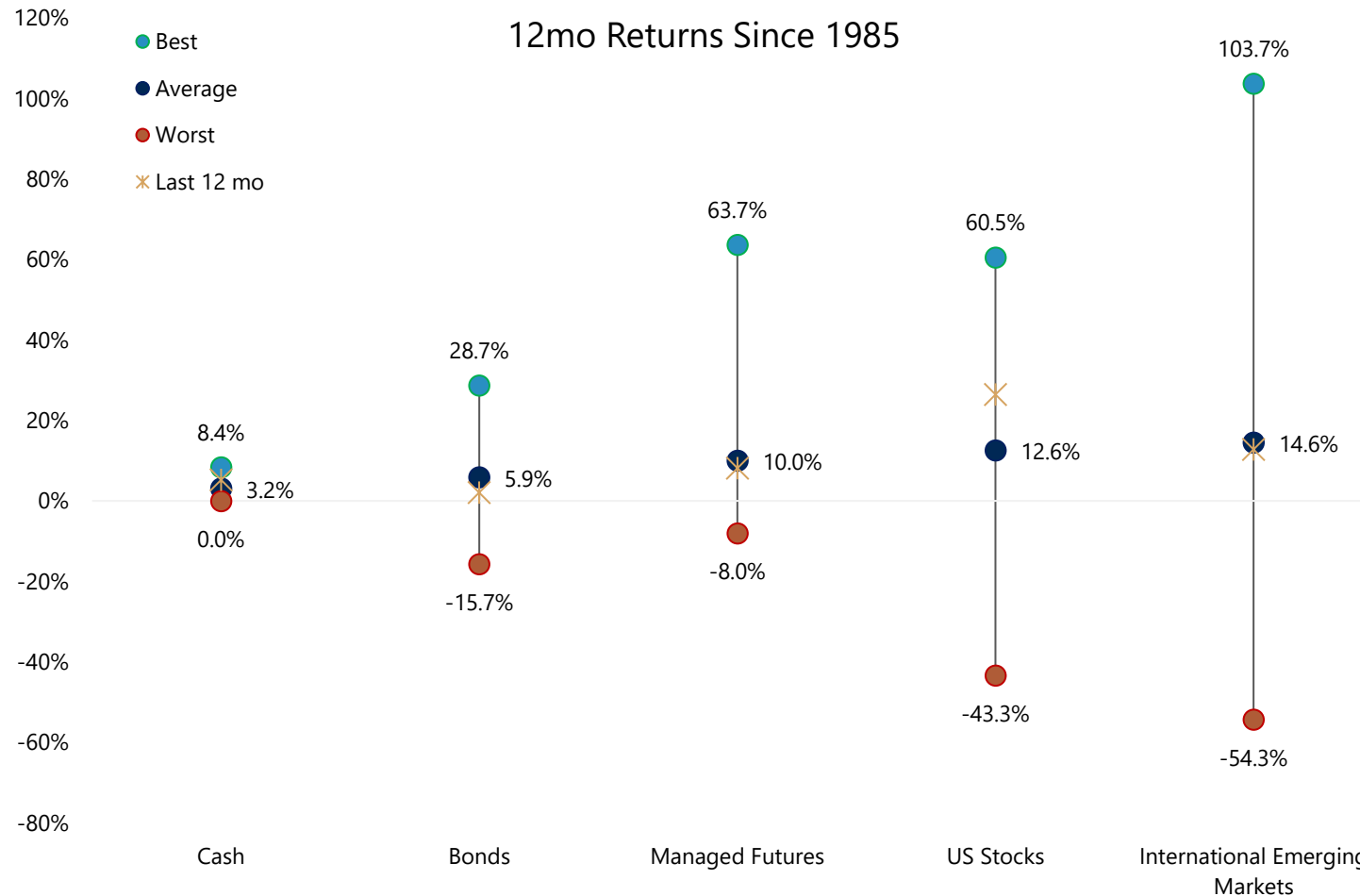
A housing start is the beginning of construction on a new residential housing unit and indicates how much new housing supply is on the horizon. On the right we show home prices over time, as well as the annual rate of change. Prices surged in 2021-2022 but have stopped growing altogether. What they do next will depend on how much pent-up demand there is, and how much housing we build going forward. Note of how significantly starts dropped after the 2008 crisis, and led to the undersupply we have today.

WJ State of the Markets

A Decent Start to 2025





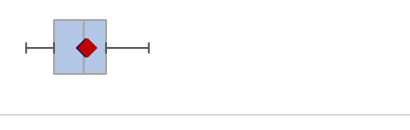
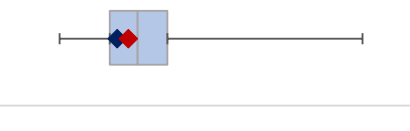


Historical Asset Class Return Range



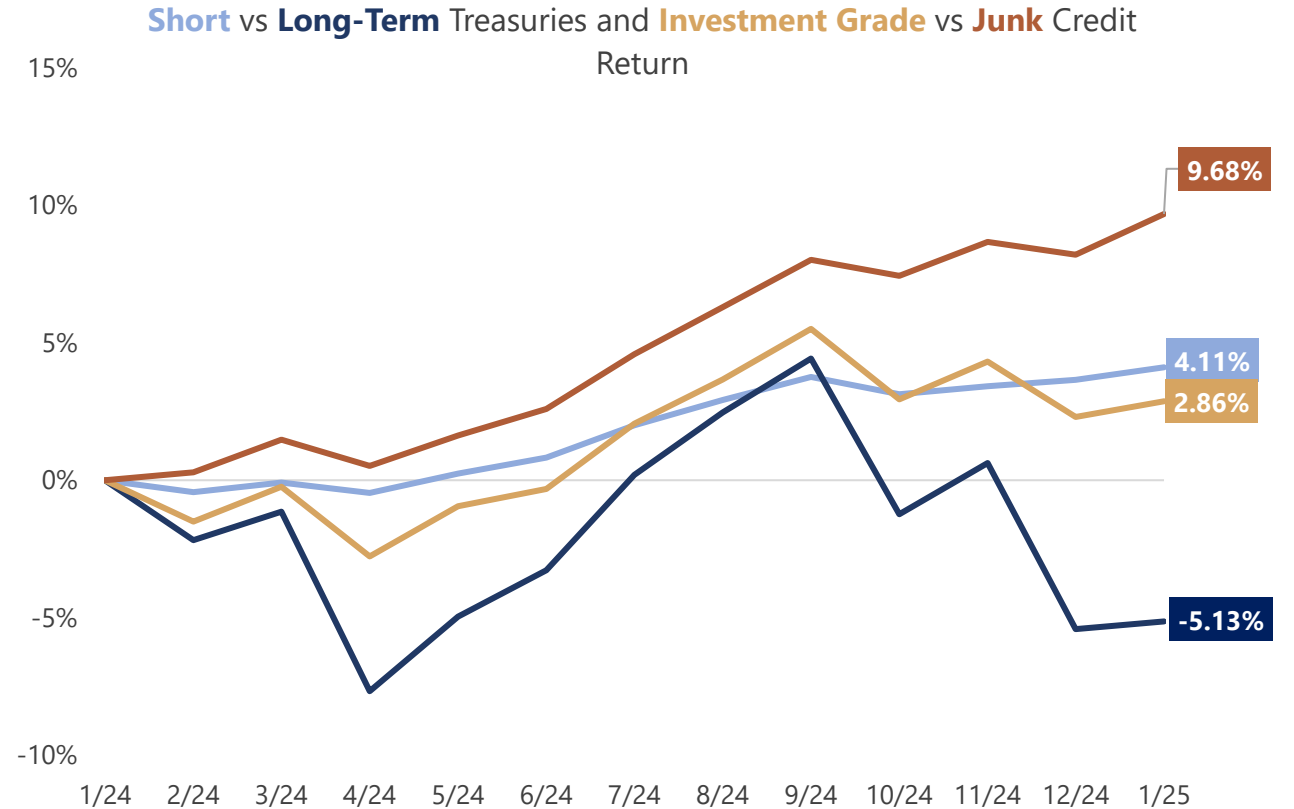
This chart shows the range of 12 month returns historically, by asset class. As you'd expect, the riskier investment leads to a greater potential gain, as well as loss.

The X on the line represents the last 12 months.

Bonds Were Cruising Until Q4

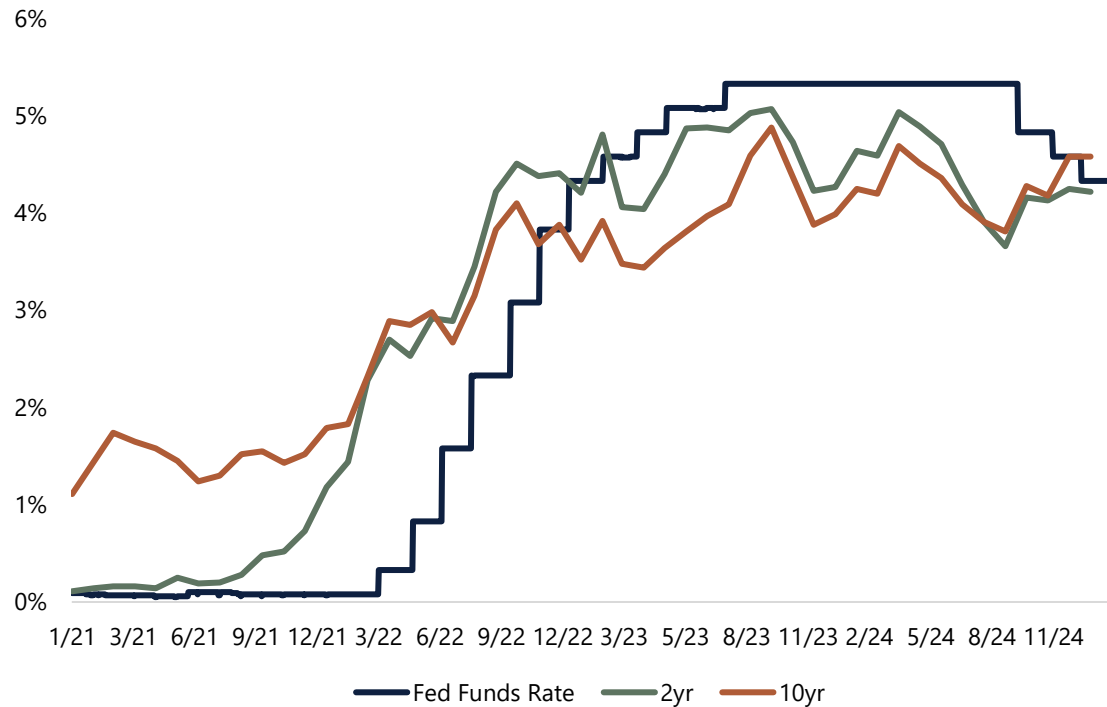
Bond Type	Yield (%)			Yield History
	Last Month	Last Year	Change	
ST Treasury	4.22	4.67	-0.45	
LT Treasury	4.88	4.46	0.42	
Investment Grade	5.3	5.41	-0.11	
High-Yield	7.2	7.86	-0.66	
Mortgage-Backed	5.19	5.12	0.07	
Municipal Bonds	3.68	3.4	0.28	

0% 5% 10% 15% 20% 25%

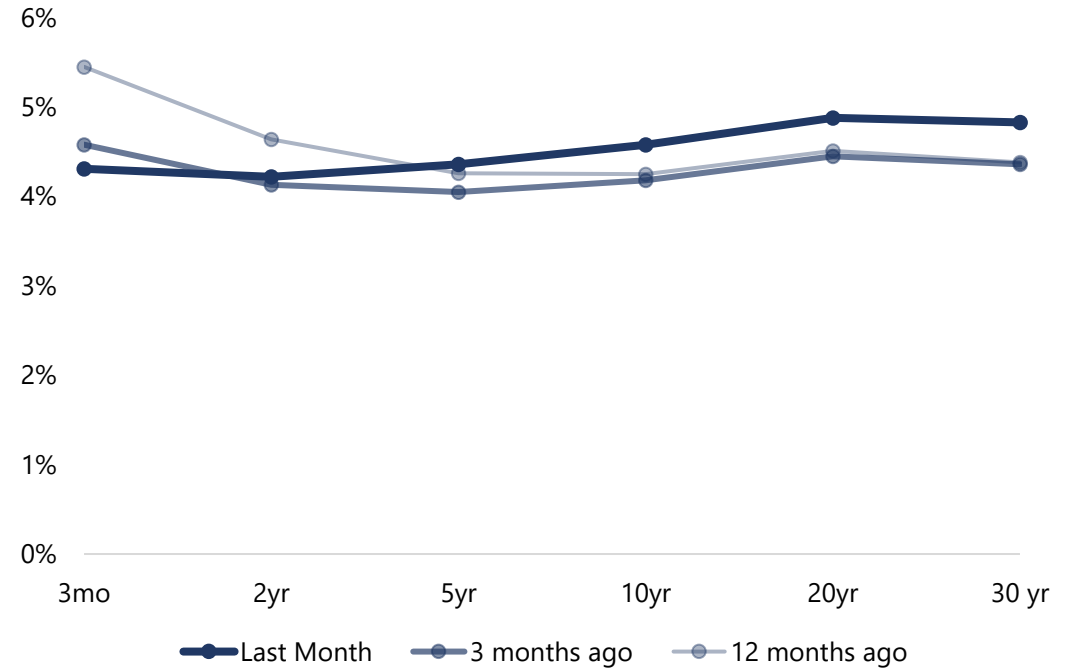


The Yield Curve is Normalizing as Fed Cuts Rates

Key Treasury Yields



Treasury Yield Curve

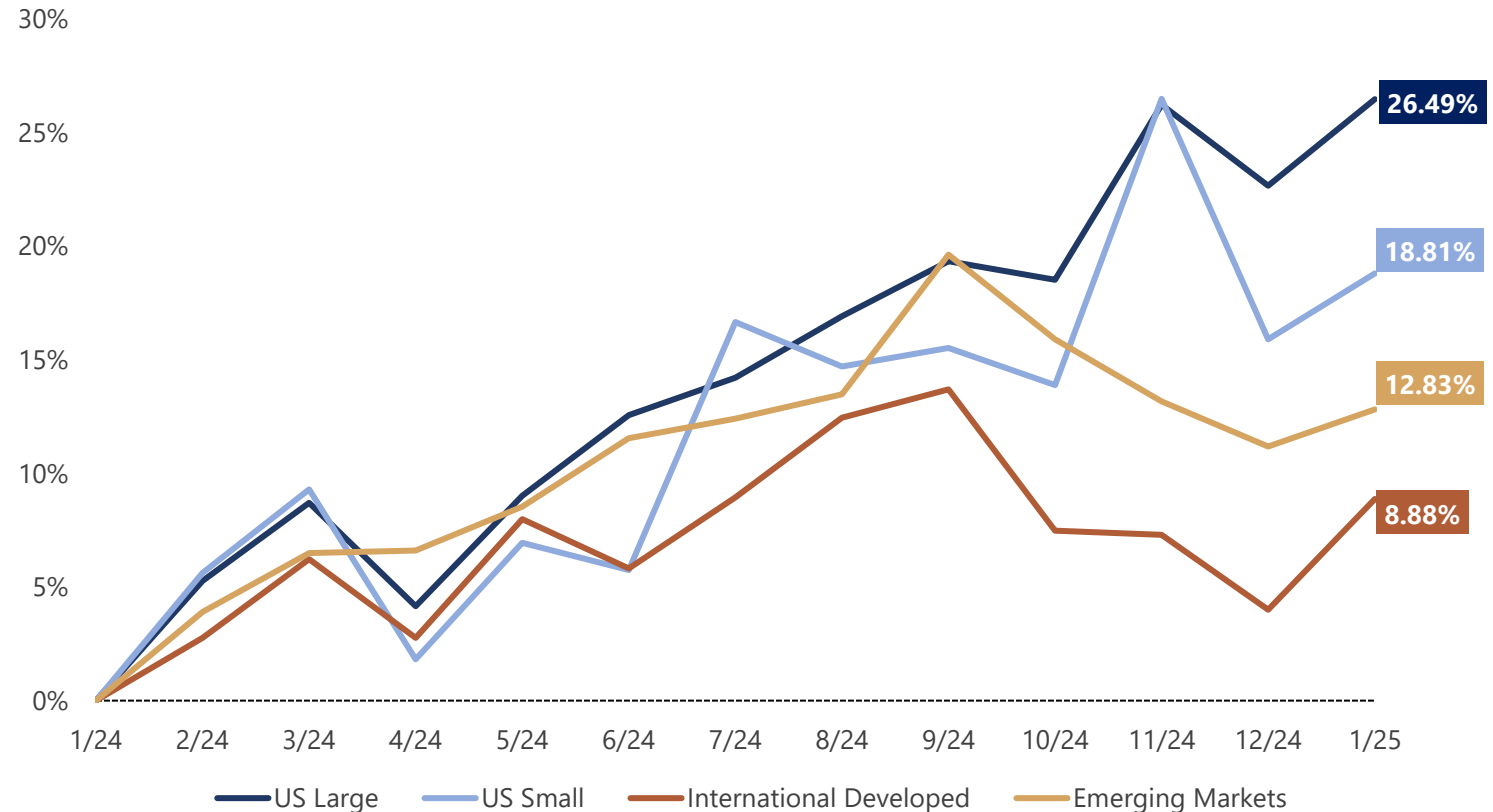


	3mo	2yr	5yr	10yr	20yr	30 yr
Last Month	4.3%	4.2%	4.4%	4.6%	4.9%	4.8%
3 months ago	4.6%	4.1%	4.1%	4.2%	4.5%	4.4%
12 months ago	5.5%	4.6%	4.3%	4.3%	4.5%	4.4%

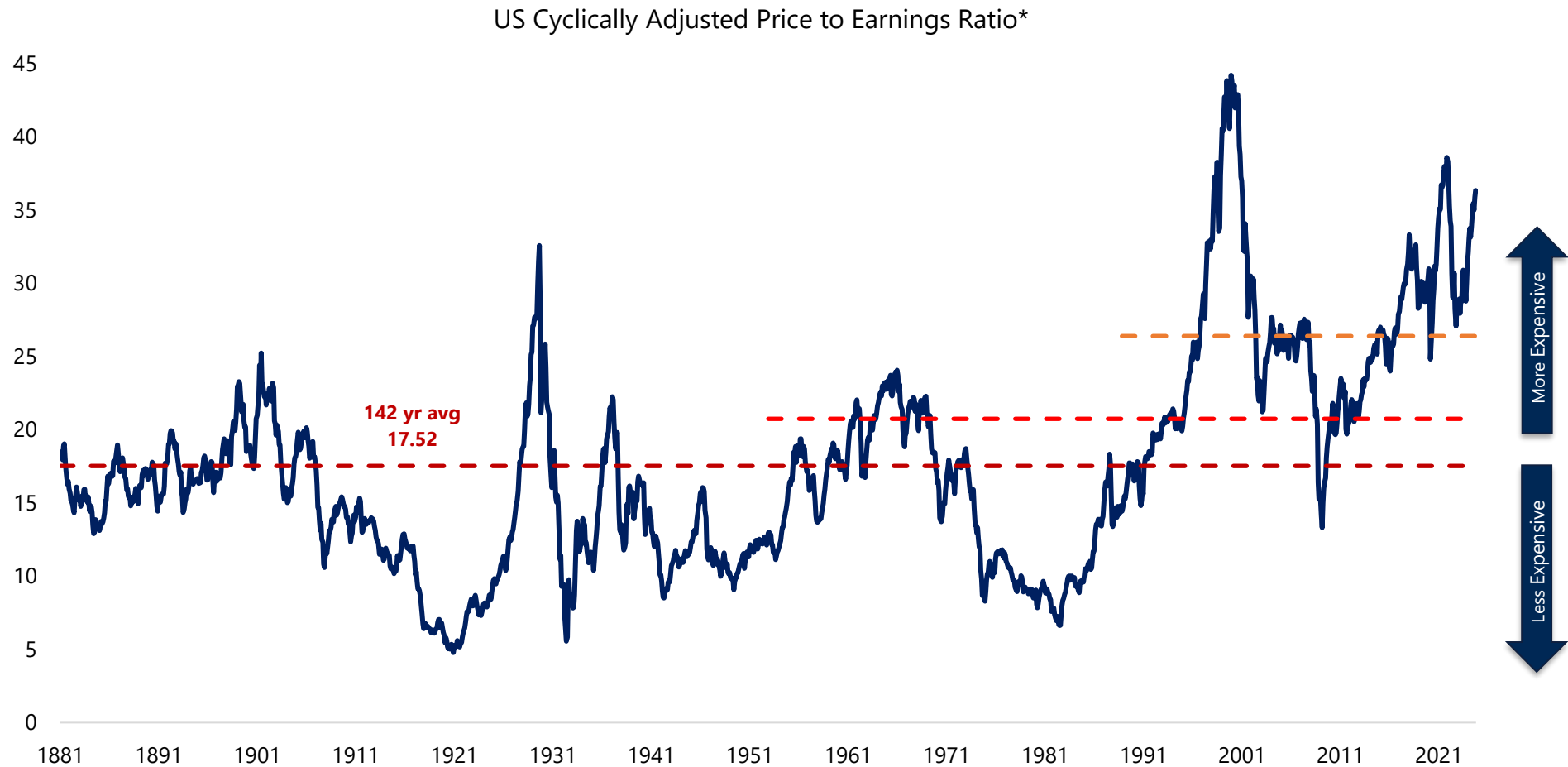
Painful December for Small Caps

	Stock Type	Last Month	Last 3 Months	Last 12 Months
Core	US Large	3.1%	6.7%	26.5%
	US Small	2.5%	4.3%	18.8%
	International Developed	4.7%	1.3%	8.9%
	International Emerging	1.5%	-2.7%	12.8%
Other	US Value	4.6%	3.6%	19.3%
	US Growth	2.0%	9.5%	32.4%
	Nasdaq	2.2%	8.1%	26.1%

US vs International Stock Performance



US Stocks Valuation High Historically

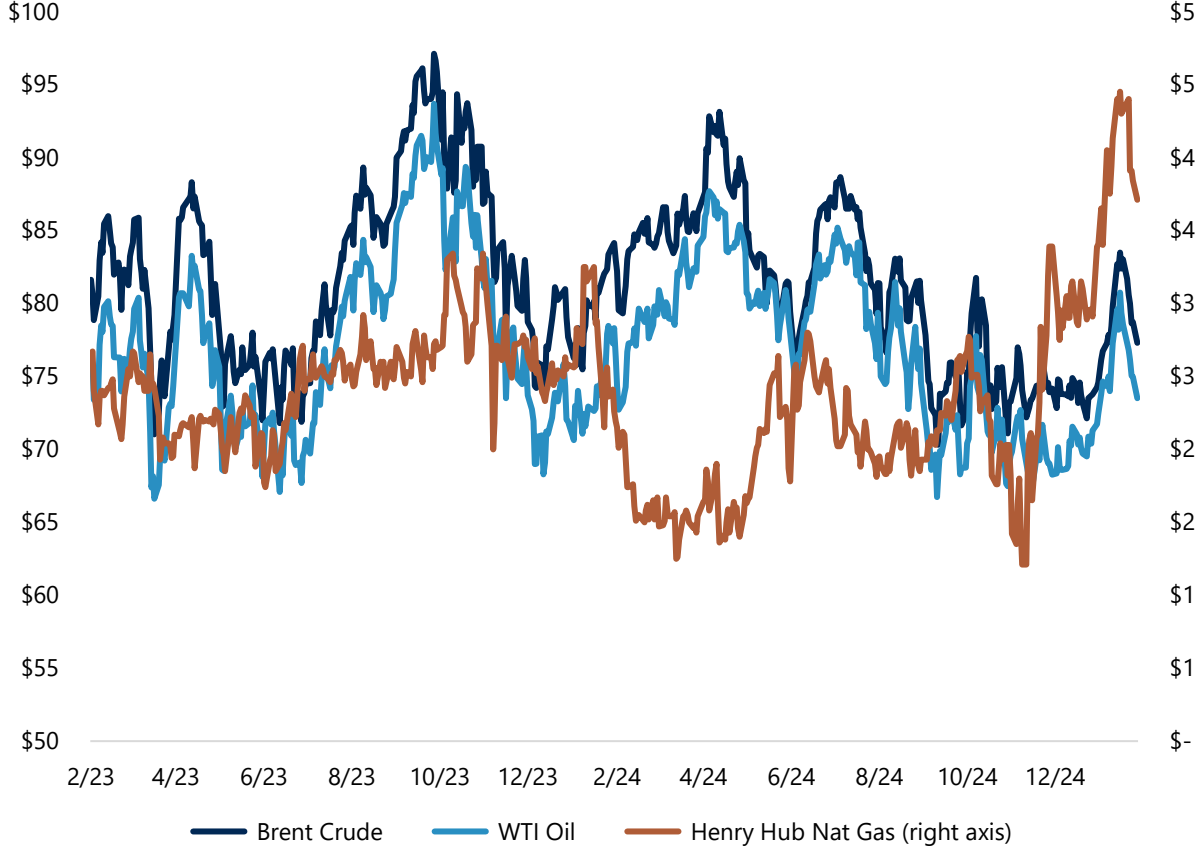


Commodities Slightly Higher

Bloomberg Commodity Index



Energy Prices



Periodic Table of Asset Class Returns



											Through Last Month End 1/31/2025	
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD	5 Yr	10 Yr
Reinsurance 8%	US Small Stock 22%	Intl Emerging Stk 37%	Cash 2%	US Large Stock 31%	US Large Stock 21%	US Large Stock 26%	Trend Following 22%	Reinsurance 44%	Reinsurance 31%	Intl Developed Stk 5%	US Large Stock 15%	US Large Stock 13%
Bonds 2%	US Large Stock 12%	Intl Developed Stk 27%	Bonds 0%	US Small Stock 25%	US Small Stock 20%	US Small Stock 15%	Reinsurance 3%	US Large Stock 26%	US Large Stock 24%	US Large Stock 3%	Reinsurance 15%	US Small Stock 8%
US Large Stock 1%	Intl Emerging Stk 10%	US Large Stock 22%	US Large Stock -5%	Intl Developed Stk 23%	Intl Emerging Stk 18%	Intl Developed Stk 12%	Cash 2%	Intl Developed Stk 18%	TAA 12%	US Small Stock 2%	US Small Stock 9%	Moderate Blended Port 7%
Cash 0%	Reinsurance 6%	TAA 19%	Reinsurance -6%	TAA 20%	Moderate Blended Port 13%	Moderate Blended Port 11%	Bonds -12%	US Small Stock 17%	US Small Stock 11%	Moderate Blended Port 2%	Moderate Blended Port 7%	Reinsurance 6%
Intl Developed Stk 0%	Moderate Blended Port 6%	Moderate Blended Port 17%	Moderate Blended Port -7%	Moderate Blended Port 20%	Intl Developed Stk 8%	TAA 10%	TAA -12%	Moderate Blended Port 17%	Moderate Blended Port 10%	TAA 2%	Intl Developed Stk 6%	Intl Developed Stk 6%
Trend Following 0%	TAA 5%	US Small Stock 15%	TAA -8%	Intl Emerging Stk 18%	Reinsurance 7%	Trend Following 5%	Moderate Blended Port -15%	Intl Emerging Stk 12%	Intl Emerging Stk 7%	Intl Emerging Stk 1%	Trend Following 6%	TAA 5%
Moderate Blended Port 0%	Intl Developed Stk 2%	Bonds 5%	US Small Stock -11%	Bonds 8%	Bonds 7%	Cash 0%	Intl Developed Stk -15%	TAA 12%	Cash 5%	Bonds 1%	TAA 5%	Intl Emerging Stk 4%
TAA -4%	Bonds 1%	Trend Following 2%	Trend Following -13%	Trend Following 4%	Trend Following 3%	Bonds -1%	US Large Stock -19%	Bonds 6%	Intl Developed Stk 3%	Trend Following 0%	Intl Emerging Stk 4%	Cash 2%
US Small Stock -4%	Cash 0%	Cash 1%	Intl Developed Stk -14%	Cash 2%	Cash 0%	Intl Emerging Stk -1%	Intl Emerging Stk -20%	Cash 5%	Trend Following 3%	Cash 0%	Cash 3%	Bonds 1%
Intl Emerging Stk -14%	Trend Following -6%	Reinsurance -11%	Intl Emerging Stk -15%	Reinsurance -4%	TAA -2%	Reinsurance -5%	US Small Stock -20%	Trend Following -3%	Bonds 1%	Reinsurance -1%	Bonds 0%	Trend Following 1%

Disclaimer

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Moderate Blended Portfolio is for illustrative purposes only. It is calculated by taking a weighted average of the following asset classes and represents a moderate risk portfolio incorporating leverage and the asset classes in the table:

27%	US Large Stock	iShares Russell 1000 (IWB)
6%	US Small Stock	iShares Russell 2000 (IWM)
21%	Intl Developed Stock	iShares Core MSCI EAFE (IEFA)
6%	Intl Emerging Stock	iShares Core MSCI Emerging Markets (IEMG)
40%	Bonds	Vanguard Total Bond Market (BND)
-15%	Cash	Morningstar USD 1M Cash TR USD
5%	Reinsurance	Stone Ridge Reinsurance Fund (SRRIX)
5%	Managed Futures	SG Trend Index, PIMCO Trends (PQTIX), Virtus Alphasimplex (ASFYX), Standpoint (BLNDX)
5%	TAA	GMO Benchmark Free (GBMIX) and Strategy Shares Nwfn/Rslv Rbt ETF (ROMO)

Assumes annual rebalancing. All data represents total return for stated period.