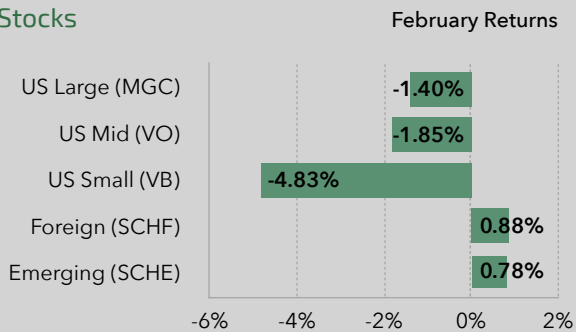


February 2025

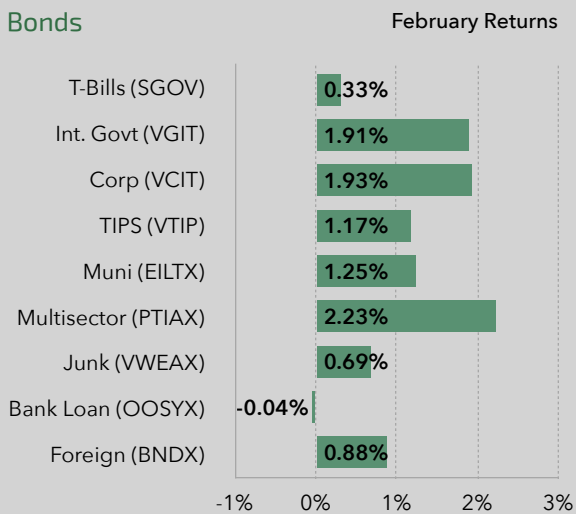
Economic Data

- 151,000 jobs were added in February; the unemployment rate edged higher to 4.1%; Challenger reported 172,017 job cuts in February, the highest total for the month since 2009
- Retail sales were down 0.9% in January, with auto dealers down 3.0%
- Y/y inflation (CPI) accelerated to a 3.0% pace in January; the core rate (less food and energy) was at 3.3%
- Existing home were fell 4.9% in January but are up 2.0% y/y; the median home price fell to \$396,900; pending home sales fell 4.6% to 70.6, an all-time low

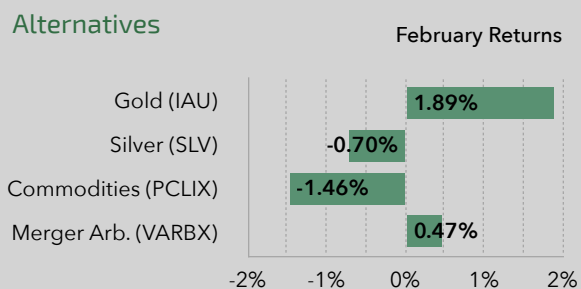
Stocks



Bonds



Alternatives



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

Hi Ma

Chinese stocks—a cornerstone of many emerging markets portfolios—have delivered essentially zero returns over the past decade. For years, China has been a source of frustration and disappointment, dragging down our emerging markets performance. Similarly, European equities have lagged dramatically, overshadowed by the relentless outperformance of U.S. exceptionalism. But recently, there are signs we may be at an inflection point for both regions.

China's underperformance has been exacerbated by its government's heavy-handed treatment of the very businesses that fueled its rise to economic superpower status. Do you remember Alibaba founder Jack Ma? After criticizing Chinese financial regulators in late 2020, he vanished from public view for years, a stark symbol of Beijing's crackdown on its tech titans.



I'm guessing "Camp Reeducation" is not as fun as the summer camps from the movies I watched growing up.

Recently, however, President Xi Jinping met with Ma and other tech executives including Liang Wenfeng, the founder of DeepSeek. This signals that Beijing is softening its stance and recognizing the critical role these innovative companies play in staying competitive, particularly in the global AI race. If Beijing begins to foster—rather than stifle—its private sector, they could compete strongly with the rest of the world and Chinese equities could finally break free from their years-long slump.

Across the other ocean, European stocks tell a similar story of unrealized potential. The iShares Europe ETF (IEV), tracking the S&P Europe 350 Index, has averaged just 5.42% annualized returns over the past decade—pale in comparison to the 12.94% annualized return of the iShares S&P 500 ETF (IVV).

Burdensome regulations and a dearth of tech innovation have held Europe back. In 2000, two European firms cracked the top 10 list of the world's largest companies by market cap. Today, you have to scroll all the way down to number 24—Novo Nordisk, buoyed by Ozempic's success—before Europe

appears. The US, by contrast, claims 13 of the top 15 spots. I haven't seen any real improvement on this front yet, but The European Commission has acknowledged that excessive administrative burdens are stifling innovation and economic growth, with recent announcements signaling a shift toward simplification. If they do, we could see European stock valuation creep up from their 14 P/E and start converging towards the US, which trades at around 22 times earnings.

The other thing to consider with Europe is that since WW2, they have enjoyed security provided in large part by a foreign military funded by people who work longer hours, get less vacation, get less maternity leave, retire later, and don't benefit from universal health care. This era appears to be coming to an end. The EU has announced they will spend €800 billion to boost defense capabilities. German 10-year Bund yields saw their biggest VaR (value-at-risk) shock ever last week, as yields spiked 30 bps in response to this. This was the biggest absolute jump since 1990 in the aftermath of the fall of the Berlin Wall. So at a time when the US is shifting towards austerity—and perhaps recession—Europe is talking about opening its purse strings.

Ten Years, Man! Ten!



Name this movie.

This marks the ten year anniversary of EmeraldSpark. I just want to say to all of you—from Client #1 who signed in February of 2015, to my newest client who joined last week—how truly grateful I am for the privilege to work with you. Thank you.

Ryan P. Layton, CFA
 p: 612-810-2230
 e: ryan@emeraldspark.com

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income			●		
Duration		●			
Inflation				●	
Credit	●				
Foreign	●				
Equities		●			
Large Cap		●			
Mid Cap				●	
Small Cap				●	
Developed Intl.	●				
Emerging	●				
Alternatives					●
Commodities					●
Merger Arbitrage					●

Binge Box

Lioness (Paramount+)

Since watching *Landman*, I've been on a Taylor Sheridan kick. *Lioness* on Paramount+ is Sheridan's gripping spy thriller. The series follows Joe (Zoe Saldana), a seasoned CIA operative leading the Lioness program, an elite all-female unit tasked with infiltrating terrorist networks. It's admittedly a bit derivative, but it delivers a pulse-pounding mix of action and drama, so who cares? It is elevated by a stellar cast, including Nicole Kidman and Morgan Freeman. Its slick production and emotional depth make it easy to binge.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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