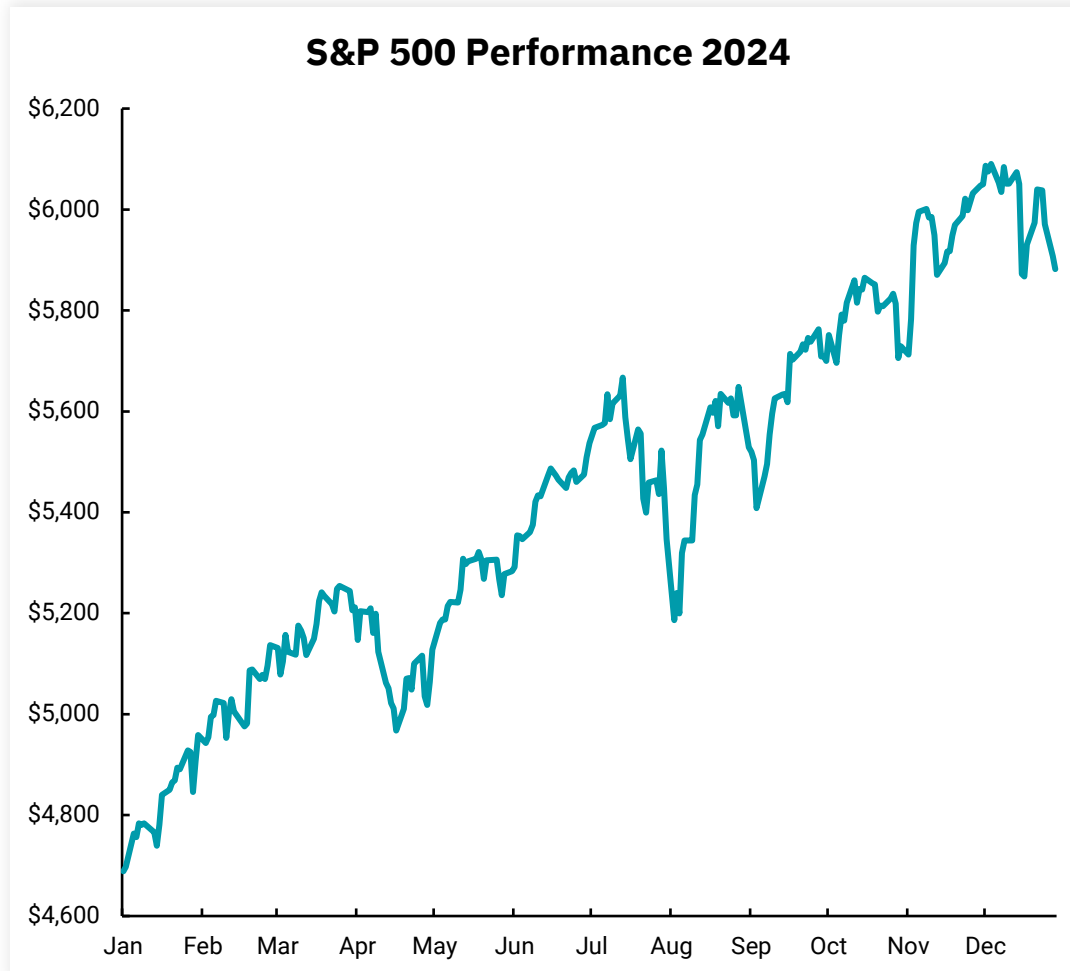


# Weekly market update



## Chart of the week (Jan. 3, 2025)



Despite a bit of a stumble as Santa Claus came and went, 2024 was, by most any measure, a fantastic year for domestic stock markets. The S&P 500 hit 57 new all-time highs during the year and closed with a gain of 25% (including dividends). It was the second year in a row of 20%+ gains, and we are now some 70% higher than the mid-October 2022 lows.

Other indexes were mixed, with the NASDAQ outperforming the S&P on the back of its heavier tech weighting and finishing the year with a 29.6% gain. Meanwhile, the 30-member Dow Jones Industrial Average finished the year up 15%. The domination of large-cap companies continued during the year, as mid-cap stocks ended the year up 13.9%, while small-cap companies were up 8.7%. The trend of domestic over international also continued. Developed international stocks, as represented by the EAFE index, were up only 3.8%, while emerging market stocks did a little better at up 7.5%.

For bond investors, the year overall was positive as the Federal Reserve began lowering rates and corporate bond spreads narrowed over the course of the year, but not all interest rates were down for the year. The yield curve, which had been inverted for the better part of the last two years, un-inverted as short-term rates fell while longer-term rates went up. We can see this as a one-year Treasury bill closed 2023 at 4.76% and then fell to 4.14% by year-end 2024. The two-year Treasury note was the fulcrum of rate changes, ending 2023 at 4.25% and closing 2024 at 4.24%, virtually unchanged. The 10-year Treasury note, however, closed 2023 at 3.88% and closed 2024 at 4.57%. This means loans tied to shorter-term indexes, like the Secured Overnight Funding Rate (SOFR), have seen rate declines while loans tied to longer-term rates, like 30-year home mortgage rates, are higher now than at the end of 2023. The broad Bloomberg Aggregate bond index was up 1.3% for the year, while investment-grade corporate bonds were up 2.1% and high-yield bonds were up 8.2%.

In commodities, oil was virtually unchanged, closing 2024 at \$71.72 per barrel, compared to the 2023 closing price of \$71.65 per barrel. We know there was a lot of movement both ways over the year, while another commodity, gold, had a fantastic year, with prices moving from a 2023 closing of \$2063/oz to \$2624.5/oz at the end of 2024.

Looking forward, there are always cross currents, yet we remain more optimistic than pessimistic as we move into 2025. For more, we hope you can join us for our [2025 economic and market outlook discussion on January 9](#).

# Weekly market update



## Commentary (Jan. 3, 2025)

### Domestic Equities

- The U.S. equity market saw positive returns across every sector and style in 2024. Leadership was narrow and concentrated at the top. Large-cap and growth substantially outperformed small-cap and value. The S&P 500 Index returned 25% for the year. The infamous “Mag 7” stocks averaged a return of 50% for the year.
- Sector leadership for the year was driven by consumers’ resiliency and cooling inflation, which led to falling interest rates. Communication services was the top-performing sector for the year, followed by financials and consumer discretionary. The materials sector barely eked out a gain of 0.20% for the year. Health care, real estate and energy also saw only single-digit gains.
- There was a shift in leadership mid-year when the Federal Reserve cut rates for the first time in the cycle. Small-cap narrowly outperformed large in the back half of the year.

### Bonds

- U.S. Treasuries had a turbulent year, with yields trending lower for much of 2024 on signs that the economy was moving toward a soft landing. However, rates rebounded into year-end on improving growth estimates and concerns that the new U.S. administration’s policy proposals will be inflationary.
- As measured by the Bloomberg US Aggregate Bond Index, the broad investment-grade market finished the year up 1.25%, with coupon income and narrowing spreads to a lesser extent offsetting pricing pressure from higher intermediate to long-term rates.
- Lower quality corporate credit led fixed-income markets higher, with high-yield bonds and leverage loans befitting from higher coupon income and narrowing spreads.
- U.S. dollar-hedged global bonds outperformed domestic markets, with the sector benefiting from a strong U.S. dollar and positive carry from hedging.

### International Equities

- As measured by the MSCI ACWI Ex USA Index, foreign stocks rose 5.5% for the year. While returns were positive, foreign stocks faced key headwinds from the stronger dollar, geopolitical turmoil, sluggish economic growth and policy uncertainty regarding potential tariffs.
- The MSCI World ex USA Index finished the year up 4.7% due to positive returns in Japan and key European markets. Value stocks outperformed growth stocks, while small-cap stocks generally lagged large-cap stocks. Positive performance from stocks in the financials sector in Europe and Japan were key drivers of returns for the year.
- The MSCI Emerging Markets index rose 7.5% in 2024, outperforming developed markets by 3.7%. Asian markets saw notable performance from Taiwan, China and India. Chinese stocks delivered their first positive calendar year return since 2020 as policymakers introduced more stimulus measures to support its economy, shifting market sentiment.

### Economics

- During 2024, the big economic headline was the decline of year-over-year Consumer Price Index (CPI) inflation, which gave the Federal Reserve room to lower interest rates. Year-over-year CPI was at 3.35% in December 2023 but finished at 2.75% in November 2024.
- The decline in CPI, coupled with the slight uptick in the unemployment rate, was another catalyst for the Fed to lower interest rates throughout the year. The unemployment rate started the year at 3.7% but finished at 4.2%.
- During the Fed’s December meeting, Chairman Powell noted that certain inflation elements have been “stickier” than anticipated and signaled a pause in cuts.
- Investors are likely to be focused on any additional declines in year-over-year CPI or increases in the unemployment rate as clues to determine the path for interest rates in 2025. December unemployment will be released on Jan. 10, and CPI will be released on Jan. 15.

## Weekly Market Update

For Week Ending January 03, 2025

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	42,732.13	-0.6%	0.5%	16.3%
S&P 500 Index	5,942.47	-0.5%	1.0%	28.0%
NASDAQ Composite	19,621.68	-0.5%	1.6%	35.4%
S&P 400 Midcap Index	3,152.14	0.5%	1.0%	18.2%
S&P 600 Smallcap Index	1,422.22	0.5%	1.0%	13.5%
MSCI EAFE	8,057.52	-0.9%	-0.3%	5.8%
MSCI Emerging Markets	573.09	-0.8%	-0.1%	9.6%
Bloomberg US Agg	2,186.15	0.2%	-0.1%	1.6%
Bloomberg Municipal 5 Yr	495.49	0.3%	0.2%	1.4%
Bloomberg US Corporate	3,284.82	0.1%	-0.1%	2.7%
Bloomberg Glb Agg ex US Hdg	592.27	0.1%	-0.1%	5.1%
Bloomberg High Yield	2,691.58	0.4%	0.3%	9.5%
MSCI US REIT Index	2,321.06	0.9%	0.5%	9.4%
Bloomberg Commodity Index	238.05	0.4%	-0.2%	5.4%

### Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.50%	4.50%	4.50%	5.50%
3-Month Treasury	4.29%	4.27%	4.31%	5.39%
1-Year Treasury	4.17%	4.18%	4.14%	4.80%
2-Year Treasury	4.28%	4.33%	4.24%	4.33%
5-Year Treasury	4.41%	4.46%	4.38%	3.90%
7-Year Treasury	4.51%	4.54%	4.48%	3.92%
10-Year Treasury	4.60%	4.63%	4.57%	3.92%
30-Year Treasury	4.81%	4.82%	4.78%	4.07%

### Consumer Rates

30-Year Mortgage	7.26%	7.28%	7.28%	5.83%
Prime Rate	8.25%	8.25%	8.25%	9.25%
SOFR	4.31%	4.46%	4.49%	5.39%

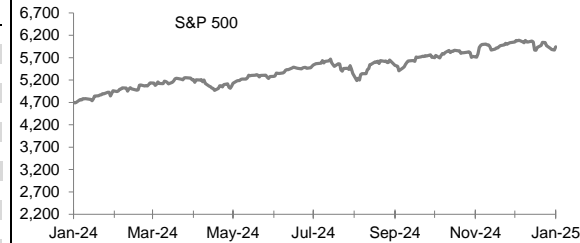
### Commodities

Gold (spot)	2,640.22	2,621.40	2,624.50	2,041.49
Crude Oil WTI	73.96	70.60	71.72	72.70
Gasoline	3.06	3.03	3.06	3.09
Natural Gas	3.35	3.51	3.63	2.67
Copper	4.07	4.06	4.03	3.86

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	20.05	21.84	5.20	1.63
S&P 500	21.90	24.90	5.16	1.30
S&P 500 Value	17.73	17.76	2.80	2.03
S&P 500 Growth	27.13	33.37	11.75	0.66
NASDAQ	29.07	37.07	7.21	0.67
S&P Midcap 400	16.43	17.62	2.59	1.69
S&P Smallcap 600	15.97	17.33	1.89	2.38
MSCI EAFE	14.09	13.68	1.76	3.21
MSCI Emerging Markets	11.75	13.43	1.68	2.85

Source: Bloomberg

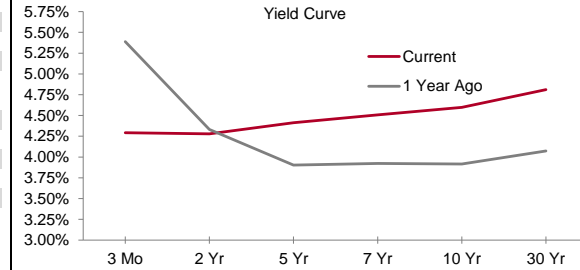
### Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	-5.47	-1.67	1.23	0.30	1.05	1.90
Mid	-5.42	-5.67	-5.92	0.49	1.01	1.52
Small	-5.88	-6.64	-7.45	0.44	1.01	1.55

\*S&P Indices

### Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.20	-0.52	-5.17	-0.01	-0.05	-0.36
Corp	0.16	-0.78	-4.44	0.00	-0.05	-0.34
HY	0.35	-0.25	-1.49	0.27	0.31	0.29

1-3 Yrs 1-10 Yrs +10 Yrs

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	2.7%	3.1%
CPI Core Inflation	3.3%	4.0%
Personal Consumption Exp (PCE) Core	2.8%	3.2%

### Jobs

Unemployment Rate (U3)	4.2%	3.7%
Broader Unemployment Rate (U6)	7.8%	7.0%
JOLT Survey (in millions)	7.74	8.69
Jobless Claims (000's)	211	198
Change in Non-Farm Payroll (000's)	227	182
Average Hourly Earnings (Y/Y % Change)	4.0%	4.3%

### Consumer & Spending

Consumer Confidence (Conf Board)	104.7	108.0
Consumer Spending (\$ Bil)	20,195	19,151
Consumer Credit (\$ Bil)	5,113	5,000
Retail Sales (\$ Bil)	725	698

### Housing

Housing Starts (000's)	1,289	1,510
Case-Shiller Home Price Index	324.22	312.96

### U.S. Productivity

Real Gross Domestic Product (\$ Bil)	23,400	22,781
Quarter over Quarter Change	3.1%	4.4%
Year Over Year Change	2.7%	3.2%
ISM Manufacturing	49.30	47.10
Capacity Utilization	76.80	78.42
Markit US Composite PMI	56.60	50.90

### U.S. General

Leading Economic Indicators	99.7	103.3
Trade Weighted Dollar Index	128.7	118.9
EUR / USD	1.03	1.09
JPY / USD	157.26	143.29
CAD / USD	0.69	0.75
AUD / USD	0.62	0.67

### S&P 500 Sector Returns

	1 Month	YTD
Energy	-6.87%	1.95%
Utilities	-3.40%	1.84%
Communication Services	2.42%	1.44%
Information Technology	0.99%	1.43%
Consumer Discretionary	2.29%	1.13%
Health Care	-4.95%	1.03%
Industrials	-6.06%	0.74%
Financials	-3.32%	0.59%
Real Estate	-6.32%	0.41%
Consumer Staples	-4.73%	-0.31%
Materials	-11.31%	-1.07%

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