

# TALKING POINTS

Data through December 2024

Open-End Net Fund Flows (\$)	11/24	10/24	YTD (Nov)
Equity	-55.6B	-82.3B	-560.7B
Taxable Bond	11.4B	28.6B	154.8B
Municipal Bond	2.9B	5.6B	31.5B
Hybrid	-12.2B	-8.8B	-104.2B
Taxable Money Market	155.1B	97.8B	577.2B

Key Interest Rates/Yields	12/31/24	11/29/24	12/29/23
Federal Funds Target Rate	4.50%	4.75%	5.50%
2-Year T-Note	4.24%	4.15%	4.25%
5-Year T-Note	4.38%	4.05%	3.85%
10-Year T-Note	4.57%	4.17%	3.88%
Bond Buyer 40	4.41%	4.23%	4.48%

Commodities/U.S. Dollar	12/24	YTD	12 Mo.
U.S. Dollar Index (DXY)	2.60%	7.06%	7.06%
FTSE/CC CRB Excess Ret.	3.41%	12.47%	12.47%
Crude Oil/WTI (per Barrel)	5.47%	0.10%	0.10%
Natural Gas (per million BTUs)	8.03%	44.51%	44.51%
Gold Bullion (Ounce)	-0.71%	27.22%	27.22%

## Total Return Performance

U.S. Stock Indices	12/24	YTD	12 Mo.
S&P 500	-2.39%	25.00%	25.00%
DJIA	-5.13%	14.99%	14.99%
Nasdaq 100	0.46%	25.88%	25.88%
S&P MidCap 400	-7.12%	13.89%	13.89%
Russell 2000	-8.26%	11.53%	11.53%
Russell 3000	-3.06%	23.80%	23.80%

U.S. Styles/Market Caps	12/24	YTD	12 Mo.
S&P 500 Growth	0.85%	36.02%	36.02%
S&P 500 Value	-6.81%	12.27%	12.27%
S&P MidCap 400 Growth	-7.56%	15.93%	15.93%
S&P MidCap 400 Value	-6.66%	11.65%	11.65%
Russell 2000 Growth	-8.19%	15.14%	15.14%
Russell 2000 Value	-8.34%	8.04%	8.04%

Foreign Stock Indices (USD)	12/24	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-2.68%	4.70%	4.70%
MSCI Emerging Markets NET	-0.14%	7.50%	7.50%
MSCI Europe NET	-2.44%	1.79%	1.79%
MSCI BRIC NET	-0.44%	10.02%	10.02%
MSCI EM Latin America NET	-6.11%	-26.38%	-26.38%
Nikkei 225	-0.50%	8.68%	8.68%

Bloomberg Fixed Income Ind.	12/24	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.57%	2.42%	2.42%
GNMA 30 Year	-1.49%	0.95%	0.95%
Municipal Bond (22+)	-2.49%	1.40%	1.40%
U.S. Aggregate	-1.64%	1.25%	1.25%
Intermediate Corporate	-0.73%	4.22%	4.22%
U.S. Corporate High Yield	-0.43%	8.19%	8.19%
Global Aggregate	-2.15%	-1.69%	-1.69%
EM Hard Currency Aggregate	-1.29%	5.80%	5.80%

Sources: Bloomberg and Investment Company Institute

**Past performance is no guarantee of future results.** Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

## Climate

While 2024 had its share of headwinds, we expect the majority of investors are very pleased by the performance of their portfolios during the year. Take, for example, the S&P 500 Index ("Index"), which surged by 25.00% on the back of 57 record closes in 2024. Gold was another clear winner, with the price of one troy ounce of the metal surging by 27.22% during the year. The spike in the price of gold was striking given that investors typically utilize gold as a safe haven and a hedge against inflation, which has fallen significantly since its most recent high. In fact, inflation, as measured by the 12-month rate of change in the Consumer Price Index (CPI), stood at 2.7% at the end of November 2024, down from its most recent peak of 9.1% in June 2022. That said, better than expected economic data, including robust consumer spending and low unemployment, paired with burgeoning fiscal policies (debt ceiling, anyone?), threaten to buoy inflation and hamper the Federal Reserve's ("Fed") ability to cut rates as steeply as initially expected. Geopolitical tensions have been an additional strain on global financial markets. The wars between Russia-Ukraine and Hamas-Israel persist, while the outcome of recent and coming elections in Canada, France, Germany, and the U.S. are expected to bring further changes in the new year.

## Stock Market

The Index closed at 5,881.63 on 12/31/24, representing a price-only decline of 3.43% from its all-time high of 6,090.27 set on 12/6/24, according to data from Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 7.94% and 8.84%, respectively, below their all-time highs which were set on 11/25/24. In December, the Index posted a total return of -2.39%. Just three of the 11 major sectors that comprise the Index registered positive total returns for the month. The top-performer was Communication Services, up 3.58%, while the worst showing came from Materials, which declined by 10.72%. The S&P MidCap 400 and S&P SmallCap 600 Indices declined by 7.12% and 7.96% on a total return basis, respectively, in December. The Index posted a total return of 25.00% in 2024. Ten of the 11 major sectors were positive on a total return basis. The Index's top performer was Communication Services, up 40.23%, while the worst showing came from Materials which fell by 0.04%. Combined, 2023 and 2024 mark the best consecutive years of price returns for the Index since 1997 and 1998. As we see it, earnings and revenue growth estimates are key catalysts behind surging equity returns. Bloomberg data from 1/3/25 reveals that the Index's earnings are estimated to increase by 12.53% and 13.71% in 2025 and 2026, respectively. While these estimates are subject to revision, they represent a significant increase from 2024's estimated earnings growth rate of 9.94% as of the same date. Revenue growth estimates unveil a similar trend. Bloomberg estimates that the Index's revenue growth rates will be 5.59% and 6.27% in 2025 and 2026, an increase from an already healthy estimate of 5.31% in 2024.

## Bond Market

The yield on the benchmark 10-year Treasury note (T-note) stood at 4.57% at the close of trading on 12/31/24, representing an increase of 40 basis points (bps) from its 4.17% close on 11/29/24, according to data from Bloomberg. The 4.57% yield stood 209 bps above its 2.48% average for the 10-year period ended 12/31/24 and 42 bps below its most recent high of 4.99% set on 10/19/23. The yield on the 2-year T-note stood at 4.24% on 12/31/24, up 9 bps from when it stood at 4.15% on 11/29/24. Each of the U.S. fixed income asset classes we track posted negative total returns last month (see "Bloomberg Fixed Income" section to the left). As many investors are likely aware, bond yields move inversely to prices. At the end of September 2024, the federal funds rate futures market implied that the yield on the 10-year T-note would decline to 2.95% on 12/10/2025. The market has adjusted substantially since then, reacting to better than expected economic data and growing fears that geopolitics could reignite inflation. By the end of December 2024, the federal funds rate futures market implied that the 10-year T-note yield would only decline to 3.90% by 12/10/25.

## Takeaway

U.S. equity valuations surged in 2024, propelled higher by less restrictive monetary policy, steady earnings and revenue growth, and exuberance around the promise of artificial intelligence. Even so, the year also brought challenges. Inflation crept further from the Fed's goal of 2.0%, with the CPI registering 2.7% (year-over-year) in November 2024, up from its most recent low of 2.4% (year-over-year) in September 2024. Notably, "Supercore" inflation, which excludes food, energy, other goods, housing, and rents, rose by 4.3% year-over-year in November 2024, up from 3.9% over the same period in 2023, according to Brian Wesbury, Chief Economist at First Trust Portfolios L.P. Given the potential for resurgent inflation, persistently strong economic data, and unease regarding the impact of tariffs amidst current geopolitical tensions, we are not surprised that the Fed expects to proceed with caution in 2025.

# High/Low Snapshot

Data as of 12/31/24

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	6090.27	12/6/2024	1829.08	2/11/2016	5881.63	-3.43%	25.00%	1.27%
S&P 500 Growth	4250.94	12/16/2024	1035.44	2/11/2016	4095.33	-3.66%	36.02%	0.63%
S&P 500 Value	2027.49	11/29/2024	788.67	2/11/2016	1886.15	-6.97%	12.27%	1.96%
S&P MidCap 400	3390.26	11/25/2024	1218.55	3/23/2020	3120.94	-7.94%	13.89%	1.51%
S&P MidCap 400 Growth	1610.10	11/25/2024	574.06	2/11/2016	1476.21	-8.32%	15.93%	0.88%
S&P MidCap 400 Value	1083.78	11/25/2024	373.28	3/23/2020	1001.91	-7.55%	11.65%	2.17%
S&P 100	2978.45	12/24/2024	819.58	8/25/2015	2890.23	-2.96%	30.95%	1.17%
DJIA	45014.04	12/4/2024	15660.18	2/11/2016	42544.22	-5.49%	14.99%	1.66%
Nasdaq 100	22096.66	12/16/2024	3947.80	2/9/2016	21012.17	-4.91%	25.88%	0.73%
Russell 2000	2442.74	11/8/2021	953.72	2/11/2016	2230.16	-8.70%	11.53%	1.40%
Russell 2000 Growth	1709.62	2/9/2021	573.10	2/11/2016	1470.13	-14.01%	15.14%	0.59%
Russell 2000 Value	2715.42	11/25/2024	1067.63	3/23/2020	2466.53	-9.17%	8.04%	2.25%
Russell 3000	3497.78	12/6/2024	1067.34	2/11/2016	3356.82	-4.03%	23.80%	1.27%
MSCI World Net (ex U.S.) (USD)	9022.32	9/27/2024	4189.62	2/11/2016	8239.32	-8.68%	4.70%	3.09%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	573.89	-17.93%	7.50%	2.65%
Bovespa/Brazil (USD)	29488.46	1/2/2020	9077.09	1/21/2016	19425.61	-34.12%	-29.92%	7.77%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	N/A	N/A	N/A	N/A
S&P BSE 500/India (USD)	461.76	9/26/2024	129.66	3/23/2020	411.19	-10.95%	12.69%	1.14%
Shanghai Composite/China (USD)	832.07	6/12/2015	358.39	10/18/2018	459.18	-44.81%	13.02%	2.70%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.63	-44.45%	-19.93%	2.20%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2582.48	-39.11%	23.58%	3.83%
MSCI Euro (USD)	1821.78	9/27/2024	865.50	3/18/2020	1625.63	-10.77%	2.74%	3.29%
S&P 500 Consumer Discretionary	1959.72	12/17/2024	543.54	2/11/2016	1831.16	-6.56%	30.14%	0.62%
S&P 500 Consumer Staples	900.88	11/29/2024	467.66	8/25/2015	853.65	-5.24%	14.87%	2.50%
S&P 500 Energy	749.39	4/5/2024	179.94	3/18/2020	654.85	-12.62%	5.72%	3.39%
S&P 500 Utilities	419.01	11/26/2024	206.51	9/4/2015	384.95	-8.13%	23.43%	3.00%
S&P 500 Financials	851.98	11/29/2024	264.89	2/11/2016	804.44	-5.58%	30.50%	1.46%
S&P 500 Banks	504.91	11/25/2024	180.19	2/11/2016	471.29	-6.66%	38.21%	2.51%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	765.93	-21.85%	4.92%	3.96%
S&P 500 Health Care	1829.71	8/30/2024	732.99	2/11/2016	1604.75	-12.29%	2.58%	1.76%
S&P 500 Pharmaceuticals	1216.04	8/30/2024	539.37	9/28/2015	1045.56	-14.02%	8.21%	2.53%
NYSE Arca Biotechnology	6319.77	2/8/2021	2642.53	2/11/2016	5745.67	-9.08%	6.29%	0.23%
S&P 500 Information Technology	4780.84	12/26/2024	626.12	8/25/2015	4609.52	-3.58%	36.61%	0.60%
Philadelphia Semiconductor	5904.54	7/10/2024	559.18	2/11/2016	4979.93	-15.66%	20.37%	0.94%
S&P 500 Communication Services	358.79	12/11/2024	130.86	12/24/2018	341.66	-4.77%	40.23%	0.84%
S&P 500 Industrials	1214.04	11/29/2024	412.06	3/23/2020	1115.65	-8.10%	17.30%	1.51%
S&P 500 Materials	616.97	10/18/2024	234.97	1/25/2016	529.77	-14.13%	-0.04%	2.00%
Philadelphia Gold & Silver	175.74	10/22/2024	38.84	1/19/2016	137.18	-21.94%	10.83%	1.56%
FTSE/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	296.72	-9.97%	12.47%	N/A
ICE BofA Perpetual Preferred	331.82	10/16/2024	209.38	12/31/2014	321.46	-3.12%	8.07%	6.62%
ICE BofA U.S. High Yield Constrained	574.01	12/9/2024	313.74	2/11/2016	568.92	-0.89%	8.22%	7.65%

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