

QUARTERLY Market REPORT

4TH QUARTER - 2024

Markets pushed higher in the fourth quarter, marking new record highs. Talk to your advisor about ways to help harness growth and position yourself for new opportunities in 2025.

A YEAR TO REMEMBER

The fourth quarter of 2024 brought a decisive end to a year of significant market achievements and continued economic resilience. We ended the year in a much different place than we began, with political uncertainty reduced and talk of potential recession removed.

Equities finished the year strong, pushing upward through the fourth quarter. The presidential election helped buoy market optimism in November and December, and we saw a substantial market rally after Donald Trump secured enough votes to retake the presidential office.

Benchmark indexes were especially optimistic, hitting new record highs by the close of the year. The Dow Jones Industrial Average surpassed 45,000 points for the first time ever, while the S&P 500 achieved its own milestone by breaking through the 6,000 level.^{1,2} Meanwhile, the technology-heavy Nasdaq breached the significant 20,000-point mark in December.³

Equity Performance as of Dec. 31, 2024

Equity Index	Q4	2024	3 YRS	5YRS
S&P 500:	2.07%	23.31%	7.26%	12.73%
NASDAQ:	6.17%	28.64%	7.27%	16.57%
DJIA:	0.51%	12.88%	5.40%	8.31%

Source: Morningstar. Index Performance: Return (%). https://www.morningstar.com/markets?CustId&CLogin&CType&CName&_LPAGE=%2FFORBIDDEN%2FCONTENTARCHIVED.HTML&_BPA=N. Accessed Jan. 2, 2024.

MARKETS MAINTAIN MOMENTUM

Markets carried upward momentum from the third quarter into the fourth, avoiding turbulence in what is historically the rough month of October. The presidential election in early November continued the push, with Trump receiving the first Republican popular vote victory in two decades.⁴

Trump's re-election and the Republican party's Congressional sweep reignited what some analysts called "Trump Trade 2.0," with some small-cap stocks and sectors (such as financial and energy) deemed as beneficiaries of reduced regulations and streamlined business policies under the incoming administration.⁵



The economy also remained resilient and robust, with third-quarter gross domestic product (GDP) registering at 2.8%.⁶ Corporate earnings also stayed positive, marking the fifth consecutive quarter of year-over-year increases.⁷ Meanwhile, consumer spending stayed strong headed into December, although rising credit card balances suggest consumer spending may slow after the holiday shopping season.⁸

The Federal Reserve also took more action with interest rates in the fourth quarter, dropping rates by 25 basis points (0.25%) in November and another 25 in December.^{9,10} The Fed lowered rates by a total of 1% in 2024, and analysts expect to see rates drop more in 2025. However, the cuts haven't been reflected in mortgage rates, which were still hovering around 6.7% in mid-December.¹¹

LOOKING AHEAD

Markets will likely continue their upward trend into 2025, although some areas may require investor attention. The Fed is paying close attention to economic data as they make decisions about additional rate cuts in early 2025. And the data makes it difficult to forecast what they'll do; inflation has remained stubbornly, frustratingly locked in the 3% range.¹² Does the Fed keep rates higher with the goal of getting closer to their target 2% inflation? It seems that's the way they were leaning, with Chairman Jerome Powell saying the Fed can "afford to be a little more cautious" after the November meeting and reinforcing those comments in December.¹³

One of the biggest changes from January 2024 to January 2025 is that a potential recession is no longer a topic of discussion. We don't see a recession happening at least in the first six months of 2025, especially if the new administration begins to implement business-friendly policies and reduced regulations. However, Trump's proposed tariffs bear watching, as they could impact U.S. companies' bottom line and stir up friction with tariff-imposed countries.

While our forecast for the first quarter is positive, fundamentals still apply for investors. The strong market performance of 2024 may have left your portfolio unbalanced and unaligned with your risk tolerance. Now is the time to consider to review your asset allocation and make sure your investments still match your goals. And if you haven't lately, it's good to reassess your risk tolerance, as it may have shifted due to changing life circumstances over the past year.

The past year has been one with significant gains, making tax planning more important than ever. Talk with your financial advisor about strategies for offsetting capital gains and addressing potential tax implications. Above all, we recommend maintaining a disciplined, long-term focus when it comes to investment decisions.



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SOURCES

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- ¹³ Bryan Mena. CNN. Dec. 4, 2024. "Powell says a strong US economy is letting the Fed be 'cautious' about cutting interest rates." <https://www.cnn.com/2024/12/04/economy/fed-chair-powell-trump-dealbook/index.html>. Accessed Dec. 12, 2024.

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