



# December 2024 Market Update

## Special points of interest:

- **Equity indices like the S&P500 and DJIA fell in the month as bond yields rose precipitously.**
- **Consumer sentiment unexpectedly declined, according to the Conference Board.**
- **We are entering 2025 with a stronger domestic economy than many expected a year ago.**
- **Fed-driven volatility will likely remain high in 2025, especially in the first half, but this could create opportunities for long-term investors.**

## The Markets in December 2024

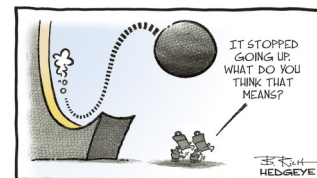
Where did you go, Santa Claus Rally? Investors expecting sweet treats in their portfolio's stockings at the end of the year were likely disappointed that Saint Nick didn't show up for them as he has done in years past. Instead of Christmas cheer, equity and fixed income markets alike generally took a step back in the month, especially in its last few days



which marked the longest year-end decline since 1966. For December as a whole, the S&P 500 index lost 2.5% while the Dow Jones Industrial Average fell 5.3%. The Russell 200 index of smaller companies dropped 8.4%. Refreshingly, the Nasdaq bucked this broader trend by rising 0.5%.

On the fixed income side, the yield on the 10-year Treasury Note rose precipitously from 4.178% at November's end to 4.573% by the end of the year as the Fed's forecast of fewer future rate cuts and lingering inflation concerns spooked bond investors.

Commodities including gold and oil were mixed for the month, though, with gold prices down 1% while oil prices rose 5.5%. Perhaps because of these confusing results, the Conference Board's index of consumer sentiment unexpectedly dropped in the month as well. Will a more cautious tone prevail in 2025?



**The year-end party in equity markets generally stalled in December, reflecting more caution among investors looking to 2025.**

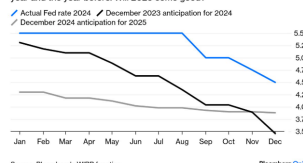
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## A Look Ahead

No question, we are entering 2025 with a stronger domestic economy than many expected a year ago. Not only has our GDP grown faster than forecast—3rd quarter GDP growth was recently reported as 3.1% vs. 2.8% in economist estimates—but business optimism has also been rising to offset increasing consumer wariness. At the same time, it's important to remember that stock and

**Will the Fed Disappoint Again?**  
The futures market got the outlook for US interest rates wrong both last year and the year before. Will 2025 come good?



bond market results often deviate from underlying economic conditions, especially in the short run. For instance, 2024's market results were largely driven by a small number of large-cap technology

names even as earnings growth delivered across multiple sectors. Further, 2025's market returns may be driven by the Fed's actions much as 2024 was, and the Fed disappointed many investors last year. I expect Fed-driven volatility to remain high in 2025, especially in the first half. Resulting short-term market pull-backs may represent good opportunities for long-term investors, though.



*Disclaimers:*

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