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Weekly Market Guide

The S&P 500 has moved sideways in recent weeks, but with lots of rotation and movement beneath the surface. For example, the S&P 500 is flat in December but every day has had more decliners than advancers. The pro-growth areas have consolidated their post-election strength and out-of-favor areas have continued to lag, while Tech mega-caps have made up the slack. Market rotation is normal in early December, particularly in election years. **Importantly, the last two weeks of December are typically positive- and with many stocks short-term oversold, favorable seasonality likely carries us into year-end.**

2025 Outlook: All in all, we are positive on equities over the coming year- but the path is unlikely to be smooth, following two consecutive 25%+ years for the S&P 500.

- **Positives:** The economy has been very resilient, supporting a healthy earnings outlook. At the same time inflation has moderated (to a degree), and the Fed is shifting toward easing mode. Moreover, AI investments and productivity benefits, along with potential pro-growth policies, are stimulative to the economy. There remains room for valuation multiple expansion in the “average stock.” Credit spreads are narrow (reflecting low stress from the bond market), and the underlying technical backdrop is positive.
- **There is a lot to like, but also many risks to monitor:** One of the bigger risks is sentiment and positioning. There is a degree of optimism in economic growth, earnings growth, inflation, and Fed messaging- all of which contain uncertainty and have shown an ability to be volatile. For example, without an economic contraction (and with Fed cuts at market highs), will inflation really come down to the Fed’s 2-2.5% target and stay there- or will it stay relatively elevated? This is likely to impact Fed messaging and bond yields, and volatility there is likely to impact equities. Geopolitics and headline risk (i.e. tariffs, trade, policy negotiations, etc.) can also impact volatility.

All in all, the positives outweigh the negatives. Healthy economic trends and a Fed that stands ready to support material economic weakness should buoy equities over the course of the year. However, inflation potential, Fed messaging, higher interest rates, and headline risk (tariffs, trade, “Art of the Deal” negotiations, etc.) can affect the pace of upside and volatility along the way.

We wish you and your families a Merry Christmas and Happy Holidays! This will be the last Weekly Market Guide of 2024 (set to resume on 1/8/25). Thank you for your support in 2024 - we wish you health, happiness, and prosperity in 2025!

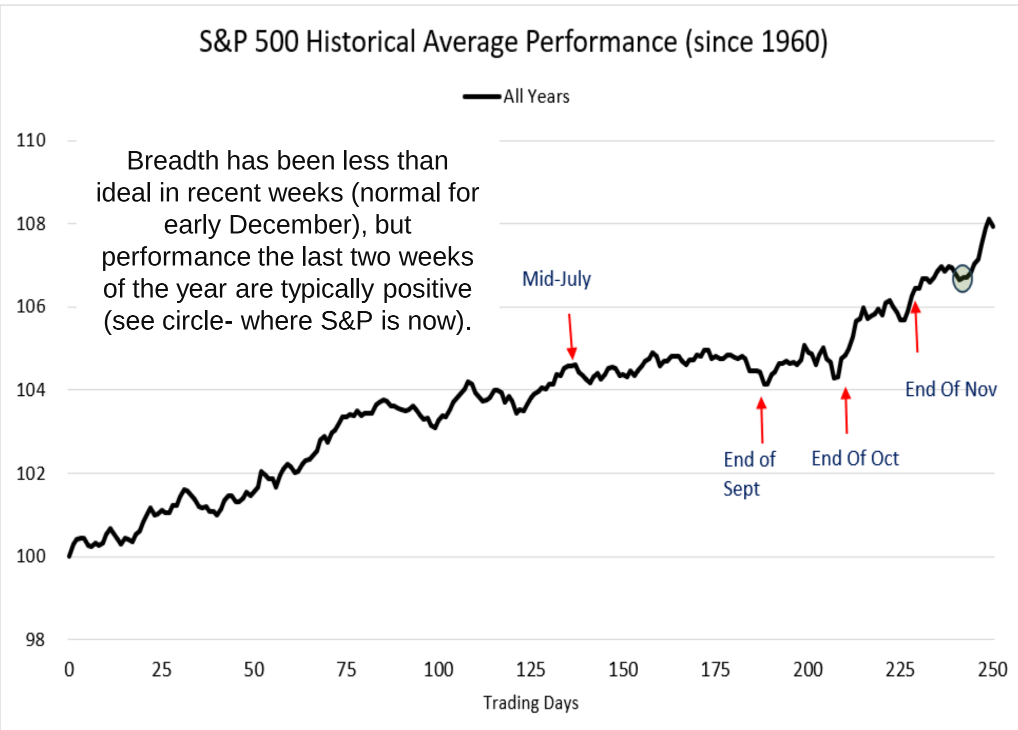
Equity Market Indices	Price Return Year to Date	Price Return 12 Months
Dow Jones Industrial Avg	15.3%	16.5%
S&P 500	26.9%	28.2%
S&P 500 (Equal-Weighted)	13.7%	15.1%
NASDAQ Composite	34.0%	35.7%
Russell 2000	15.1%	17.6%
MSCI All-Cap World	18.8%	20.6%
MSCI Developed Markets	3.3%	5.3%
MSCI Emerging Markets	6.8%	9.2%
NYSE Alerian MLP	15.6%	17.6%
MSCI U.S. REIT	8.1%	8.5%

S&P 500 Sectors	Price Return Year to Date	Sector Weighting
Communication Svcs.	44.1%	9.5%
Information Technology	39.3%	32.4%
Consumer Discretionary	38.2%	11.7%
Financials	30.1%	13.3%
S&P 500	***26.9%***	-
Utilities	20.2%	2.3%
Industrials	19.1%	8.2%
Consumer Staples	15.9%	5.6%
Real Estate	4.7%	2.0%
Energy	2.6%	3.1%
Materials	2.2%	1.9%
Health Care	1.7%	9.9%

Source: FactSet

Favorable Seasonality Likely Carries Us Into Year-End

The S&P 500 has moved sideways in recent weeks, but with lots of rotation and movement beneath the surface. For example, the S&P 500 is flat in December but every day has had more decliners than advancers. The pro-growth areas have consolidated their post-election strength, out-of-favor areas have continued to lag, and Tech mega-caps have made up the slack. This type of rotation is normal in early December, particularly in election years. Importantly, the last two weeks of December are typically positive- and with many stocks short-term oversold, favorable seasonality likely carries us into year-end.



Tech-heavy rotation in December

S&P 500 Sectors	Price Return Dec	Price Return Since 11/5
Consumer Discretionary	9.1%	19.2%
Communication Svcs.	7.6%	10.9%
Information Technology	4.2%	6.8%
S&P 500	0.4%	4.8%
Consumer Staples	-2.2%	1.3%
Financials	-4.1%	5.2%
Industrials	-5.2%	0.0%
Health Care	-5.3%	-5.8%
Real Estate	-6.1%	-3.9%
Materials	-7.2%	-6.3%
Utilities	-7.8%	-2.9%
Energy	-9.7%	-5.6%

Softness under the hood, but also many areas now oversold

Sector Trends and Moving Averages

Sector	10 DMA % Above	20 DMA % Above	50 DMA % Above	200 DMA % Above	Index % From 52 Week High
Utilities	0	0	13	71	-7.9%
Materials	0	0	11	32	-10.5%
Energy	0	0	14	32	-12.7%
Industrials	9	6	36	70	-5.2%
Real Estate	10	7	24	66	-7.3%
Financials	10	15	46	90	-4.1%
Health Care	18	18	24	36	-11.3%
Consumer Staples	24	32	32	37	-2.2%
Cons. Discretionary	20	32	48	66	-0.3%
Comm. Services	27	36	64	73	-0.9%
Technology	35	43	51	59	-0.1%
S&P 500	15	19	36	60	-0.7%

Source: Bloomberg, FactSet

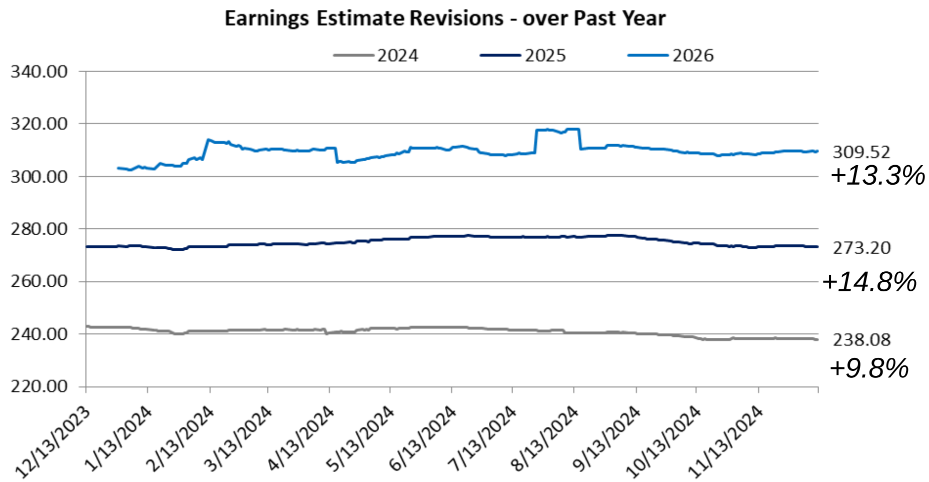
2025 Equity Market Outlook

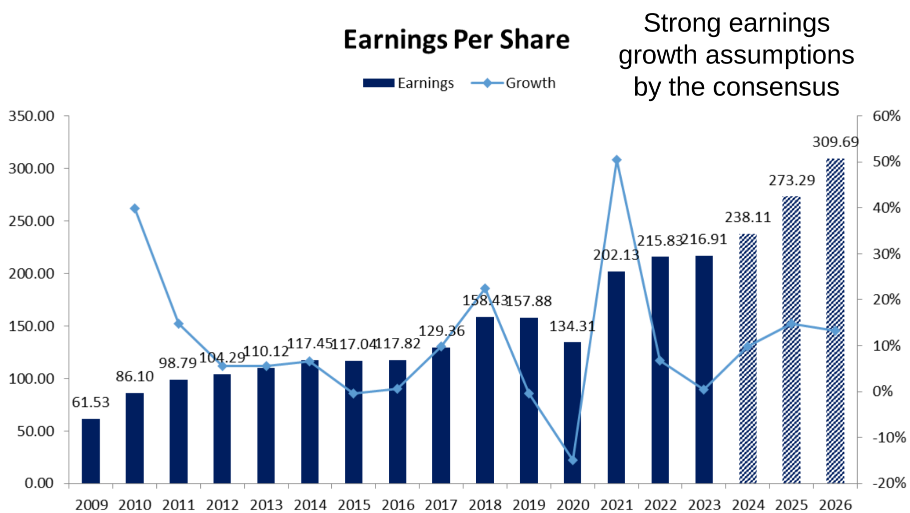
All in all, the positives outweigh the negatives. Healthy economic trends and a Fed that stands ready to support material economic weakness should buoy equities over the course of the year. However, inflation potential, Fed messaging, higher interest rates, and headline risk (tariffs, trade, "Art of the Deal" negotiations, etc.) are likely to affect the pace of upside and volatility along the way.

Positives	Potential Negatives
Resilient Economy	Sentiment and positioning
Healthy Earnings Outlook	Does economic and earnings growth disappoint?
Moderating Inflation	Does inflation come back?
Fed shift to easing mode	Fed may be unable to cut as many times as expected
Room for multiple expansion in "average stock"	Tech & S&P 500 valuations are elevated
Spending/Investment in AI and potential pro-growth policies	Does AI momentum and its benefits fail to meet expectations? Same for fiscal policies (tariffs, trade)
Narrow credit spreads	Headline risk, geopolitics
Healthy underlying technical backdrop	

Source: Bloomberg, FactSet

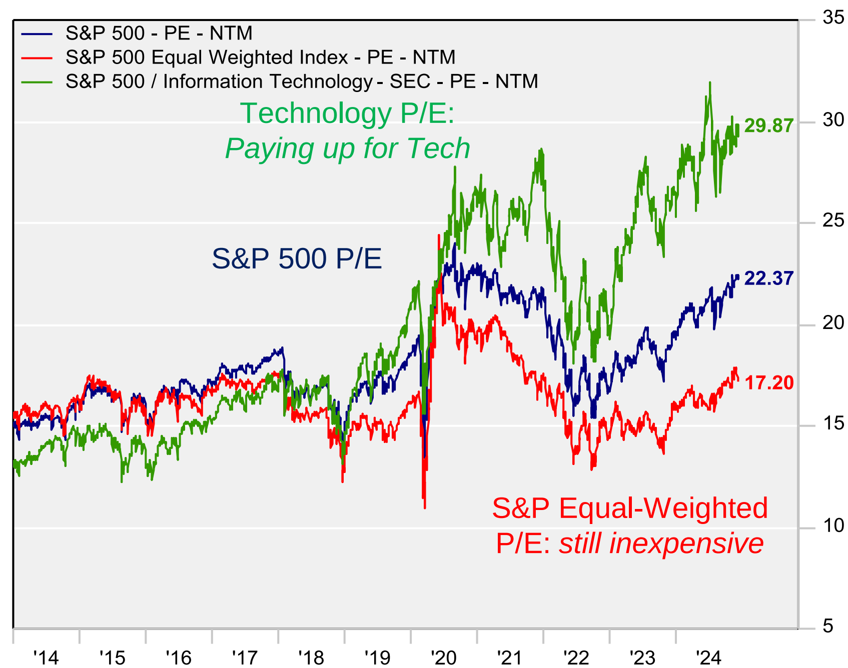
2025 Equity Market Outlook





Economic resilience, along with potential AI benefits and pro-growth policies, is supporting a healthy earnings outlook. While we expect positive earnings growth, current estimates seem lofty at 14.8% 2025 growth and 13.3% 2026 growth. We take slightly more conservative assumptions, i.e. ~$260-270 in 2025. Additionally, we believe the S&P 500 P/E can inch higher, driven by multiple expansion in non-Tech areas (while holding Tech valuations flat or ticking down slightly). The net sum results in a base case S&P 500 price objective of mid-to-high 6000s for year-end 2025.

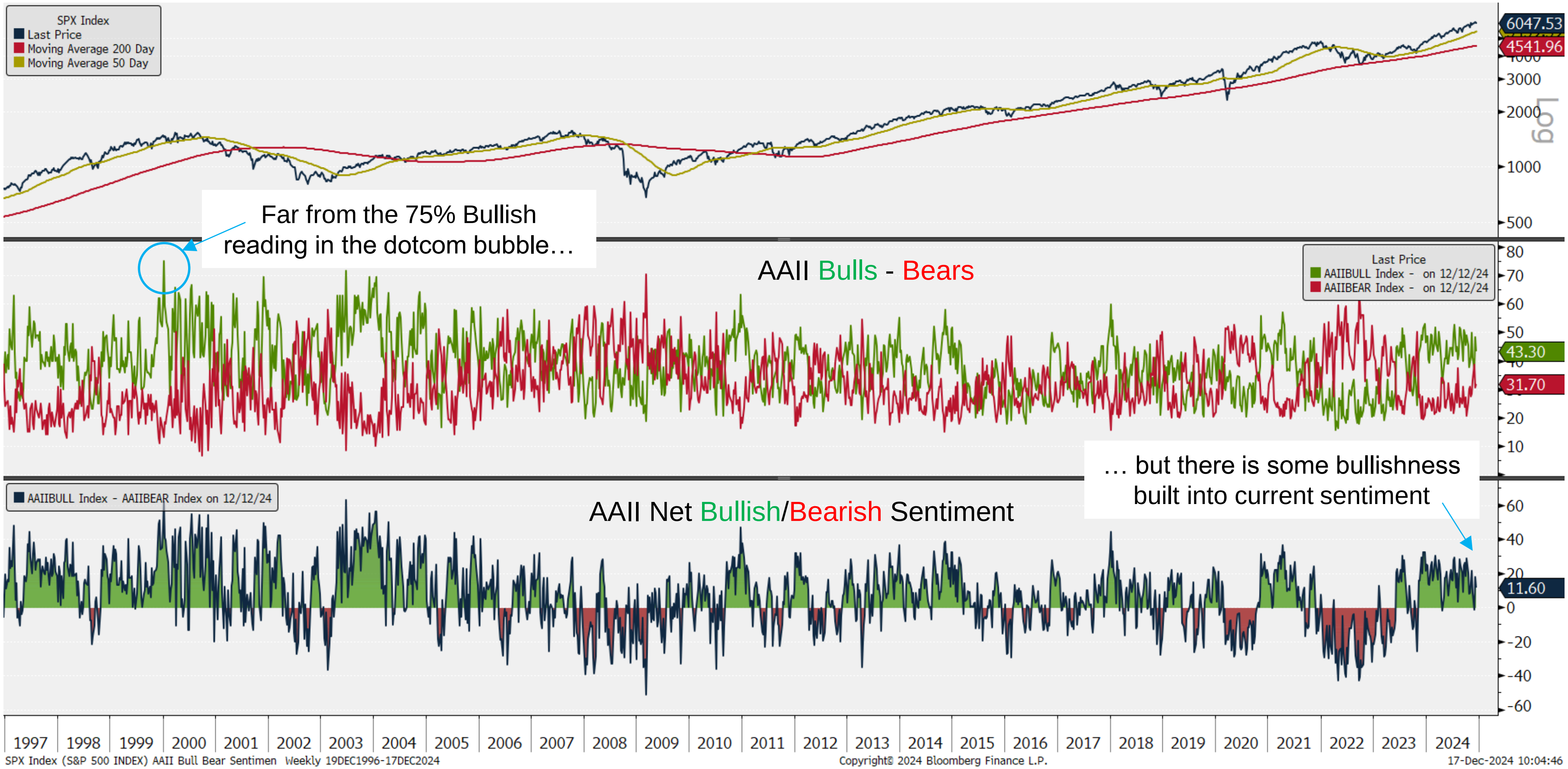
S&P 500 (SP50-USA) : 12/31/2013 to 12/17/2024 (Daily)



Source: Bloomberg, FactSet

Potential Risks: Sentiment

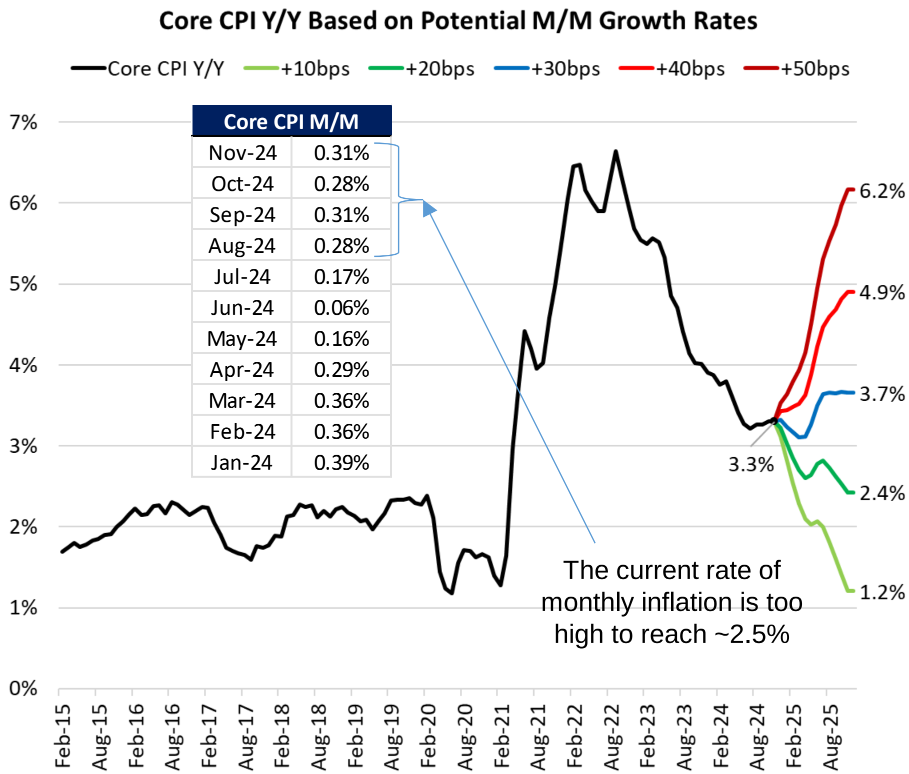
Sentiment is not excessive, and far from dotcom bubble levels. But there is some bullishness embedded in investors' minds on potential economic growth, earnings growth, inflation, and policy changes. There are plenty of variables out there that can upset the market mood and probably will at various points. The path ahead is unlikely to be smooth, so be mindful of the potential for volatility to increase after back-to-back 25%+ years for the S&P 500.

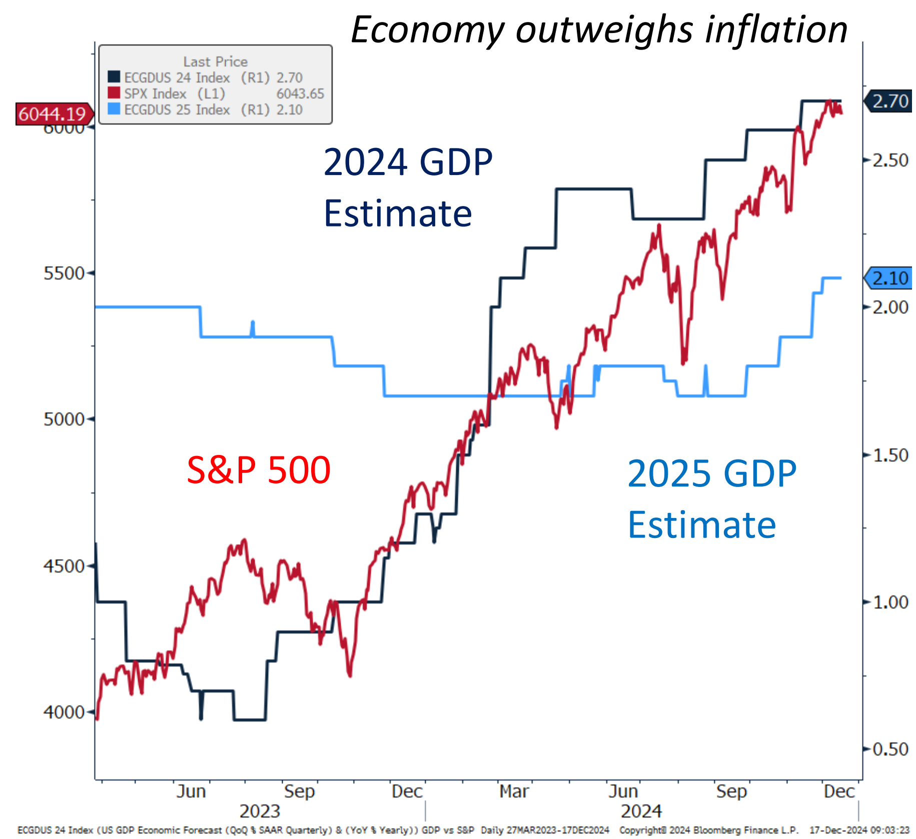


Source: Bloomberg, FactSet

Potential Risks: Inflation & Pace of Economic Growth

Over the past several months, core inflation has been sticky at ~3.3% y/y. With the economy holding up well (and with Fed cuts at market highs), will inflation really come down to the Fed's 2-2.5% target and stay there- or will it land at a relatively higher level? This is likely to impact Fed messaging and bond yields- and volatility there will impact equity market volatility. Ultimately, the economy outweighs inflation. We do not expect inflation to run away to the upside, and thus healthy economic growth should support the equity market uptrend. As you can see below, the steady rise in 2024 GDP estimates drove equities higher throughout 2024. Importantly, 2025 GDP estimates are moving higher as we move into the new year.





Source: Bloomberg, FactSet

Potential Risks: Interest Rates & Fed Messaging

The path of inflation and economic growth will remain large influences on Fed messaging, bond yields, and thus equities. Today is another Fed decision, and it is all but confirmed that the Fed will cut by another 25bps. Investors will be listening closely to Fed Chair Powell's press conference for clues on the assumed rate path ahead. With inflation a little sticky and the economy holding up well, the market has taken ~4 cuts out of the outlook- now expecting ~1 cut in the first half of 2025 and ~1 cut in the second half of 2025. Watch bond yields- the 10-year Treasury yield is testing resistance at ~4.5%. This has been a key level over the past year, as the last two breaches have spurred some market volatility.

Source: Bloomberg, FactSet

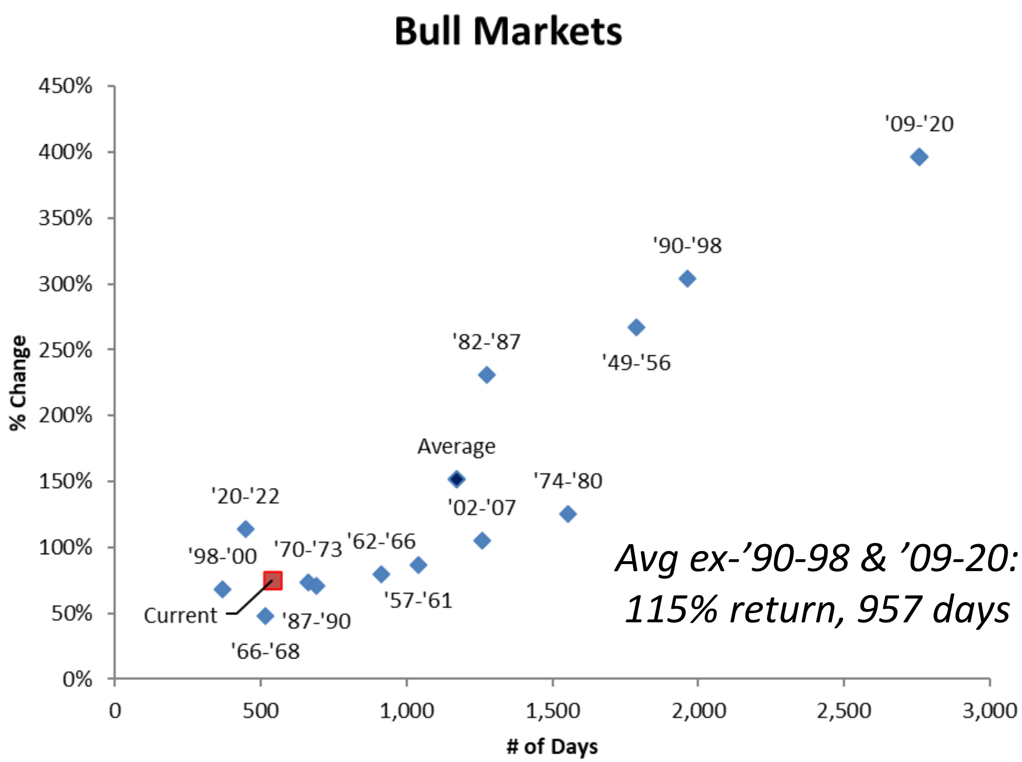
More To Go In This Bull Market

While the last two years have been very good for equity market returns, there is likely more to go in this bull market. The S&P 500 is up 75% over 540 days so far (since the October 2022 lows). However, bull markets have gone up an average of 152% over ~5 years. Excluding the two longest bull runs of ’90-98 and ’09-20, the average bull market return has been 115% over ~4 years. The pace of upside may be set to normalize after two consecutive 25%+ years, but odds are we have more time and upside left in this bull market.

Bull Markets

Trough	Peak	Price Change	# of Days
6/13/1949	8/2/1956	267%	1,789
10/22/1957	12/12/1961	86%	1,042
6/26/1962	2/9/1966	80%	913
10/7/1966	11/29/1968	48%	516
5/26/1970	1/11/1973	74%	665
10/3/1974	11/28/1980	126%	1,555
8/9/1982	8/25/1987	231%	1,277
10/20/1987	7/16/1990	71%	691
10/11/1990	7/20/1998	304%	1,963
10/8/1998	3/24/2000	68%	368
10/10/2002	10/11/2007	105%	1,259
3/6/2009	2/19/2020	396%	2,758
3/23/2020	1/3/2022	114%	450
Average		***152%***	***1173***

S&P 500 +75% over 540 days so far



Source: Bloomberg, FactSet

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Index Definitions

The **S&P 500** is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market.

The **Dow Jones Industrial Average (DJIA)** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ.

The **NASDAQ Composite** is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.

The **MSCI World All Cap Index** captures large, mid, small and micro-cap representation across 23 Developed Markets (DM) countries. With 11,732 constituents, the index is comprehensive, covering approximately 99% of the free float-adjusted market capitalization in each country.

The **MSCI EAFE (Europe, Australasia, and Far East)** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in 23 emerging market countries. The index's three largest industries are materials, energy, and banks.

The **Russell 2000** index is an index measuring the performance of approximately 2,000 smallest-cap American companies in the Russell 3000 Index, which is made up of 3,000 of the largest U.S. stocks.

The **NYSE Alerian MLP** is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

The **Barclays Intermediate Government/Credit Bond** index measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

The **Euro Stoxx 50 Index** is a market capitalization weighted stock index of 50 large, blue-chip European companies operating within Eurozone nations. Components are selected from the Euro STOXX Index which includes large-, mid- and small-cap stocks in the Eurozone.

The **China CSI 300** is a capitalization-weighted stock market index designed to replicate the performance of top 300 stocks traded in the Shanghai and Shenzhen stock exchanges. It had a sub-indexes CSI 100 Index and CSI 200 Index.

The **S&P 500 Futures** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **DJIA Futures** is a stock market index futures contract traded on the Chicago Mercantile Exchange`s Globex electronic trading platform. Dow Futures is based off the Dow 30 stock index.

The **Nasdaq 100 Futures** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international companies listed on the NASDAQ.

Europe: DAX (Deutscher Aktienindex (German stock index)) is a blue chip stock market index consisting of the 40 major German companies trading on the Frankfurt Stock Exchange.

Asia: Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results. Future investment performance cannot be guaranteed, investment yields will fluctuate with market conditions.