



Quarterly Market Review

Q4 2024

January 2025



Glass half-full

- US economy and labor markets remain strong, resilient.
- Consumption in the US also still strong, supporting GDP growth.
- The upside to elevated yields is that there is now more income in fixed income.
- President Trump's policies are expected to be focused on growth and deregulation.

Glass half-empty

- Will policies related to tariffs, immigration, and taxes be inflationary and bring higher interest rates?
- If new policies produce higher inflation, what impact could it have on the Fed?
- After two consecutive years of S&P 500 returns > 20%, will the good times continue?
- Geopolitics in Russia/Ukraine and the Middle East (expanded into Syria).



Q4 2024 by the numbers

4.25% - 4.50%

is the new Fed policy rate as they continued reducing rates by 25 bps in both November and December. The Fed is trying to engineer a soft landing, which is an environment with low inflation and low unemployment.

2.7% & 2.4%

were the November 2024 headline CPI and PCE figures, slightly above the 2.6% and 2.3% figures from October.

67%

of US stocks comprise the MSCI ACWI, a global stock index. For reference, the US percentage was closer to 40% in 2007. We still believe holding international stocks makes sense for a variety of reasons, especially diversification.

39%

of the top ten stocks in the S&P 500 comprise from a market capitalization perspective; the highest percentage on record (started reviewing in 1996).

55%

of the S&P 500's 2024 price-only return came from the Magnificent 7 stocks. Overall, these 7 stocks returned 48% vs. the S&P 500's price-only return of 23%.





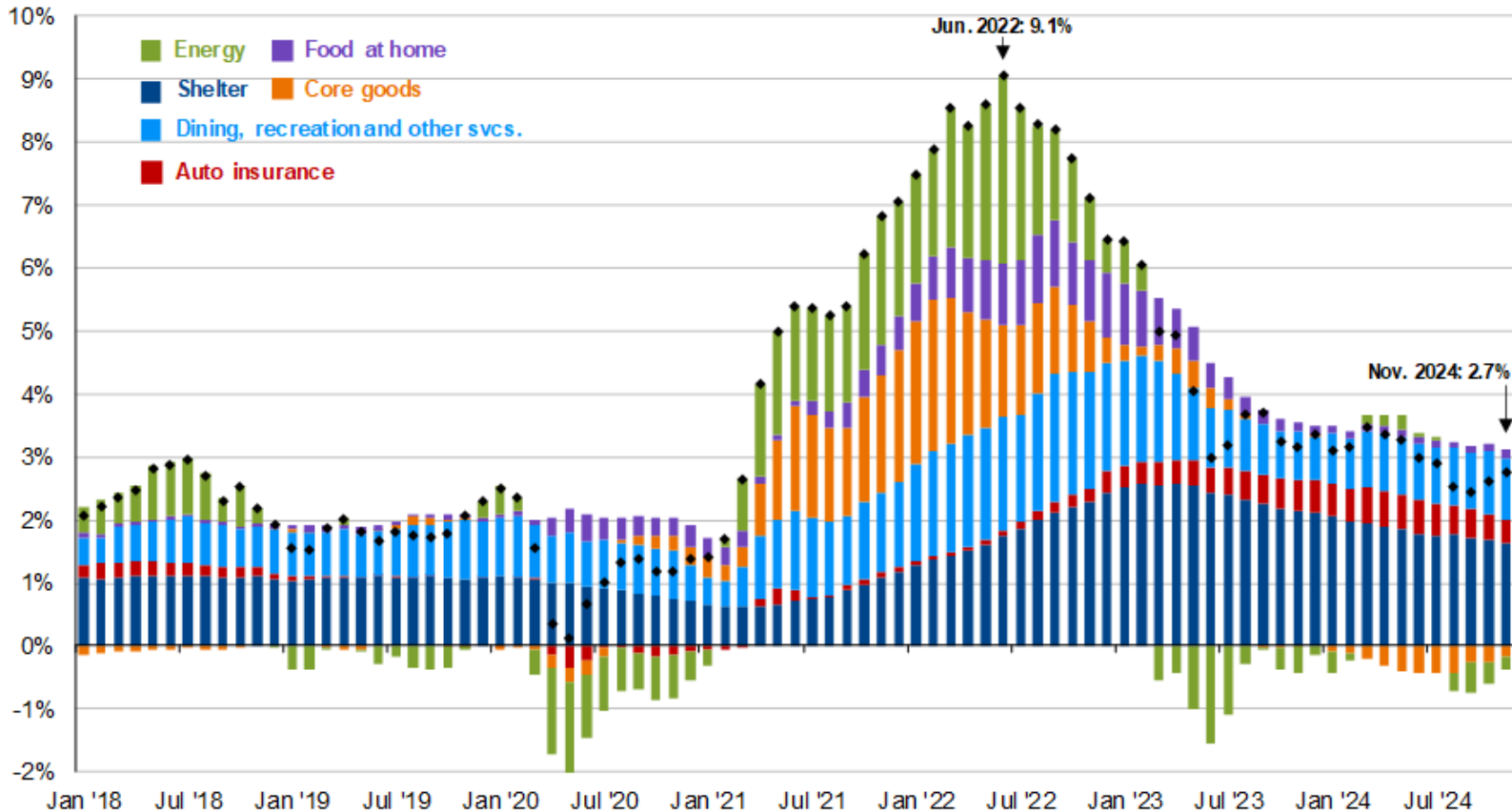
From Election Uncertainty to Policy Uncertainty

The inflation story



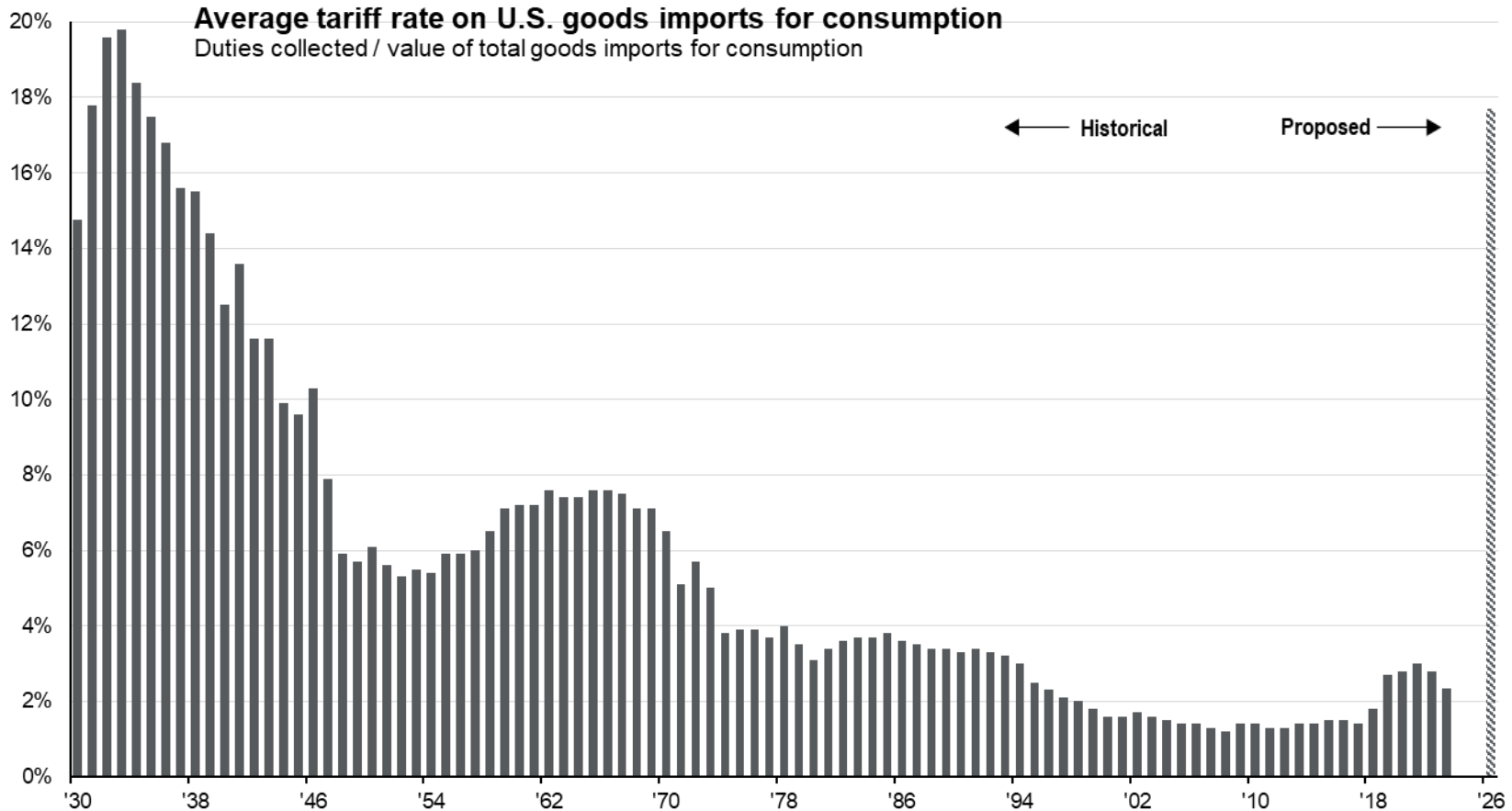
Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages. *Guide to the Markets - U.S.* Data are as of December 31, 2024.

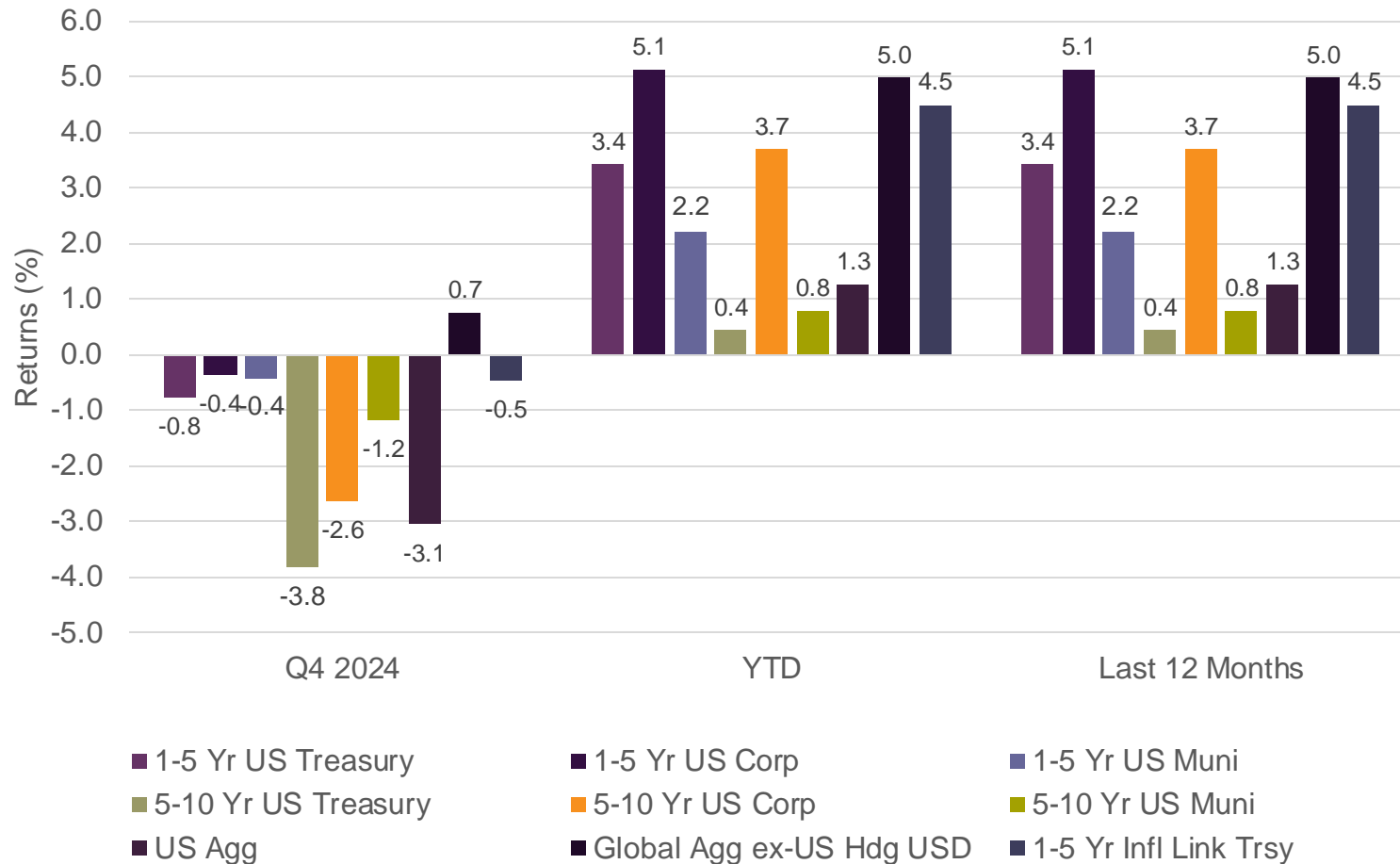
The tariff story



Source: Tax Foundation, United States International Trade Commission, U.S. Department of Commerce, J.P. Morgan Asset Management.

Imports for consumption: goods brought into a country for direct use or sale in the domestic market. *Estimate is by the Tax Foundation as of October 2024 and assumes a 20% universal tariff as well as a 60% tariff on Chinese imports. May not be updated as of the latest announcements regarding tariffs and U.S. trade policy and is subject to change. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market and other conditions. Guide to the Markets – U.S. Data are as of December 31, 2024.

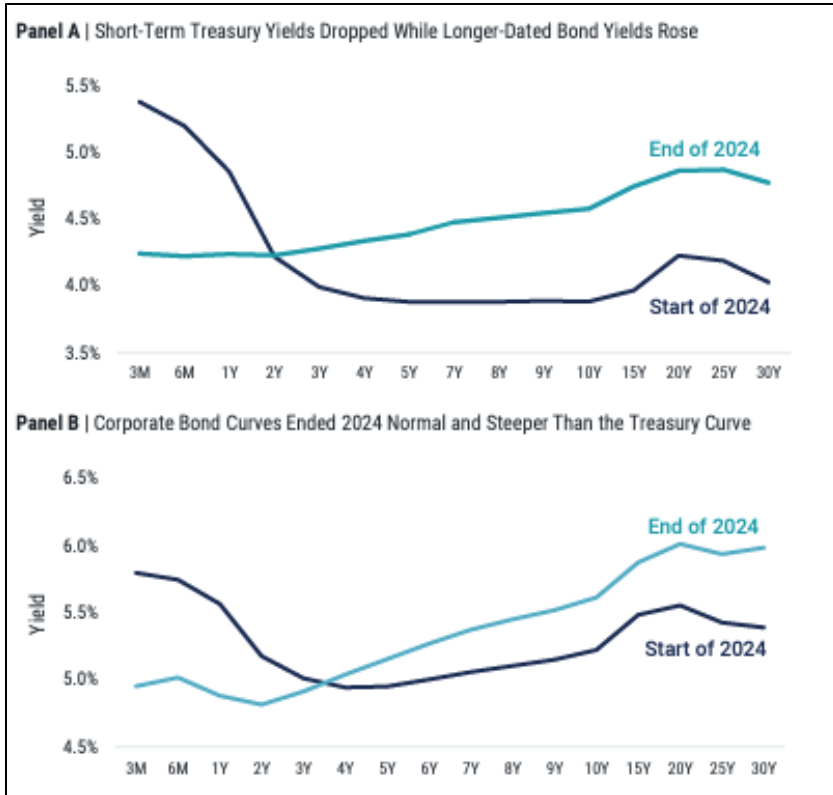
Global bond returns



Source: Tax Foundation, United States International Trade Commission, U.S. Department of Commerce, J.P. Morgan Asset Management.

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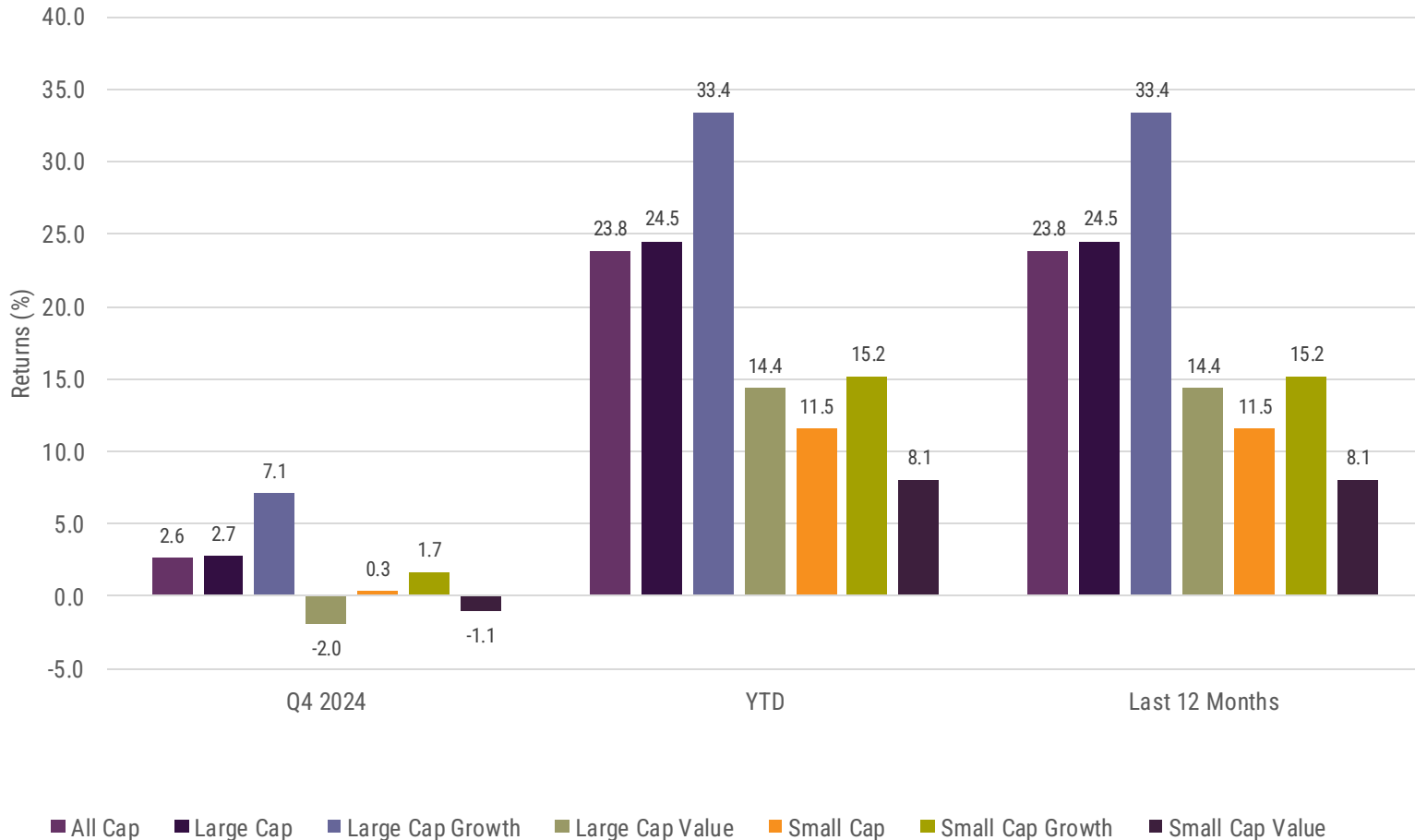
Getting back to normal (kind of)



Source: Bloomberg, Avantis. Data as of 12/31/2023 and 12/31/2024

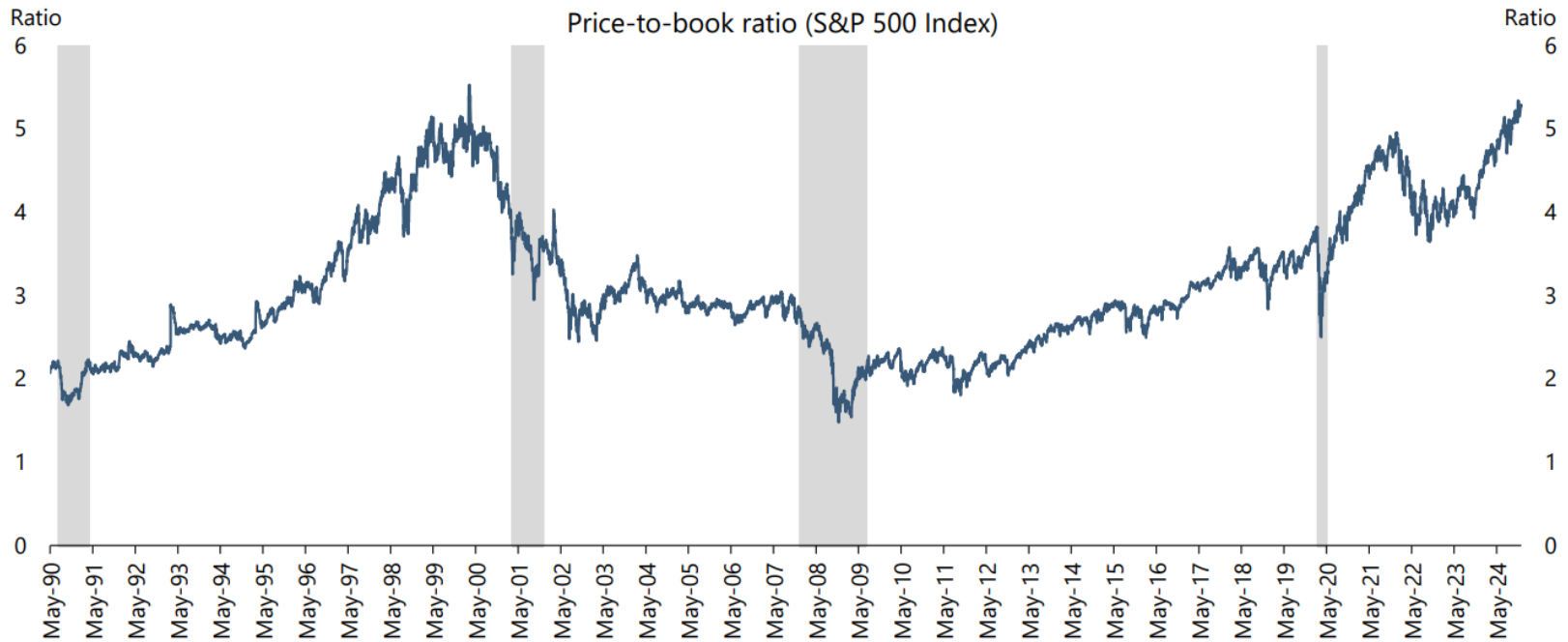


US stock returns by size and style



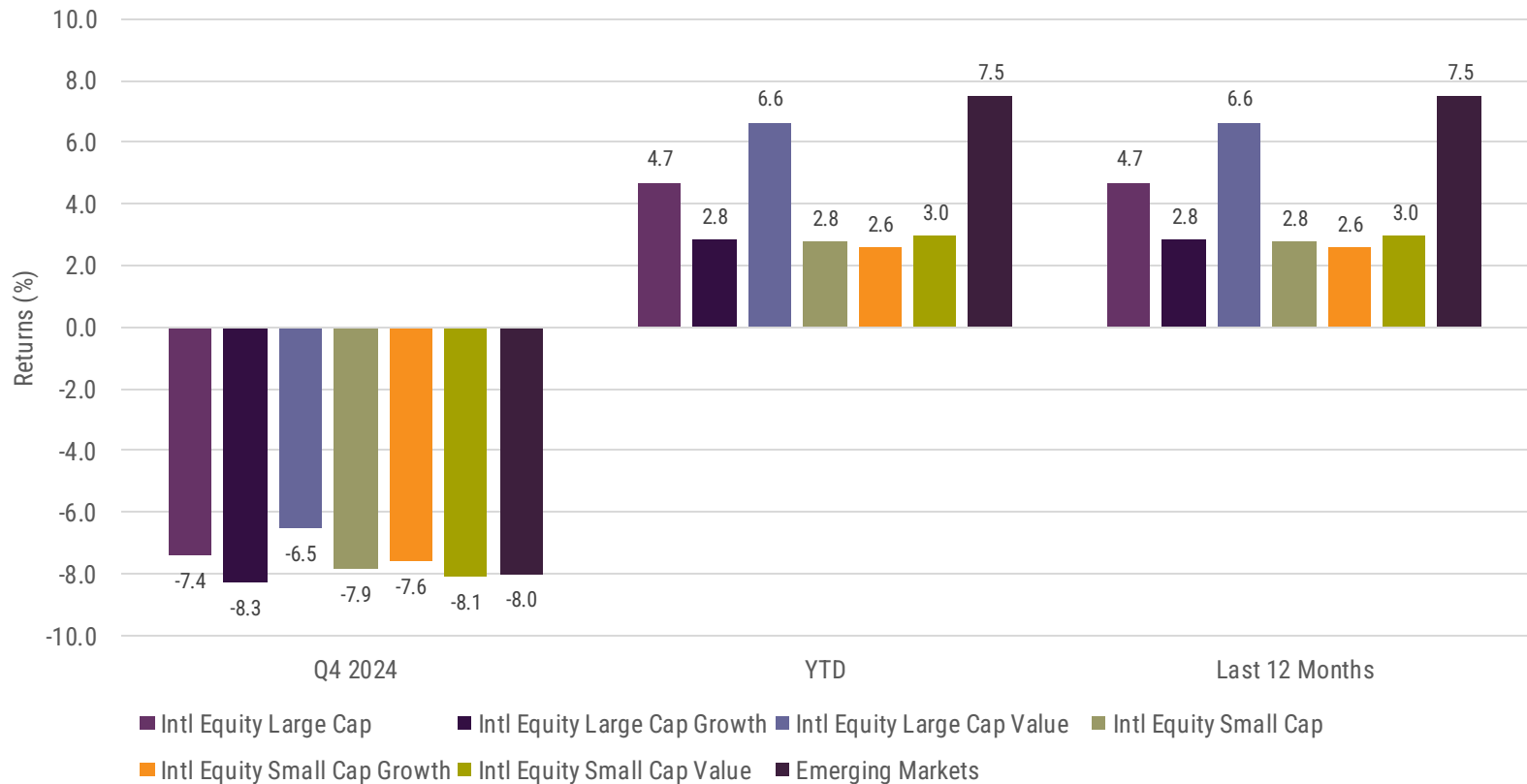
Source: Morningstar, Russell benchmarks shown. Past performance is not indicative of future results.

US stocks are historically expensive



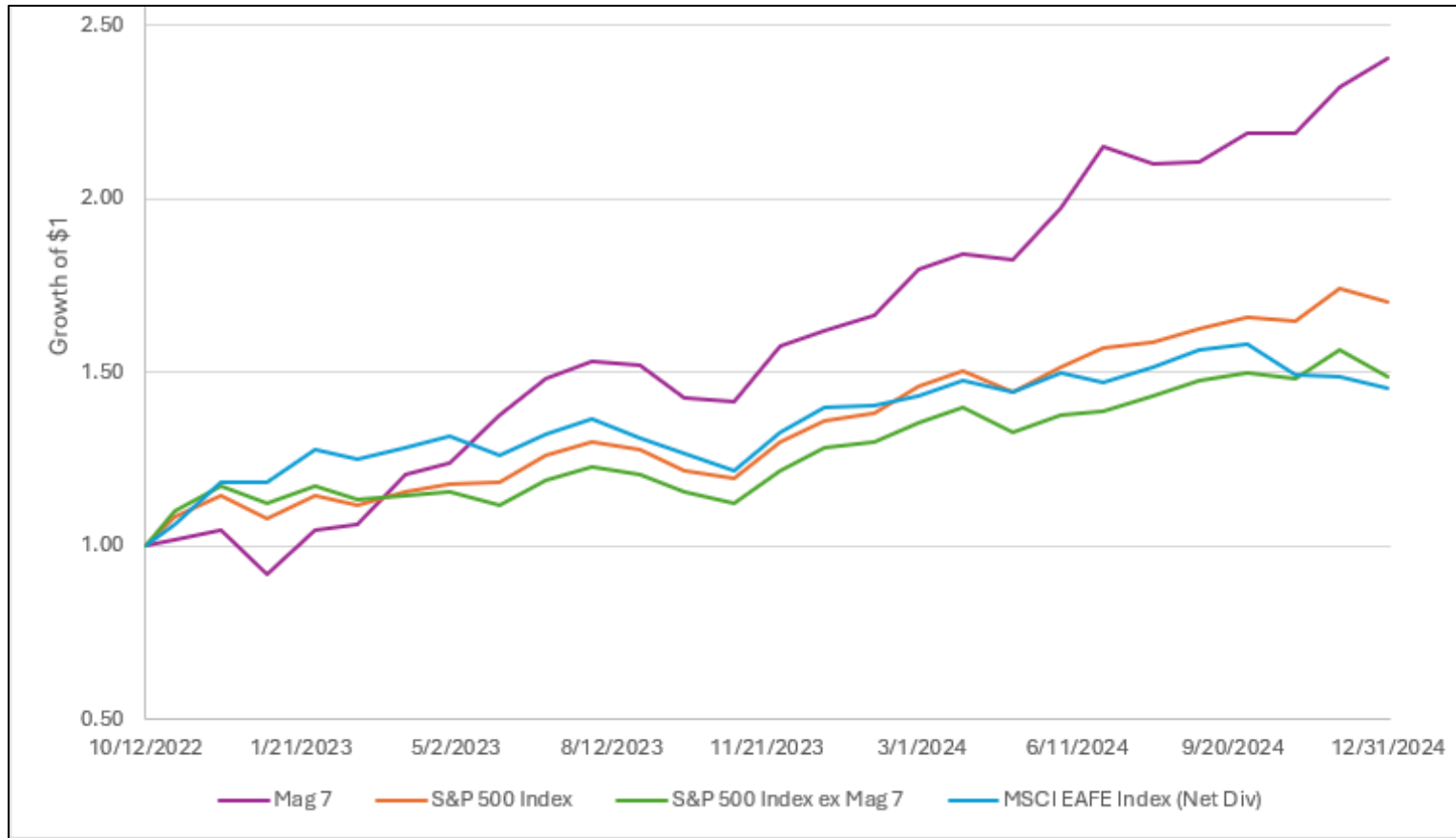
Source: Bloomberg, Apollo Chief Economist

International developed and emerging market stock returns



Source: Morningstar, MSCI benchmark shown. Past performance is not indicative of future results.

Reasons to hold international stocks



Source: Avantis. Performance from 10/12/2022-12/31/2024. This date in Oct 2022 is considered the start of the current bull market. The Magnificent 7 refers to stocks of Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, and Tesla. Past performance is not indicative of future results.

Bitcoins been on a tear... should I buy it?



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