QUARTERLY MARKET COMMENT
Fourth Quarter 2024

2024 was a year for the record books, achieving multiple record highs and the second year of consecutive annual gains exceeding 20% for the S&P 500. The markets overall demonstrated amazing strength and stability with only one pullback in August of less than 10%. While large-cap technology stocks led the market's early gains in the first half of the year, participation in the market broadened in the second half. The Federal Reserve (Fed) made its first interest rate cut in September by 0.50%. They had delayed cutting rates well over a year from the time they had stopped hiking interest rates due to the resilience of the economy. As anticipated, the markets reacted positively to this change along with two more rate cuts by the end of the year. The "Magnificent Seven" (technology giants) played a pivotal role in the rally, surging 55.21% while the remaining 493 stocks in the S&P 500 index returned 23.47%. Mid Cap and Small Cap also had a good run in 2024 as noted below in the chart, even though they experienced a strong pullback in December. The growth style, specifically momentum, dominated and far surpassed the value style for the second year in a row. International Stocks ended the year in positive territory, despite a strong pullback in the fourth quarter. All commodities and tangibles experienced positive returns as well as many fixed-income investments. Communication services and information technology were the best-performing sectors, 40.01% and 36.07% respectively. Natural resources, materials, and the long-term U.S. Treasury bond are the three areas ending the year with negative single digit returns.

It's hard to imagine we will have another year of positive double-digit returns in 2025 and history backs this up. This is not to say it won't be positive. What spurred such gains in 2024 were the rate cuts, economic strength, and AI enthusiasm. Much of this is still in play, just at a more elevated level and running at a different speed. The bull market (rising market environment) entered its 3rd year in October 2024. Historically, this has been a more challenging year with added volatility. Coupling this with the first year of a presidential cycle can add a higher degree of uncertainty. Our sense, from what we know today, is the bull market is intact and should remain through 2025.

In gauging the health of the underlying economy, economists see a positive environment moving into 2025. Growth or GNP is projected to be 2.4%, slightly lower than 2024 yet remaining positive. The Consumer Price Index (CPI), also referred to as inflation, has fallen from 9.1%, but is still well above the Fed's target of 2%, hovering around 2.7% to 2.8%. The unemployment rate has been at historic lows and is projected to stay around 4.2% to 4.4%. Due to the surprising strength of the economy, The Fed has backpedaled a bit on interest rate cuts and is now suggesting less in 2025. Time will tell how the economy adjusts to future changes as they become known. One of the fixed-income market concerns that has already had an impact is the proposed policy changes of the incoming administration. As a result, the long end of the interest rate curve has been moving up.

Asset Index Category	4Q 2024 %	YTD-2024 %	5-Year Average %	10-Year Average %
S&P 500 Index-Large Companies	2.07	23.31	12.73	11.07
S&P 400 Index-Mid-size Companies	-0.03	12.20	8.63	7.95
Russell 2000 Index-Sm Companies	0.01	10.02	5.98	6.35
US Real Estate Funds	-6.99	5.90	2.96	4.96
Gold	-0.47	26.62	10.42	7.39
US Commodities	0.08	5.84	7.69	2.23
Global Real Estate Funds	-10.11	0.23	-0.68	2.69
MSCI EAFE-Developed International	-8.38	1.15	2.12	2.45
MSCI EM Index-Emerging Markets	-8.15	5.05	-0.71	1.18
Barclays US Aggregate Bond Index	-3.06	1.25	-0.33	1.35
Long US Government Bond Index	-9.47	-9.77	-7.91	-3.58
Emerging Market Bond Index	-3.58	3.83	-0.15	1.80

Remember, the market is a leading indicator and often climbs a wall of worry. The general trend of the markets is still up as we head into 2025, just with a bit more uncertainty at play. Stay focused on your long-term goals and what you can control, not the day-to-day ups and downs of the markets.

We appreciate and value the trust you have placed in us to help guide you through your financial life. Please let us know if you have any questions or concerns.

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3600 Olentangy River Rd., Suite C2. Columbus, OH 43214 614-538-1600
www.alexanderfinancialplanning.com