



The Weekly Market Update – 12/30/24: Will The 2024 Bull Market End With A Whimper?

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	5,970.84	0.67%	3.62%	25.18%	30.72%	6,090.27	2.0%
Dow Jones Industrial Average	42,992.21	0.35%	1.56%	14.07%	19.59%	45,014.04	4.7%
NASDAQ Composite	19,722.03	0.76%	8.43%	31.38%	38.63%	20,173.89	2.3%
Russell 2000	2,244.59	0.10%	0.66%	10.73%	24.08%	2,442.74	8.8%
MSCI EAFE (USD)	2,275.20	1.76%	-7.84%	1.75%	7.07%	2,506.69	10.2%
MSCI Emerging Markets (USD)	1,082.87	0.99%	-7.51%	5.78%	9.70%	1,444.93	33.4%
Bloomberg Commodity Index	98.21	0.66%	-2.13%	-0.45%	-3.54%	237.95	142.3%
Barclays U.S. Aggregate Bond	90.18	-0.41%	-4.10%	-1.66%	1.93%	112.07	24.3%

Source: FactSet

Post-election equity gains have stalled in December, although large-cap growth stocks fared better, and the S&P 500 remains on track to post a healthy full-year increase. Despite a -1.1% decline on Friday, 12/27/24, the widely followed S&P 500 equity index gained +0.7% for the holiday-shortened Christmas week as low-volume trading days led to elevated volatility (the index rallied +1.1% on Christmas Eve). But through 12/27/24, most U.S. equities were lower in December month-to-date (MTD) as the S&P 500 was down -1.0%, the Equal Weight S&P 500's (EWSP) MTD decline was -5.9%, and the Russell 2000 (small-company stocks) had a -7.8% drop. One exception in December was the growth- and technology-centric Nasdaq Composite, which posted a MTD gain of +2.6% (as of 12/27) as investors returned to many of the large-company leaders that drove the bulk of market gains in the first half of 2024. In fact, in December MTD, within the S&P 500, eight of 11 MSCI GICS sectors were lower (with Energy and Materials both down more than -10%) and the three positive sectors, Communication Services, Consumer Discretionary, and Technology, include all of the high-profile "Magnificent 7" (Mag 7) stocks. In December, six of those seven stocks traded higher and the MTD Mag 7 average return was +5.3%. As December investors digest the November election results and post-election rally (the S&P 500's +5.7% November gain was the index's best month of 2024), the 2024 bull market is approaching year-end on hold. Year-to-date (YTD, 12/31/23 to 12/27/24) returns, however, have been impressive. The S&P 500's YTD price gains (does not include dividends) were +25.2%, and that was outpaced by the Nasdaq Composite index's +31.4% return. For the YTD, large-company stocks outperformed small-company stocks (for the fourth consecutive year), growth stocks (Russell 1000 Growth index) outperformed value (Russell 1000 Value index) stocks (second consecutive year), and the average stock in the S&P 500 (as measured by the EWSP) underperformed the broader index with a YTD price return of +11.9%. As we look into 2025, growth expectations remain elevated and earnings reports for the fourth quarter (the bulk of these reports begin in late January) will be an important data point to confirm earnings momentum for 2025. As of 12/27/24, the FactSet consensus for 4Q24 S&P 500 year-over-year earnings growth was +11.6%. Although the estimate has dipped from +14.8% at the end of September, it would match 2Q24's +11.6% increase.

We attribute December equity weakness to higher interest rates and policy and cabinet uncertainty due to the incoming administration. On 12/27/24, the U.S. 10-year Treasury yield (TY) closed at 4.62%, its highest level since April this year. In 2023, when the 10-year TY moved above 4.50% (on the way to 5.00%), equities were weak as investors began to assess the impact of rising rates on mortgages, car loans, and credit card rates. As of late Monday, the yields had pulled back modestly. In addition, on 1/6/25 when the new Congress is seated, the Senate will begin to advise and consent on President Trump's cabinet nominations. We see the potential for contentious questions on policy, particularly on tariffs, immigration, and food safety.

2024 concludes with another mid-week holiday and likely light trading. The New Year holiday and market closure is mid-week, so 2025 for traders begins on Thursday, 1/2/25. It is a light week for economic news, although we will see data on home sales, manufacturing, and new jobless claims. We appreciate the opportunity to follow markets and offer our advice in 2025 and look forward to interaction. Happy New Year, everyone!

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet consensus refers to the aggregate of all analysts' estimates from firms that submit estimates to FactSet for a given financial metric.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury securities, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury notes are widely followed barometers of the current U.S. interest rate environment. Treasury security data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data as a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at <https://www.bea.gov/data/gdp/gross-domestic-product>.

Generative artificial intelligence (GenAI): We think of artificial intelligence as using advanced computers to process large amounts of data to ultimately approach human problem solving and decision making. While still predictive models, generative AI can give detailed responses much better than a search engine, which does a good job of telling the user where to go to find additional information. As generative AI systems access more data, they become larger and learn to make better decisions. At each iteration, the system gains knowledge, enhancing its predictive (reliable) capabilities and ability to produce original content. Generative AI systems become more robust as they are used as all new data can be trained into the system, creating new challenges and opportunities.

The term "Magnificent 7" was first used in early 2023 by Bank of America. It referred to seven publicly traded stocks that, at the time, were the most highly valued companies in the S&P 500 index ranked by equity market value. The seven stocks were: Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta, and Tesla.

2024 Election Day was 11/5/24. On the national level, voters selected the next president of the U.S. and state elections determined the party control (Democratic or Republican) of Congress, both the U.S. House of Representatives and the U.S. Senate. Inauguration Day is 1/20/25, and the Republican party will control the Presidency and both chambers of Congress. On the campaign trail, President-elect Trump had promised the use of widespread (global) tariffs to counter tariffs on U.S. goods in other countries as well as to incentivize more U.S. manufacturing. In addition, Trump intends to limit illegal immigration and asylum seekers and to deport immigrants that did not use proper channels. The impact this may have on the U.S. labor market is uncertain.