



MONTHLY RECAP

DECEMBER 2024

MONTHLY OBSERVATIONS

Unseasonal End to a Solid Year

The Trump 2.0 trade and growing expectations for a US "soft-landing" drove markets higher in November but failed to maintain momentum in December. Historically, December has been the second-best month on average for the S&P 500 since 1970, but a -2.4% was certainly not on anyone's wish list. Downside volatility picked up meaningfully in the second half of the month, primarily due to the market's reaction to a more hawkish Fed; the latter's communications indicated potential for less easing in 2025. Rates rose significantly with the 10-Year US Treasury rising 40 bps over the month, breaching the 4.5% level for the first time since May. Sentiment across markets shifted sharply lower with US small cap stocks falling -8.3%, their worst month since April 2022. Listed REITS also struggled, posting their worst monthly return since September 2022's 13% drop. Dollar strength created a headwind for non-US developed equity markets, although emerging market equities ended largely flat with China and Taiwan (+40% of the index) posting positive returns of 2.7% and 4.3%, respectively. Still, for all the "carnage" of December, the year ended with the S&P 500 posting consecutive 20%+ calendar year returns for the first time since 1999. Additionally, most markets finished in the green for 2024.

2025 Rate Cut Expectations Fall

The Fed cut rates another 25 bps in December as expected, but their updated "dot plot" indicated only two more in 2025. With the US economy showing strength, inflation bottoming out, and uncertainty over future fiscal/tariff actions, the Fed will rely even more on its "data dependency" to navigate monetary policy.

Sharp Rebound in US Payrolls

Employment strength continues to underpin the US economy. November employment growth rebounded to 227,000 after an upward-revised 36,000 gain in the month prior. While the overall trend in job growth has weakened, pay growth remains solid and is up 4.0% year-over-year.

SUMMARY 2025 OUTLOOKS FROM ASSET MANAGERS

Equity

The resounding call is for outperformance by U.S. equities in 2025. Though many cite the starting valuations as a concern, favorable policies and resilient economic growth are seen as tailwinds. Within Emerging Markets, India and Saudi Arabia were noted as strong contenders while many managers were cautious on China's prospects due to continuing structural challenges and geopolitical risks.

Fixed Income

Most noted the higher yields as an attractive starting point. Nearly all managers prefer credit and other spread products to Treasuries. Duration was a mixed bag: some believe it should perform well with rate cuts while others caution that investors should wait for clarity on government policy and inflation before taking bets on duration.

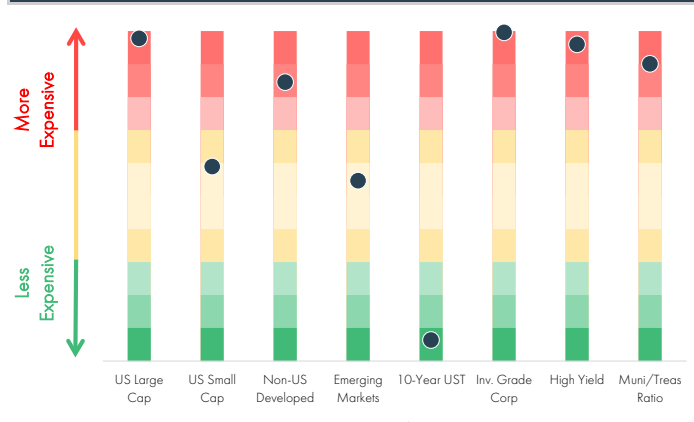
Alternatives

Managers are most bullish on infrastructure and private credit. Infrastructure is seen as a provider of stable cash flows which could act as a hedge against inflation. Private credit is attractive due to its income potential and the support provided by the shift from traditional capital providers to private credit asset managers.

MARKET RETURNS - 12.31.2024

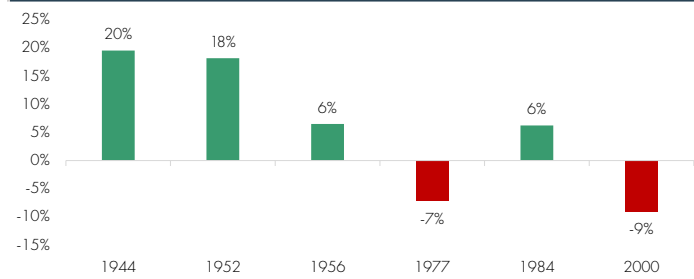
	1-Mo	QTD	YTD	2023	2022	2021
Equity						
S&P 500	-2.4%	2.4%	25.0%	26.3%	-18.1%	28.7%
Nasdaq Composite	0.6%	6.3%	29.6%	44.6%	-32.5%	22.2%
Russell 1000 Growth	0.9%	7.1%	33.4%	42.7%	-29.1%	27.6%
Russell 1000 Value	-6.8%	-2.0%	14.4%	11.5%	-7.5%	25.2%
Russell 2000	-8.3%	0.3%	11.5%	16.9%	-20.4%	14.8%
MSCI EAFE	-2.3%	-8.1%	3.8%	18.2%	-14.5%	11.3%
MSCI Emerging Markets	-0.1%	-8.0%	7.5%	9.8%	-20.1%	-2.5%
Fixed Income						
Treasury	-1.5%	-3.1%	0.6%	4.1%	-12.5%	-2.3%
Municipal	-1.5%	-1.2%	1.1%	6.4%	-8.5%	1.5%
Aggregate	-1.6%	-3.1%	1.3%	5.5%	-13.0%	-1.5%
Investment Grade Corporate	-1.9%	-3.0%	2.1%	8.5%	-15.8%	-1.0%
High Yield Corporate	-0.4%	0.2%	8.2%	13.4%	-11.2%	5.3%
FX						
US Dollar Index	2.6%	7.6%	7.1%	-2.1%	7.9%	6.7%
Real						
Real Estate	-7.9%	-8.2%	4.3%	11.5%	-25.1%	39.9%
Infrastructure	-4.5%	-2.6%	14.0%	5.8%	-1.0%	11.0%
Oil	1.8%	3.6%	-4.2%	-10.3%	10.5%	50.2%
Gold	-1.1%	-0.5%	26.6%	12.8%	-0.7%	-4.3%

ASSET CLASS VALUATIONS - 12.31.2024



Asset class valuations are a percentile ranking based on monthly data going back to a common inception of 9/1/2006.

Calendar Year Return After Consecutive 20%+ S&P 500 Returns



2024 was another great year for the S&P 500 but back-to-back 20%+ returns for the S&P 500 are rare. That said, upward momentum has typically continued into the next year. Out of the 6 times it has previously occurred since 1936, the next year's return has been positive 4 times and negative 2 times. (1995-1999 period is counted as one period for chart above.)

Source: Morningstar Direct, Bloomberg; See important information in the disclosures.



DISCLOSURES

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SOURCES

Morningstar Direct as of 12.31.2024

Bloomberg as of 12.31.2024

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group.

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The NASDAQ 100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BofA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BofA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BofA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BofA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.