

# 2024 Q4 Quarterly Market Review



**Presented By: Mario Nardone, CFA**



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## Positive Signals

- 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.

## Reasons for Concern

- 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).

# 2024 Q4 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% and 2.4%** were the November 2024 headline CPI and PCE figures, slightly above the 2.6% and 2.3% figures from October.
- **67%** is the percentage that US stocks comprise of 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%** is the amount 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%.

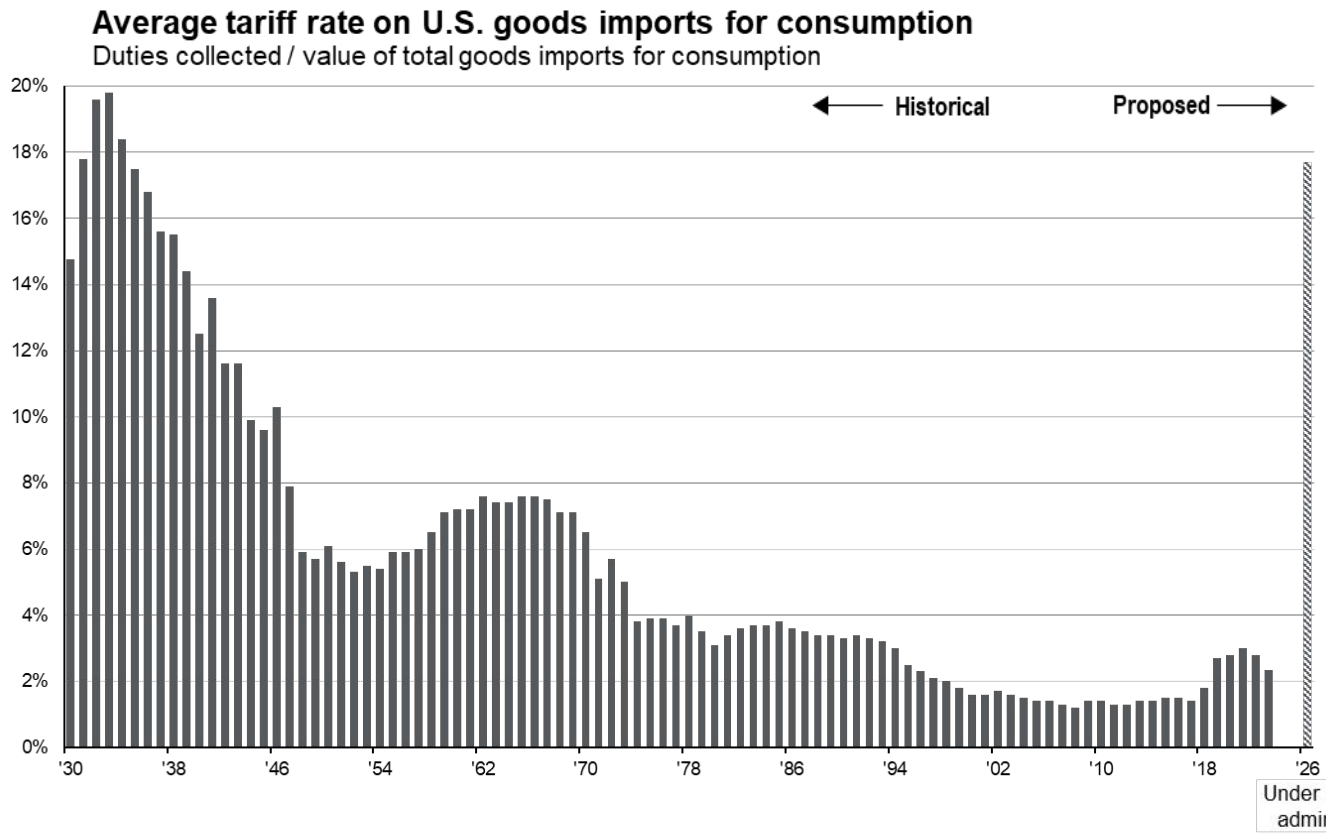
# As Much of 2024 as Fits On One Page



# From Election Uncertainty to Policy Uncertainty



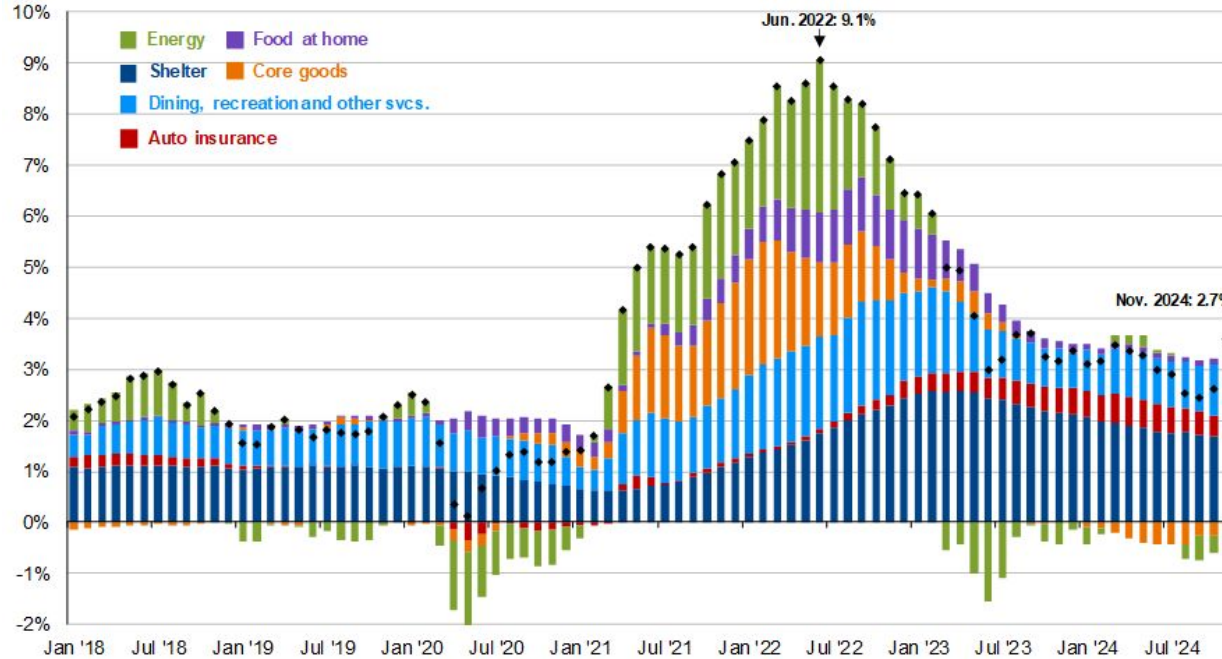
# The Tariff Story



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.

### Contributors to headline CPI inflation

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



# The Inflation Story

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 Fed's Delicate Dance



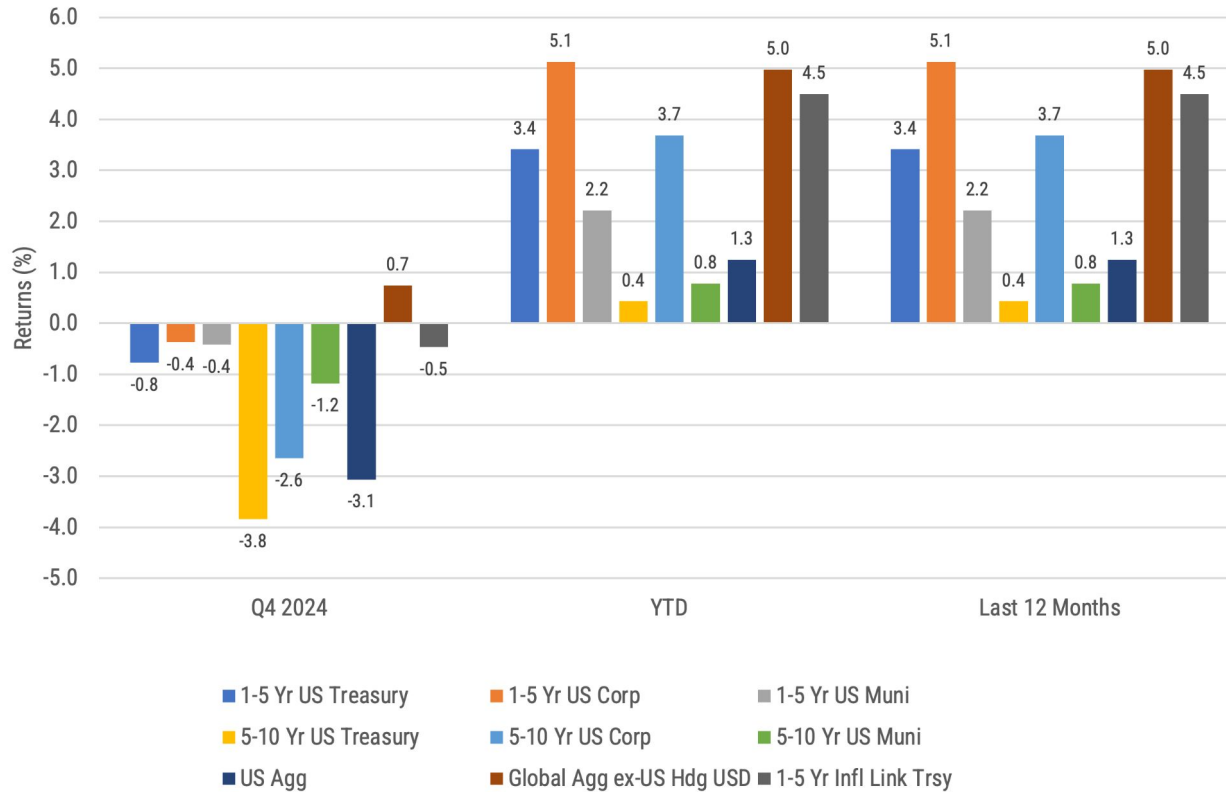
Shaded areas indicate U.S. recessions.

Source: Board of Governors of the Federal Reserve System (US)

fred.stlouisfed.org

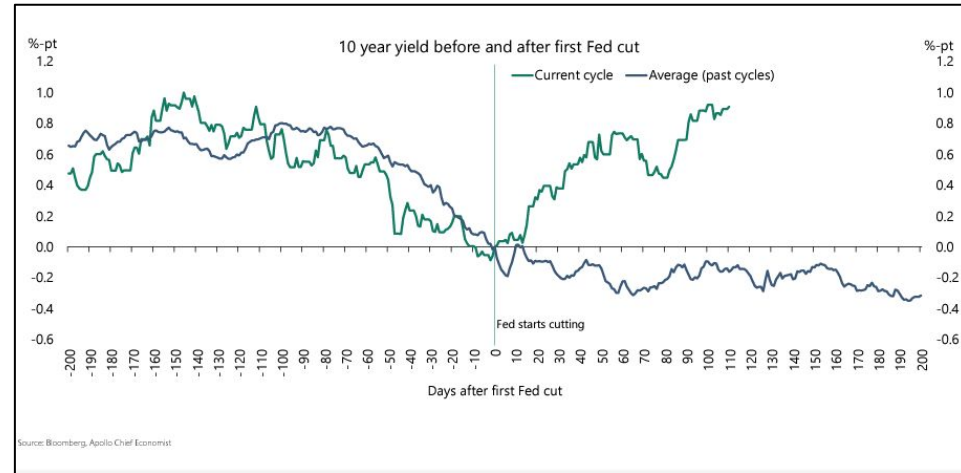
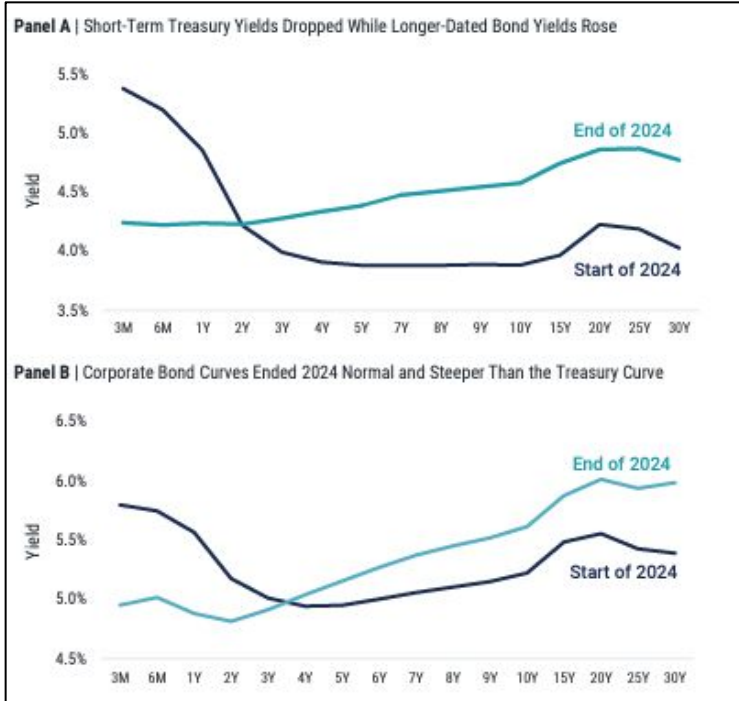




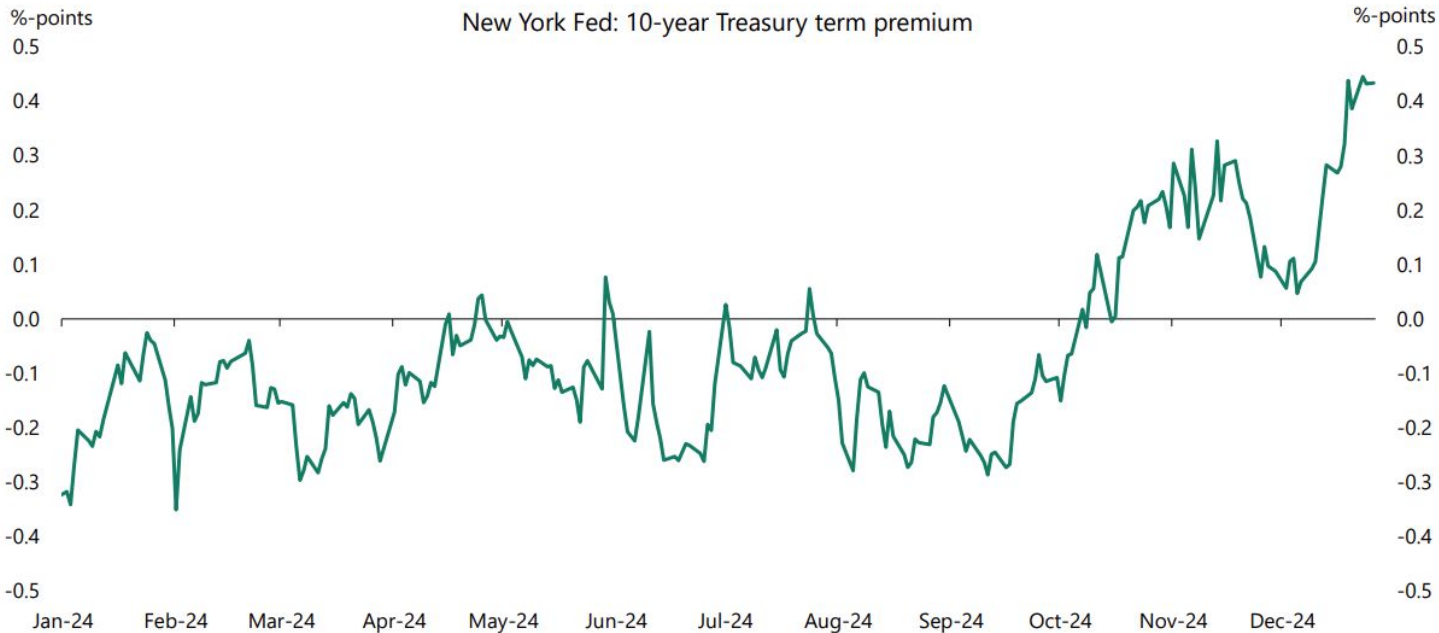


## Global Bond Returns

# Getting Back to Normal, Kind of

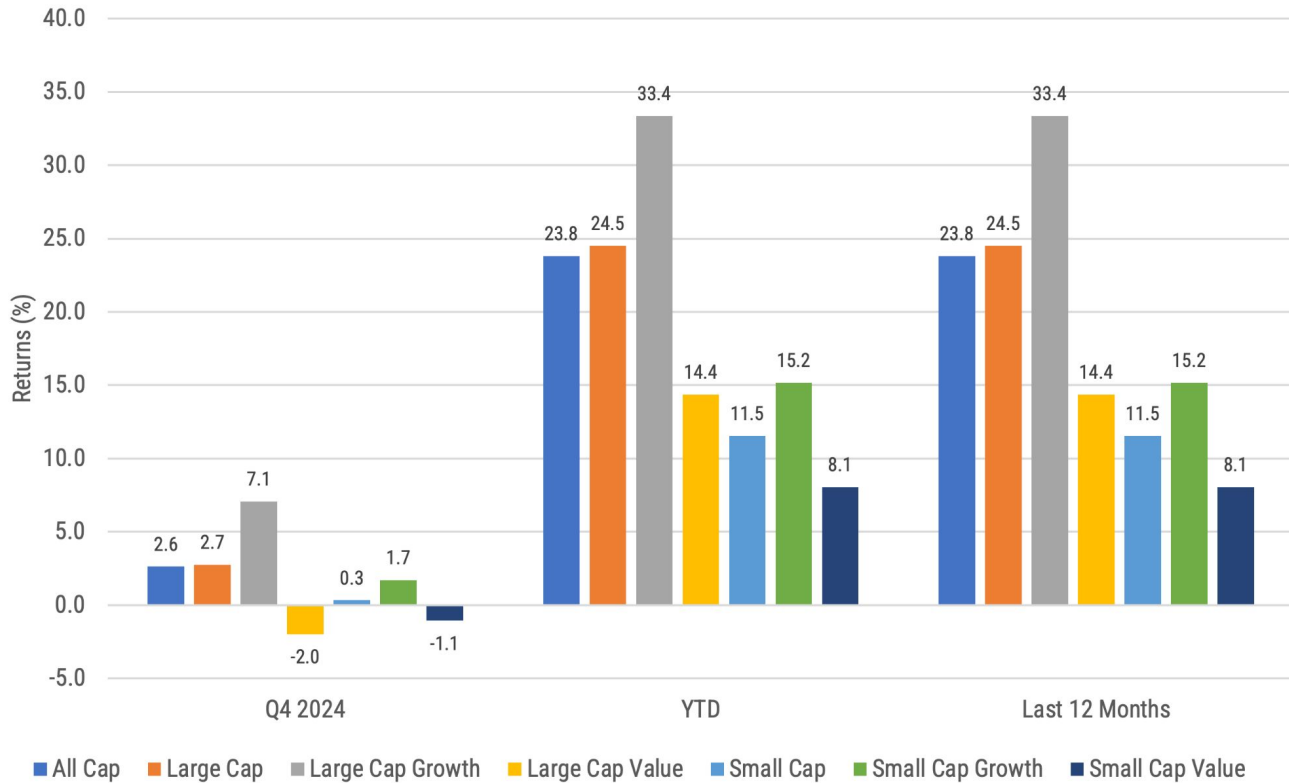


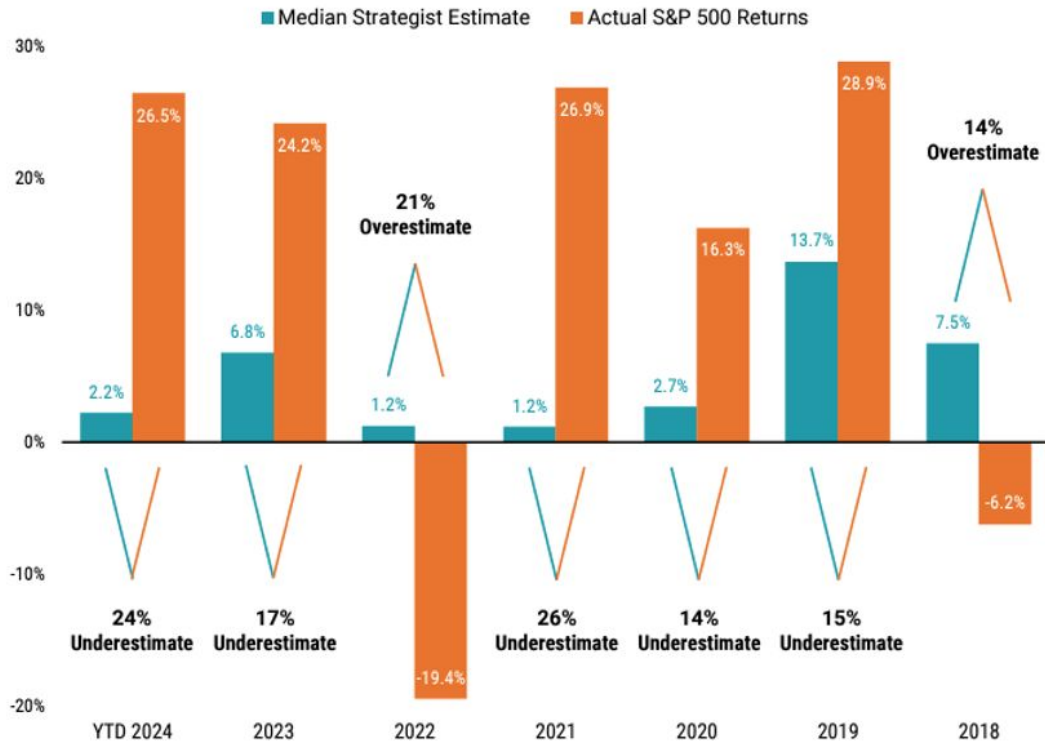
# 10-year Treasury term premium rising



Note: The NY Fed measure for the term premium is based on a five-factor, no-arbitrage term structure model. Source: New York Fed, Bloomberg, Apollo Chief Economist

# US Stock Returns by Size and Style

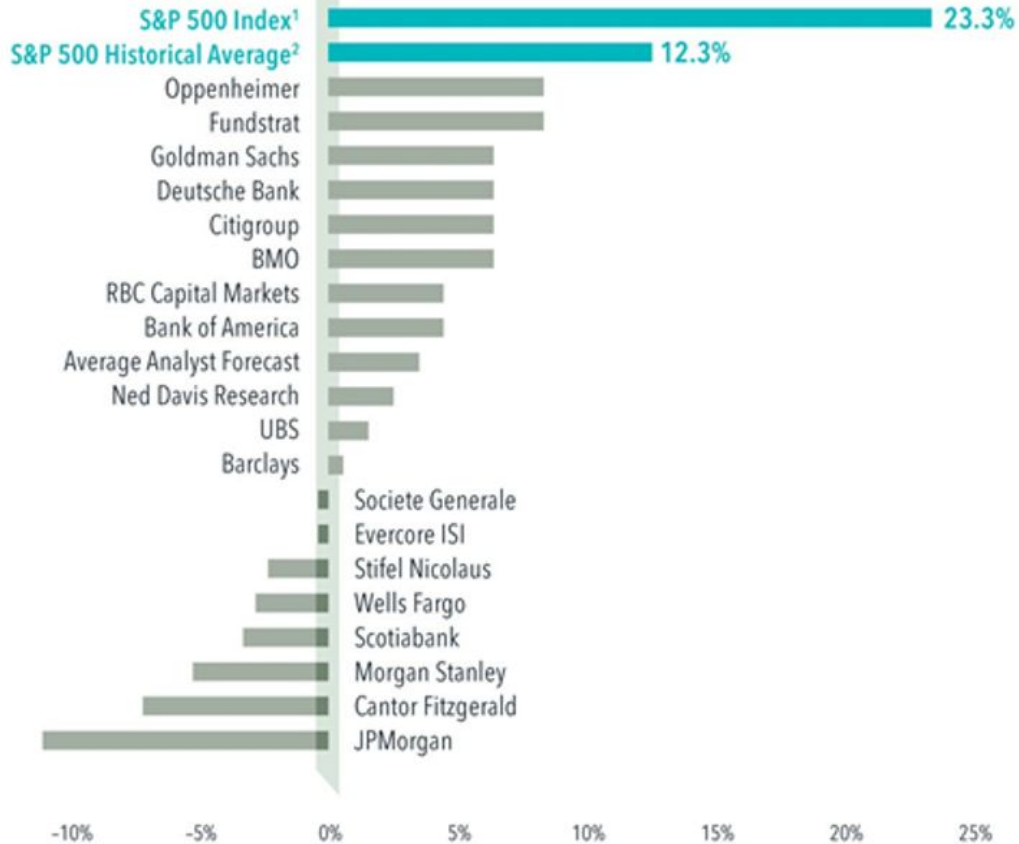




Data from 1/1/2018 - 11/30/2024. Sources: Emily McCormick, "What Wall Street Strategists Forecast for the S&P 500 in 2019," Yahoo Finance, December 31, 2018; Jeff Sommer, "Clueless About 2020, Wall Street Forecasters Are at It Again for 2021," New York Times, December 18, 2020; Jeff Sommer, "Forget Stock Predictions for Next Year. Focus on the Next Decade," New York Times, December 16, 2022; Senad Karaahmetovic, "Top Wall Street Strategists Give Their S&P 500 Forecasts for 2023," Investing.com, December 27, 2022; and Tom Aspray, "Should You Worry That Strategists Keep Raising Their S&P 500 Targets?" Forbes, October 20, 2024. Past performance is no guarantee of future results.



# Follow the Forecasts at Your Own Peril



More Proof the  
Forecasters’  
Crystal Ball is  
(mostly)  
Broken....

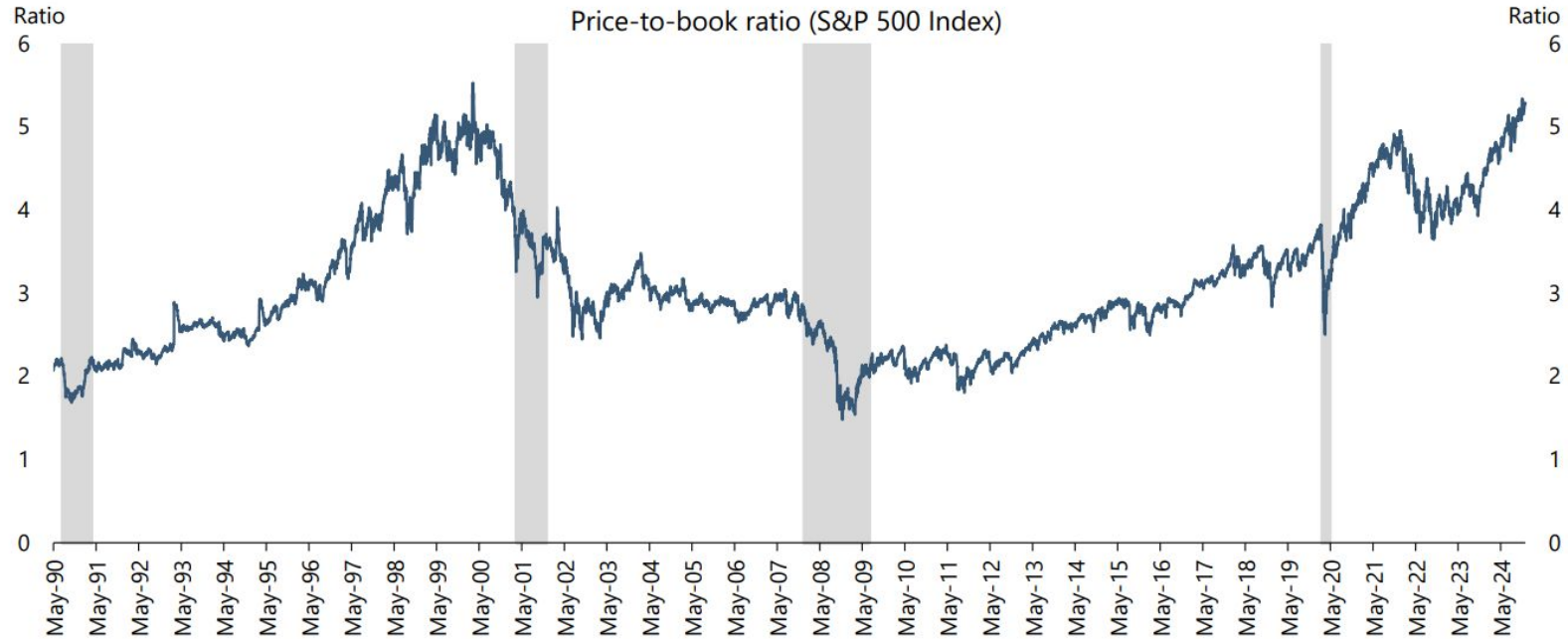
<sup>1</sup> Price-only return

<sup>2</sup> Based on actual S&P 500 Index average total return from 1927-2024.

Past performance is no guarantee of future results.

In USD. Source: Dimensional Funds, Bloomberg, using the “Strategists S&P 500 Index Estimates for Year-End 2024” as of December 19, 2023. Analyst forecasts and 2024 returns are price-only returns. S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of the actual portfolio.

# US Stocks are Historically Expensive



Source: Bloomberg, Apollo Chief Economist

# It's Not Just the Mag 7 Doing Well



## Russell 1000 Top 10 Contributors

<i>Name</i>	<i>Contribution</i>	<i>Return %</i>
NVIDIA Corporation	4.94	171.25
Apple Inc.	1.68	30.70
Amazon.com, Inc.	1.35	44.39
Meta Platforms Inc Class A	1.25	66.05
Broadcom Inc.	1.11	110.43
Microsoft Corporation	0.94	12.92
Alphabet Inc. Class A	0.64	36.01
Tesla, Inc.	0.63	62.52
Alphabet Inc. Class C	0.54	35.62
Eli Lilly and Company	0.51	33.30

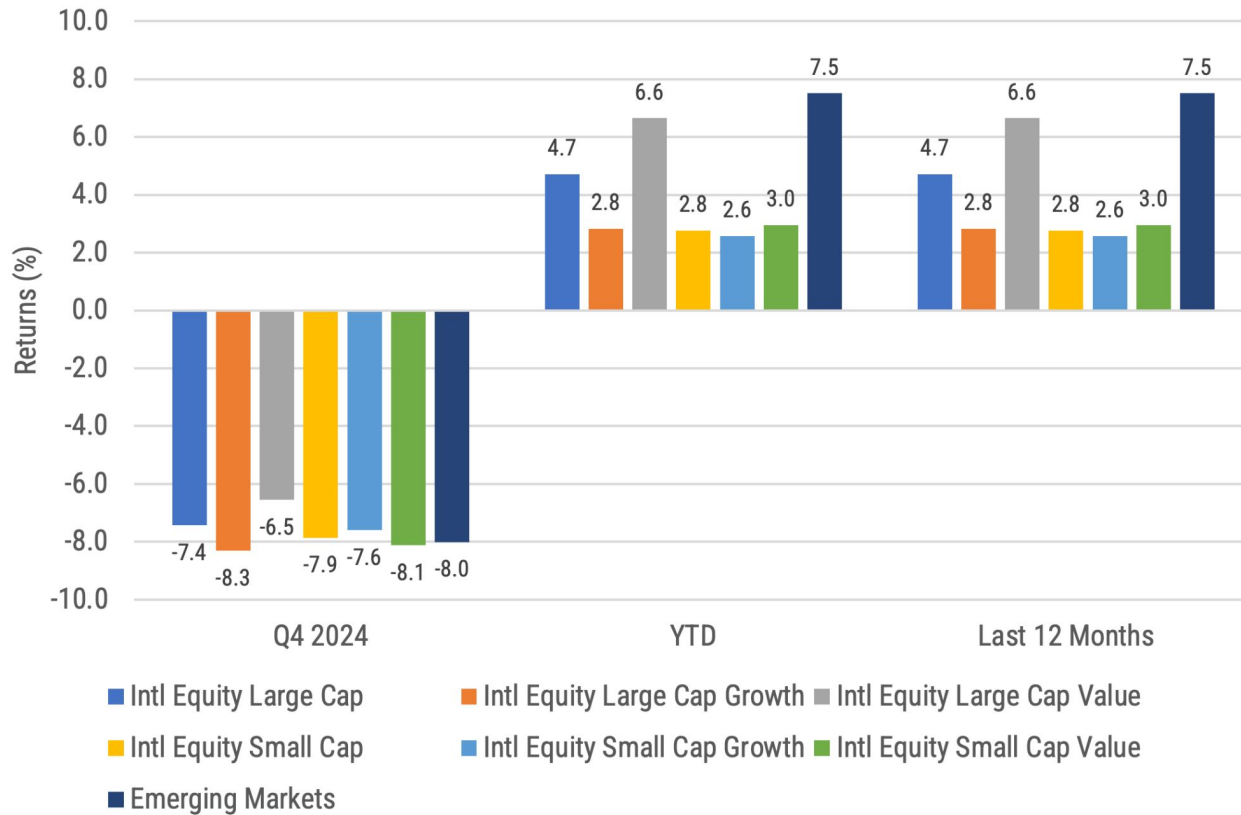
## Russell 2000 Top 10 Contributors

<i>Name</i>	<i>Contribution</i>	<i>Return %</i>
Super Micro Computer, Inc.	1.06	188.24
FTAI Aviation Ltd.	0.42	214.71
Carvana Co. Class A	0.35	143.14
Sprouts Farmers Market, Inc.	0.32	164.12
MicroStrategy Incorporated Class A	0.32	118.09
Rocket Lab USA, Inc.	0.25	360.58
Insmed Incorporated	0.24	122.78
Credo Technology Group Holding Ltd.	0.22	245.20
IonQ, Inc.	0.20	237.13
Carpenter Technology Corporation	0.20	141.70

## MSCI AC World Ex-US Top 10 Contributors

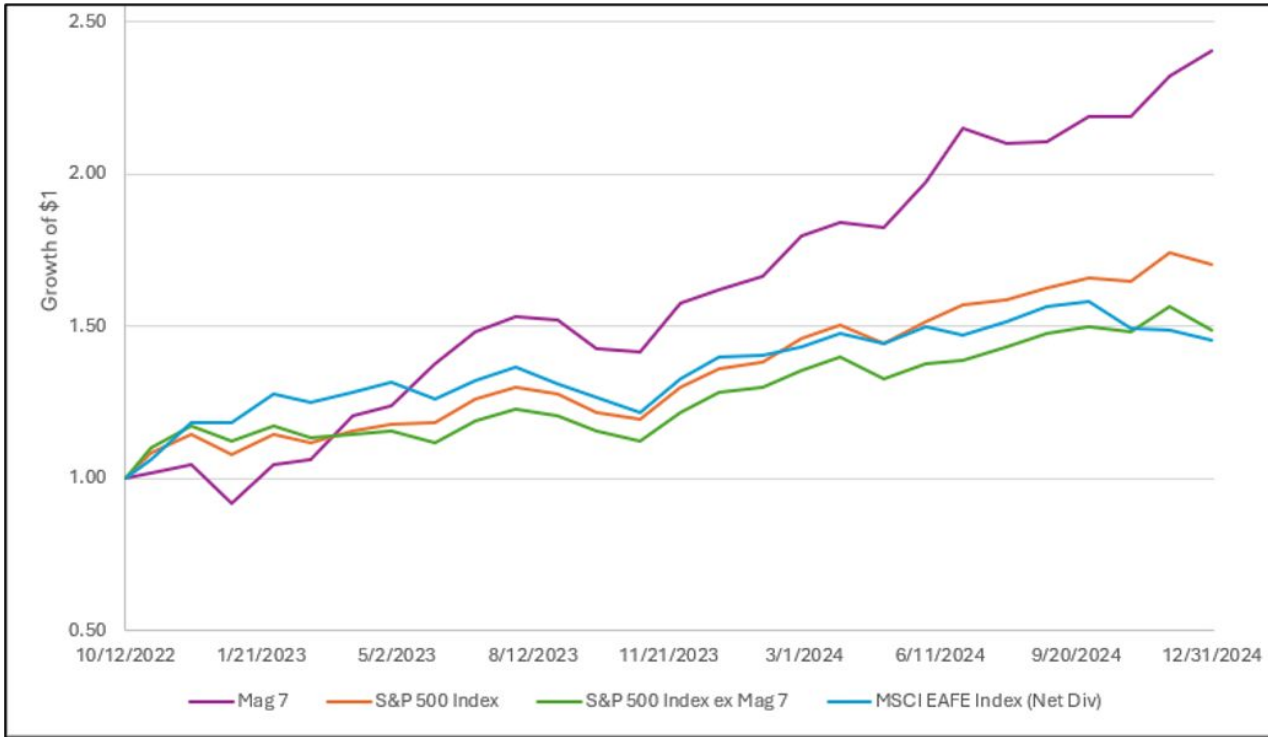
<i>Name</i>	<i>Contribution</i>	<i>Return %</i>
Taiwan Semiconductor Manu	1.33	72.51
Tencent Holdings Ltd.	0.41	44.00
SAP SE	0.38	60.79
Hitachi, Ltd.	0.20	75.81
HSBC Holdings Plc	0.18	33.89
Meituan Class B	0.16	86.19
Recruit Holdings Co., Ltd.	0.15	68.17
Mitsubishi UFJ Financial Group, Inc.	0.15	40.90
Commonwealth Bank of Australia	0.13	29.04
Xiaomi Corp. Class B	0.13	122.31





## International Developed and Emerging Market Stock Returns

## Reasons to Hold International Stocks





**Dollar  
Strength is  
Good for US  
Consumers  
but Bad for  
Owners of  
Non-US  
Investments**

# Bitcoin's Been on a Tear. Should I Buy It?



# Maintain your focus on what really matters

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- Financial planning is a process, not an endpoint
- Concentrate on long-term goals and objectives
- Focus on reaching goals, not on beating benchmarks
- Maintain a disciplined approach, in good and bad markets
- Invest broadly and globally; asset allocation is key
- Reduce investment and tax costs where possible
- Rebalance as necessary

# Questions?

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# Disclosures

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