Market Summary 4th Quarter 2024: Although 2024 was a banner year for stocks, with the S&P hitting new highs, the quarter ended down for most sectors except Large Cap Growth which continues to be driven by the AI revolution. There are seven key players (stocks) in the AI space and their performance continues to be the dominant influence in the market as their gains have accounted for over 55% of the gain in the S&P for the year and the reason why only the Large Growth Sector performed so strongly for the quarter (see below). It was a different story for the rest of the market as interest rates and inflation once again became a concern. Despite the Fed lowering short term bank borrowing rates during the quarter, the Bond market actually pushed interest rates up/prices down with the 10 Year US Treasury rate rising from 3.8% to over 4.6%. This resulted in the yield curve shifting to a positive slope, that is, short term rates are now lower than long term rates. The yield curve had been inverted for 793 days, the longest in history and had (wrongly) forecasted an imminent recession. The large shift in the slope of the curve was in response to stronger inflation and economic data, and the Fed back pedaling on the pace and magnitude of lowering rates. Note: A positive sloping interest rate curve indicates investors are expecting higher future rates either due to stronger growth or higher inflation. Stay tuned for an exciting 2025!

Index Returns:	**QTD**	**YTD**		**QTD**	**YTD**		**QTD**	**YTD**
S&P 500 Equal Weight (RSP)	-1.33%	12.78%	U.S. Growth (SCHG)	8.67%	34.95%	U.S. Short Bond (BSV)	-0.77%	3.78%
Foreign Developed (MAIIX)	-7.70%	3.68%	U.S. Value (SCHV)	-1.74%	14.13%	Intermediate Aggregate Bond (AGG)	-3.36%	1.31%
Emerging Equity (EEM)	-7.93%	6.50%	Small Blend (IWM)	1.71%	11.39%	High Yield Bond (HYG)	-0.06%	7.97%

Market Outlook: Expectations are very high for a pro-growth, pro-business agenda from the new administration. This means a lot of good news has already been priced into the stock market and leaves the investors vulnerable to both disappointment and ‘surprise’ headlines. At the same time though, the economy is on solid footing and strengthening, the consumer is reasonably healthy and unemployment is still low. Inflation and interest rates have likely bottomed and could actually begin to creep higher again which could be a headwind for the Value and Small Cap areas of the market. In addition, the Bond market will be under continued pressure (prices lower/rates higher) as it underwrites a new supply of bonds to finance the ever growing budget deficit. In sum, we expect a volatile but net positive year for Stocks and long term Bond prices flat to down (interest rates flat to up) as the year progresses.

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