

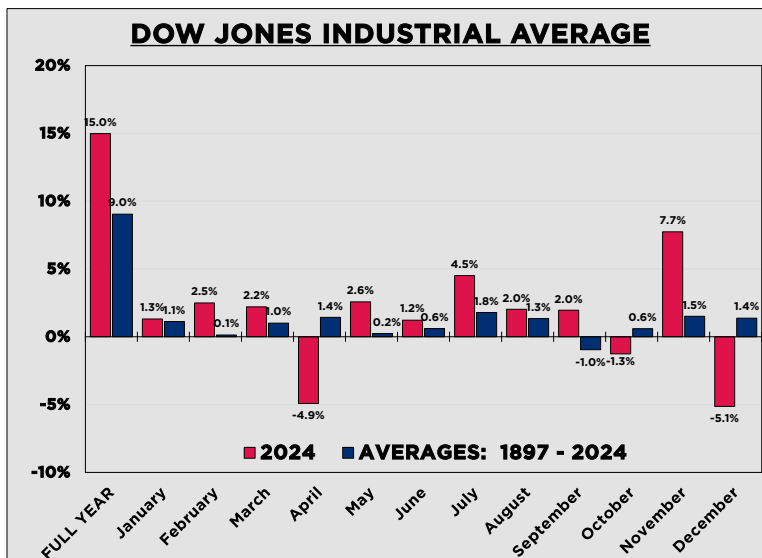
Market update

January 2, 2025

In spite of a notable sell-off in December, U.S. stocks posted a very strong return for full-year 2024. This return capped the best two-year run since 1998. Foreign stock returns were positive but significantly lagged U.S. returns. Economic growth concerns were an impediment to market gains. Inflation uncertainties and fewer than expected reductions in the Fed's policy rate resulted in higher bond yields and anemic returns for the full year.

	December	Year to Date
• U.S. Taxable Bonds	-1.6%	+1.3%
• U.S. Stocks	-3.0%	+23.8%
• Foreign Stocks	-1.9%	+6.1%

Investors enter 2025 with a mix of optimism and apprehension. Inflation uncertainties have lessened and growth prospects look favorable. U.S. stock market valuations are a bit expensive although recent pullbacks have taken some enthusiasm out of the markets. Bond markets have been buffeted by an expected slowdown in the pace and size of Fed policy rate cuts. All focus in the U.S. will be on the policy initiatives and priorities of the new administration post January 20. Expectations are high for growth enhancements. Stay tuned.



The 127-year history of the Dow Jones Industrial Average (“DJIA”) provides some context for U.S. stock market returns in 2024. As the chart here shows, the full-year DJIA return was well-above average. This outcome reflected in part monthly gains outpacing the historical averages in 9 of 12 months. Historically, October is the only month in which the DJIA return has averaged a loss over time. October 2024 was a loss as well, close to the average. In addition, monthly losses were recorded in April and December, and these losses were notable. These losses were offset by material gains in July and November. One year is a short timeframe in which to judge the merits of any investment. Nevertheless, the performance pattern of the DJIA in 2024 conveys two important messages: understand the risk taken in any investment; be prepared to stay the course over time.