



Monthly Recap

The bull market continued its run in 2024, with the S&P 500 delivering another year of impressive gains exceeding 20%. This sustained upward trajectory followed a similarly strong performance in 2023, solidifying a period of robust market growth. While the dominance of the magnificent seven remained a prominent feature of the market, a broader participation was evident in 2024. Several sectors, beyond the usual technology titans, contributed significantly to the overall market strength. Notably, the communication services, consumer discretionary, and information technology sectors experienced significant growth, fueled by a combination of factors. A resilient U.S. consumer, driven by a strong job market and pent-up demand, continued to support consumer-facing businesses. Moreover, the explosion of AI spurred substantial investments in related infrastructure, benefiting companies across various sectors. Finally, the anticipation of further interest rate cuts by the Federal Reserve injected optimism into the market, further incentivizing investors to seek growth opportunities in these dynamic sectors. However, this strong market performance has raised concerns about elevated valuations across several sectors, notably technology and growth-oriented areas. Given the limited potential for multiple expansion, investors will pay close attention to how corporate earnings develop. As of this writing, the S&P 500 is expected to report earnings growth of 14.5% during 2025. Investors will also focus on the new policies coming out of the Trump administration and their potential implications on markets and the economy.

Key Thought

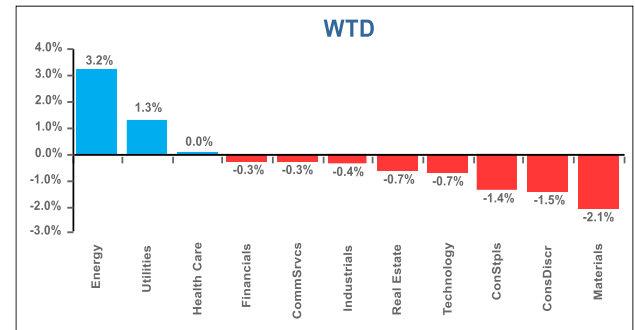
As we enter 2025, tariffs have once again taken center stage for investors. The key question remains: how much of the tariff rhetoric will translate into action? On the campaign trail, President Trump pledged to increase tariffs on Chinese imports by 60% and implement a 10% duty on imports from all other countries. Postelection, Trump stated that he intends to impose an additional 25% tariff on Mexico and Canada, and he threatened the European Union with levies if they do not begin purchasing more U.S. oil and gas. According to estimates from the Tax Foundation, if all these proposals are enacted, the average tariff rate on imported goods will increase from 2.4% to 17.7%. U.S. companies with outsized exposure to imported materials and parts will likely be hit the hardest. Some companies will be able to pass the higher costs on to consumers, while others are thinking strategically about reorganizing supply chains, pulling forward orders to increase inventories, and lobbying for exemptions. Even still, companies that are most exposed will see a negative impact to profit margins as a result of rising input costs. The question remains regarding what tariffs will ultimately be implemented. To get a better sense of a realistic expectation, the trade war of 2018 and 2019 during Trump's first term can provide relevant insights. According to JPMorgan, during that period, estimates suggested that the average tariff rate could increase from 1.4% to more than 11%; however, successful negotiations with trading partners proved those estimates to be too severe. By 2020, the average tariff rate only increased to 2.8%. Most of the tariff threats during that time were just that – threats. Although, markets still reacted negatively to the announcements with domestic and international equities posting a negative year in 2018. Reality ultimately proved less harsh than feared, and the sell-off presented an opportunity as equities rebounded strongly in 2019. Any tariff-related volatility we may encounter in 2025 is likely to be short-lived, underscoring the importance of maintaining a long-term investment strategy during periods of uncertainty.

Stocks	Close	Net Change	Wk % Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJI-US	42,732.13	-260.08	-0.60	1.75	0.44	14.16	
S&P 500	5,942.47	-28.37	-0.48	1.33	1.03	26.31	
NASDAQ	19,621.68	-100.35	-0.51	0.73	1.61	34.47	
S&P MidCap 400	3,152.14	13.53	0.43	1.54	1.00	16.37	
EAFE	75.68	-0.43	-0.56	3.33	0.09	2.34	
Emerging Markets	52.60	-0.14	-0.27	2.86	0.73	5.81	

Treasuries	Current Yield	12/31/23 Yield	FOREX	Price	Wk % Change
1 - Year	4.16	4.15	EUR/USD	1.03	-1.15
2 - Year	4.28	4.24	USD/JPY	157.40	-0.32
5 - Year	4.41	4.38	GBP/USD	1.24	-1.25
10 - Year	4.60	4.57	USD/CAD	1.44	0.24
30 - Year	4.81	4.78			

Sector - Large Cap	Close	Net Change	Wk WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	850.85	-12.05	(1.4%)	(0.3%)	(0.3%)	(0.3%)
Health Care	1,620.82	0.18	0.0%	1.0%	1.0%	1.0%
CommServices	346.58	-1.03	(0.3%)	1.4%	1.4%	1.4%
<b>Eco Sensitive</b>						
Consumer Disc	1,851.81	-27.40	(1.5%)	1.1%	1.1%	1.1%
Energy	667.60	20.93	3.2%	1.9%	1.9%	1.9%
Industrials	1,123.87	-4.30	(0.4%)	0.7%	0.7%	0.7%
Info Tech	4,674.78	-34.62	(0.7%)	1.4%	1.4%	1.4%
Materials	523.89	-11.17	(2.1%)	(1.1%)	(1.1%)	(1.1%)
<b>Interest Rate Sensitive</b>						
Financials	809.11	-2.29	(0.3%)	0.6%	0.6%	0.6%
Utilities	392.03	5.12	1.3%	1.8%	1.8%	1.8%
REIT	251.71	-1.70	(0.7%)	(1.0%)	(1.0%)	(1.0%)

COMING UP NEXT WEEK		Consensus	Prior
01/06 Durable Orders SA M/M (Final)	(Nov)	-0.30%	-1.1%
01/06 Factory Orders SA M/M	(Nov)	-0.30%	0.20%
01/07 ISM Services PMI SA	(Dec)	53.4	52.1
01/07 JOLTS Job Openings	(Nov)	7,585K	7,744K
01/09 Initial Claims SA	01/04	224.0K	211.0K
01/10 Hourly Earnings Y/Y (Preliminary)	(Dec)	4.0%	4.0%
01/10 Nonfarm Payrolls SA	(Dec)	160.0K	227.0K
01/10 Private Nonfarm Payrolls	(Dec)	140.0K	194.0K
01/10 Unemployment Rate	(Dec)	4.2%	4.2%
01/10 Michigan Sentiment NSA (Preliminary)	(Jan)	73.3	74.0



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	0.00%	-0.41%	-0.70%	0.75%	1.11%	1.40%	
Medium	-0.05%	0.25%	0.77%	0.69%	1.20%	2.48%	
Small	0.80%	0.92%	1.32%	0.94%	1.57%	2.42%	