



Weekly Market Commentary

December 18, 2024

The Markets

How high can U.S. stocks fly?

The U.S. stock market has delivered exceptional performance over the past few years and remains on track to deliver solid returns in 2024.

“It isn’t a secret that U.S. stocks have outperformed the rest of the world. Over the past decade, the S&P 500 returned 13 [percent] a year on average,* compared with less than 5 [percent] for the MSCI EAFE [Europe, Australia, and Far East] index of developed countries. Investors can thank the health of the U.S. economy and the remarkable growth of the tech sector. The downside: U.S. stocks now trade more than 21 times earnings, compared with less than 14 for international ones...” reported Ian Salisbury of *Barron’s*.

In recent weeks, though, the stock market appears to have lost some steam. While Magnificent Seven technology stocks have pushed higher, many other stocks have moved lower. On Thursday, Geoffrey Morgan of *Bloomberg* reported, “The S&P 500 Index closed out its ninth consecutive day where the number of constituents falling outnumbers those rising. That’s [the] longest such streak since *Bloomberg* started collecting the data in 2004. The development signals that the foundation of the stock-market rally is weakening, with strength in technology high-flyers offsetting softness everywhere else.”

As the end of the year approaches, major U.S. stock indices are near record highs. U.S. Equity Strategist Mike Wilson, who is optimistic about the outlook for the U.S. stock market, told the hosts of *Bloomberg* Open Interest that investors should be prepared for some uncertainty and volatility and, possibly, a stock market correction.

A correction occurs when the stock market drops by more than 10 percent, and by less than 20 percent, from its recent peak. While corrections are uncomfortable for investors, they tend to wring out irrational exuberance and ring in more reasonable share price valuations, reported James Chen of Investopedia.

Last week, the Nasdaq Composite Index, which is heavily weighted in technology stocks, passed 20,000 for the first time. The Nasdaq finished the week higher, while the Standard & Poor's 500 Index and Dow Jones Industrial Average moved lower. Concerns that sticky inflation might lead the Federal Reserve to pause its rate-lowering cycle pushed the yield on the benchmark 10-year U.S. Treasury lower last week, reported Sinéad Carew and Harry Robertson of Reuters.

* The 10-year return for the Standard & Poor's 500 Index in this quote is different from the return in our table because the author used the Index's return with dividends reinvested. The return in our table does not include reinvested dividends.

Data as of 12/13/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.6%	26.9%	28.6%	9.0%	13.8%	11.8%
Dow Jones Global ex-U.S. Index	-1.1	5.9	10.4	-0.5	2.6	3.0
10-year Treasury Note (yield only)	4.4	N/A	4.0	1.4	1.8	2.1
Gold (per ounce)	0.8	27.9	34.1	14.2	12.6	8.2
Bloomberg Commodity Index	1.2	0.0	2.4	0.7	4.4	-1.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT'S IN A WORD? Dictionaries and publications have begun to share their “Word of the Year.” For 2024, Merriam-Webster Dictionary chose “polarization,” which is defined as “division into two sharply distinct opposites; especially, a state in which the opinions, beliefs, or interests of a group or society no longer range along a continuum but become concentrated at opposing extremes.” Here are some other notable words of the year:

- **Manifest** was at the top of the list for the Cambridge Dictionary. “When famous performers, star athletes, and influential entrepreneurs claim they have achieved something because they *manifested* it, they are using this verb in a more recent sense: to use specific practices to focus your mind on something you want, to try to make it become a reality.”
- **Brain rot** took the prize as Oxford University Press’s word of the year. Brain rot is the “supposed deterioration of a person’s mental or intellectual state, especially viewed as a result of overconsumption of material (now particularly online content) considered to be trivial or unchallenging.
- **Demure** was plucked from the crowd by Dictionary.com. For many years, demure was a compliment given to young women for being modest and reserved. In 2024, a content creator used it “humorously in a way that appeared to challenge and poke fun at widespread societal expectations of how women are supposed to look and behave,” reported Leslie Katz for *Forbes*.

- **Allision** was one of Merriam Webster's runner-up words of the year. An allision occurs when a ship runs into a stationary object. The difference between "collision" and "allision" became more widely known after a cargo ship hit Baltimore's Francis Scott Key Bridge causing it to collapse.

In general, media stories, headlines, social media trends, and online search results help determine publications' short lists for Word of the Year. Runner-up words for 2024 included totality, democracy, pander, brat, ecotarian, romantasy, dynamic pricing, slop, extreme weather, and resilience.

What is your choice for word of the year?

Weekly Focus – Think About It

"Language is the blood of the soul into which thoughts run and out of which they grow."

—*Oliver Wendell Holmes, Supreme Court Justice*

Best regards,

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* Asset allocation does not ensure a profit or protect against a loss.

* Consult your financial professional before making any investment decision.

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