

Market Update – January 6, 2025

The Weekly Briefing

Many of the trends that defined 2023 continued in 2024. Economic activity surprised to the upside and corporate earnings remained resilient despite restrictive monetary policy. Domestic equities had another strong year, and the factors that outperformed in 2023 continued to drive index-level returns. Growth stocks outperformed value stocks, large cap stocks outperformed small cap stocks, and US stocks outperformed their international counterparts.

At the beginning of the year, economists' consensus expectation for GDP growth in 2024 was 1.3%. Estimates were revised up throughout the year, and with 11 months of data already reported, 2024 GDP is now expected to have grown at a 2.7% rate. Estimates for corporate earnings exhibited a similar trend. According to Bloomberg, next-twelve-month earnings estimates for companies in the S&P 500 have risen 11% since the start of the year. Almost three years on from the commencement of the Fed's hiking cycle, higher interest rates have had little discernable impact on economic activity outside of the housing sector, which remains depressed.

Focusing on monetary policy, the Fed began to ease off their restrictive stance as the FOMC lowered its benchmark lending rate 100 basis points in the latter part of 2024. The series of cuts comes after the Fed raised the fed funds rate 525 basis points in less than 18 months – the fastest hiking cycle since the 1980s. However, in a somewhat surprising move, long-term interest rates have risen significantly since the Fed reduced its short-term lending rate. The 10-year Treasury ended the year at 4.57%, up 87 basis points since the beginning of the Fed's cutting cycle. As written about [last week](#), the rise in longer-term rates reflects uncertainty around inflation and elevated federal debt levels.

Most broad US equity indexes built on strong 2023 performance. The S&P 500 rose 25% in 2024, just shy of the 26% gain posted in 2023. The Nasdaq 100 returned 26% 2024, a step back from the remarkable 55% return in 2023, but a strong year nonetheless. Growth stocks meaningfully outperformed value stocks for the second straight year. The Russell 3000 Growth Index returned 32% in 2024 and 40% in 2023. In contrast, the Russell 3000 Value Index returned 12% in 2024 and 9% in 2023.

Not all stocks performed well, however. The S&P 500 Equal Weight Index returned just 13%, underperforming its market cap weighted peer by more than 10 percentage points for the second consecutive year. When the S&P 500 outperforms its equal-weight counterpart, this signifies that a select group of very large companies drove an outsized portion of the Index's return. Small cap stocks also remained out of favor. The Russell 2000 returned 12% this year, less than its 17% return in 2023 and well below the S&P 500's return. International stocks were even more challenged. The ACWI-ex US Index, a benchmark of international stocks, returned just 6% this year.

The new year begins quickly, with the first companies reporting earnings on Friday, and earnings season beginning in earnest next week.

The Week Ahead

Monday	Tuesday	Wednesday	Thursday	Friday
	JOLTS	ADP Payrolls	Equity Markets	Nonfarm Payrolls
	ISM Services PMI	Initial Jobless Claims	Closed	Unemployment Rate
		Continuing Claims		DAL
				STZ

Market Snapshot

	Last Week	YTD	1yr
S&P 500	-0.5%	1.0%	28.3%
DJIA	-0.6%	0.8%	16.6%
Nasdaq 100	-0.7%	2.6%	33.2%
Russell 2000	1.1%	1.7%	17.9%
S&P 500 E/W	-0.2%	0.6%	15.3%
2yr Yield	4.28%	0.03%	-0.10%
10yr Yield	4.60%	0.72%	0.55%
VIX	16.3	3.8	2.9
WTI Crude	\$ 74.0	3.2%	0.2%
Gold	\$ 2,640	28.0%	30.2%
Bitcoin	\$ 98,243	134.3%	123.7%

Economic Summary

	Actual	Expected	Prior (r)
Pending Home Sales - m/m	2.2%	0.8%	1.8%
Pending Home Sales - y/y	5.6%	7.9%	6.5%
Initial Jobless Claims	211k	221k	220k
Continuing Claims	1,844k	1,890k	1,910k
ISM Manufacturing	49.3	48.2	48.4
ISM Manuf. New Orders	52.5		50.4

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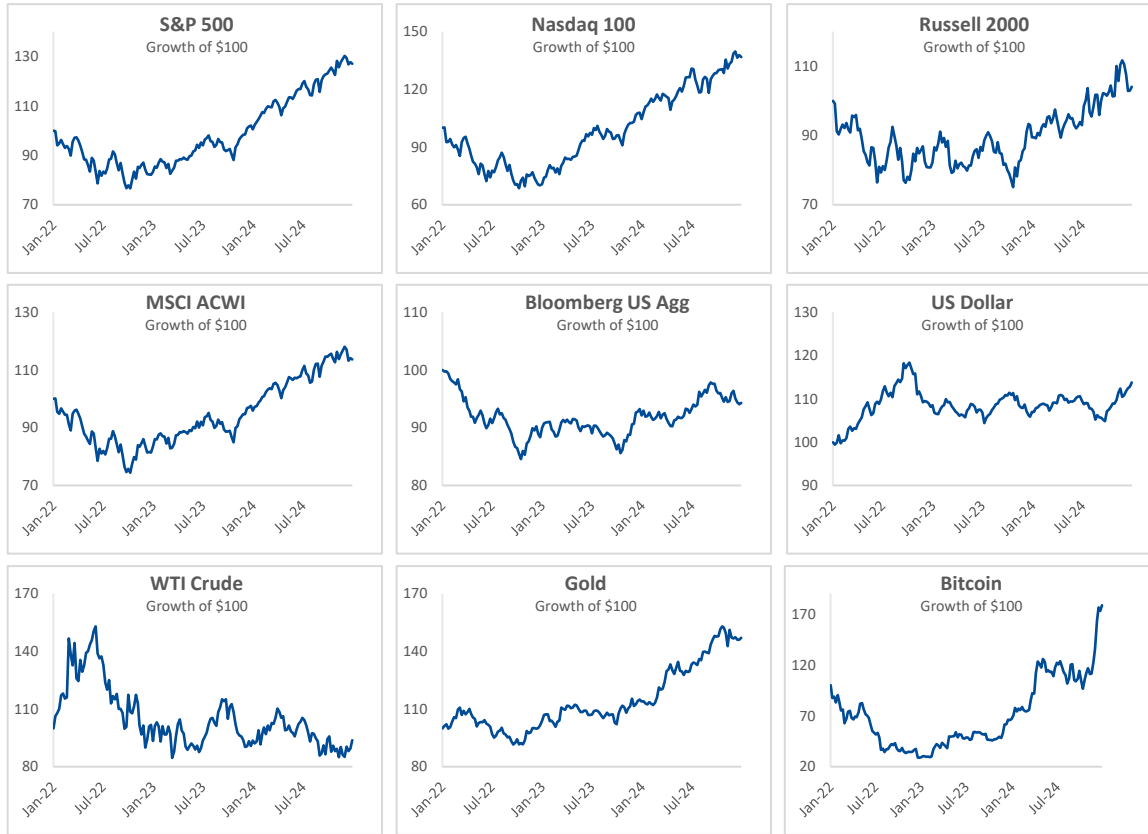
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WEALTH MANAGEMENT

Markets Monitor



S&P 500 Sector Heatmap Total Return 2024

S&P 500	Comm. Services	Cons. Discretionary	Cons. Staples
25.0%	33.2%	25.5%	9.1%
Energy	Financials	Healthcare	Industrials
2.2%	28.5%	0.9%	15.6%
Materials	Real Estate	Technology	Utilities
-1.6%	1.5%	20.8%	19.5%



WEALTH MANAGEMENT

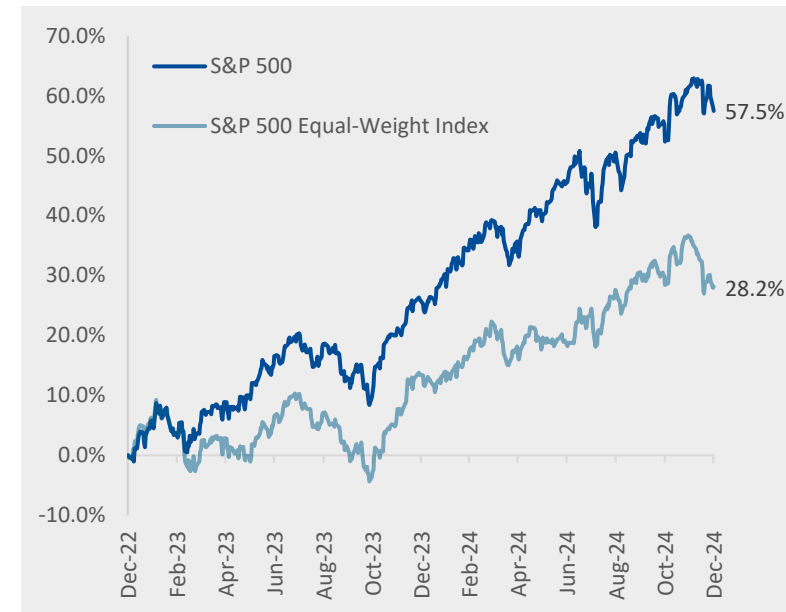
Last Week in Earnings

Date	Ticker	EPS	Revenue	Price chg
None of note				

World Watch

	Last Week	YTD	1yr
MSCI ACWI	-0.5%	0.7%	20.2%
MSCI Europe	-1.1%	-0.5%	2.4%
MSCI APAC	-0.8%	-0.1%	11.7%
DXY Index	108.5	7.1%	5.9%
EUR / USD	\$1.04	-7.3%	-6.9%
GBP / USD	\$1.25	-1.8%	-1.9%
USD / JPY	157.1	11.4%	8.9%
USD / CNY	7.32	3.1%	2.4%

The S&P 500 Has Meaningfully Outperformed Its Equal-Weight Counterpart Over the Last Two Years



Cumulative total return of S&P 500 and S&P 500 Equal-Weight Index since 12/29/2022.
Sources: Bloomberg, Logia Portfolio Management, Sunflower Bank.

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