

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P) and the Russell 3000, returned -2.39% and -3.06% respectively in December.
- ▶ Within the S&P 500, three of the 11 sectors posted positive returns. The Telecommunications sector was the best performer for the month, returning 3.58%. The second-best performing sector was Consumer Discretionary, which posted a return of 2.39%, while Materials was the worst performing sector, returning -10.72%.
- ▶ Negative returns were seen across all capitalizations, with small-caps (Russell 2000) returning -8.26%, mid-caps (Russell Mid Cap Index) returning -7.04%, and large-caps (Russell 1000 Index) returning -2.79%. Growth stocks outperformed value stocks across all capitalizations during the month.
- ▶ According to FactSet Earnings Insight (as of December 20, 2024), the blended (year-over-year) earnings growth for the S&P 500 in Q4 was 11.9%. For calendar year 2024, analysts revised estimates down slightly to a (year-over-year) earnings growth estimate of 9.4%.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S. Index, returned -1.95%. Developed markets, represented by the MSCI EAFE Index returned -2.27%, as Europe (MSCI Europe Index) saw returns of -2.44% in December. Emerging markets (EM), as represented by the MSCI Emerging Markets Index, returned -0.14% in December, driven by gains from China (MSCI China Index), which returned 2.69%.
- ▶ Within the ACWI ex-U.S. Index, two of the 11 sectors posted positive returns. Consumer Discretionary was the best performing sector for the month, returning 1.69%, while Information Technology was the second-best performer, returning 1.52%. Materials was the worst performing sector, posting a return of -6.02%.

Fixed Income

- ▶ U.S. Treasury yields rose in December on concerns about the staying power of inflation, the growing U.S. deficit, and worries about potential tariffs. On the shorter end of the yield curve, the yield on the 2-year rose 9 basis points (bps), and the 5-year rose 33 bps. Meanwhile, the 10-year and 30-year U.S. Treasury yield rose 40 bps and 42 bps, respectively.
- ▶ The Bloomberg U.S. Aggregate Index (Aggregate) returned -1.64% in December. Investment-grade (IG) credit as a whole returned -1.89%, AAA-rated bonds returned -1.03%, AA-rated bonds returned -2.08%, A-rated bonds returned -1.98%, and

BBB-rated bonds returned -1.90%. High-yield corporates, as represented by ICE BofA U.S. High Yield Index saw a return of -0.43% during the month, while the Broad Treasury Index returned -1.69%.

Diversifying Assets

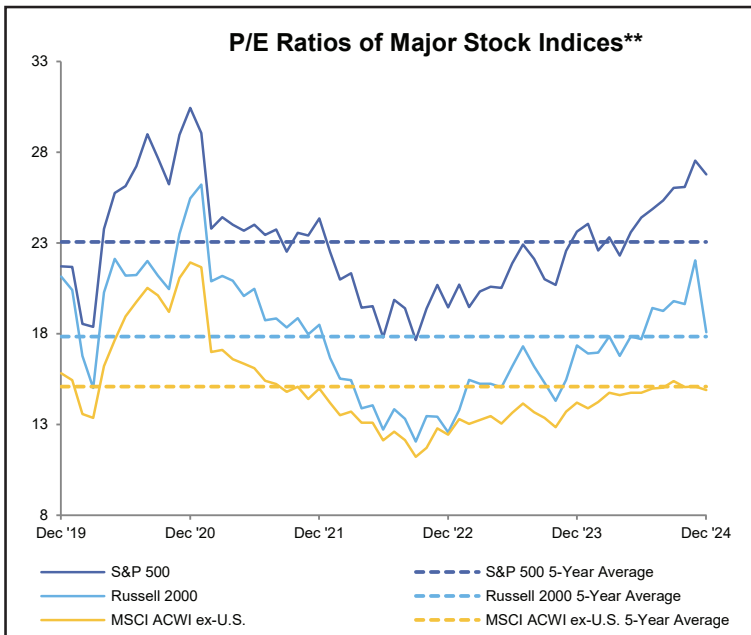
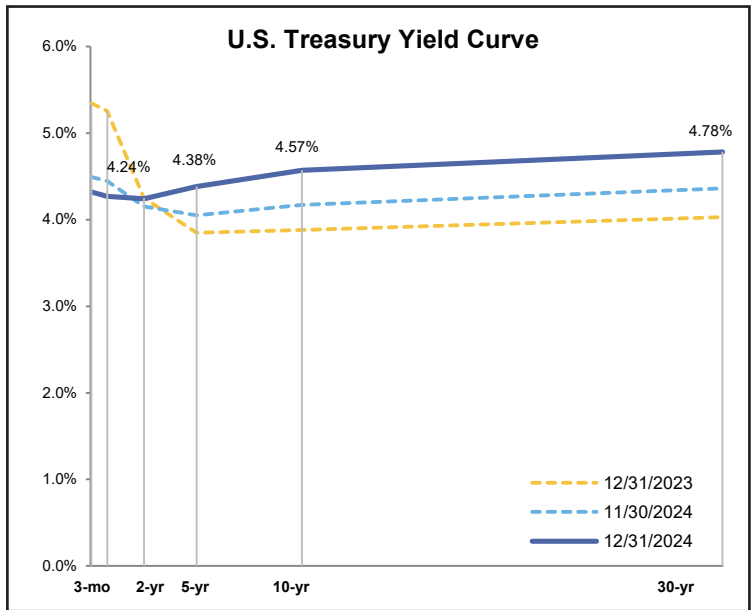
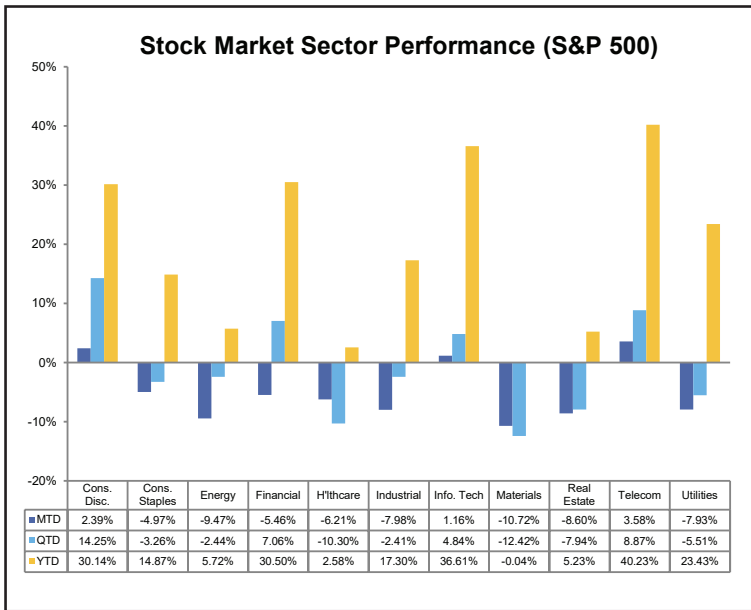
- ▶ During December, Real Estate Investment Trusts (REITs), as represented by the MSCI U.S. REIT Index and the FTSE NAREIT Index returned -7.57% and -7.38% respectively. Lodging/Resorts performed relatively better than other sectors during the month, while the Self-Storage sector was challenged. Listed Infrastructure, represented by the MSCI World Core Infrastructure Index, returned -6.80% for the month.

Items to Watch

- ▶ The Federal Reserve (Fed) cut rates by 25 basis points at their December meeting, as expected. New policymaker projections now forecast two quarter-percentage-point rate reductions by the end of 2025, which is half a percentage point less than was anticipated in September.
- ▶ Non-farm payrolls rose by 227,000 in November, rebounding from a weak job creation number in the prior month. Hourly earnings continued to rise, with average hourly earnings rising 4% on a 12-month basis. However, the U.S. unemployment rate edged higher to 4.2% in November from 4.1% in the prior month. The latest initial jobless claims eased by 1,000 to 219,000, but continuing claims rose by 46,000 to 1.91 million, suggesting that unemployed workers are finding it harder to land new jobs, which could mean that demand for workers is waning, despite a strong economy.
- ▶ Headline inflation (CPI) came in at 2.7% on an annual basis and 0.3% monthly, in line with forecasts. Core CPI, which excludes volatile food and energy, remained flat at 3.3% on an annual basis. Much of the November increase in the CPI came from shelter costs, which have been one of the most stubborn components of inflation. In addition, both used and new vehicle prices increased in November, reversing the recent trend of declining prices.
- ▶ In Europe, the European Central Bank (ECB) projects growth to be at 1.1% in 2025, down from a previous projection of 1.3%. The ECB has also signaled further easing ahead, based on current growth pressures.
- ▶ Across the Pacific, China's top decision-making body pledged in December to implement more proactive fiscal policy and to adopt a "moderately loose" monetary policy next year, the first narrative change since 2008. However, the leadership left key details of how it would realize "reasonable price recovery" unclear.

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-2.39%	2.39%	25.00%	25.00%
Russell 3000	-3.06%	2.63%	23.80%	23.80%
Russell 2000	-8.26%	0.33%	11.53%	11.53%
Russell 1000	-2.79%	2.74%	24.50%	24.50%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-1.95%	-7.60%	5.53%	5.53%
MSCI EAFE	-2.27%	-8.11%	3.82%	3.82%
MSCI Emerging Markets	-0.14%	-8.01%	7.50%	7.50%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-1.64%	-3.06%	1.25%	1.25%
Bloomberg Barclays Global Agg	-2.15%	-5.10%	-1.69%	-1.69%
Bloomberg Barclays U.S. HY	-0.43%	0.16%	8.20%	8.20%
Alternatives and Diversifying	MTD	QTD	YTD	1 YR
MSCI U.S. REIT	-7.57%	-6.39%	7.49%	7.49%
FTSE NAREIT Index	-7.38%	-6.21%	8.73%	8.73%
MSCI World Core Infrastructure	-6.80%	-6.29%	5.73%	5.73%
Bloomberg Commodity	1.02%	-0.45%	5.38%	5.38%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	4.2%	4.1%
Initial Jobless Claims (4 week average)	224.3 K	225 K
CB Leading Economic Indicators	0.3	-0.4
Capacity Utilization	76.8%	77.0%
GDP (annual growth rate)	3.1%	3.0%
University of Michigan Consumer Confidence	74.0	71.8
New Home Starts	664 K	627 K
Existing Home Sales	4.2 MM	4 MM
Retail Sales (YoY)	3.8%	2.9%
U.S. Durable Goods (MoM)	-1.1%	0.8%
Consumer Price Index (YoY)	2.7%	2.6%
Producer Price Index (MoM)	1.0%	0.0%
Developed International*	9/30/2024	6/30/2024
Market GDP (annual rate)	1.1%	0.6%
Market Unemployment	4.5%	4.5%



Source: Bloomberg. Data as of December 31, 2024, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2024 due to release dates of numerous countries.

**P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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