

# How the U.S. Economy Surprised Again in 2024

Since the U.S. Federal Reserve began hiking interest rates in March 2022, economic forecasters, Wall Street strategists, and Federal Reserve officials had anticipated the U.S. economy to slow—if not fall into outright recession. Instead, the economy accelerated and outperformed the cognoscenti’s forecasts.

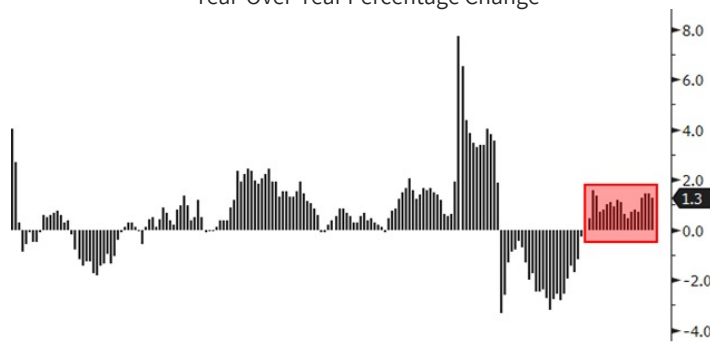
This year has been no exception. One year ago, Federal Reserve officials estimated the U.S. economy to grow at an inflation-adjusted rate of about 1.5% over the course of this year. The consensus among economists at major banks called for even slower growth of 1.2%. Although we will not know official 2024 GDP for another month, the economy appears to have expanded by about 3% in inflation-adjusted terms in 2024—again defying expectations.

One can point to several reasons to explain the economy’s surprising resilience, such as low household debt-burdens or generous U.S. fiscal policy. But a simpler explanation is this: U.S. consumers held up and continued to consume. Stable wage gains and falling inflation helped restore consumers’ purchasing power—and thus kept alive the central engine of U.S economic growth.

Sarina Yoo, “SURVEY REPORT: US Economic Forecasts in Dec. 2023.” Bloomberg, December 22, 2023.  
Chris Middleton, “US Federal Reserve’s Economic Projections (Table).” Bloomberg, December 13, 2023.

## CHART OF THE WEEK

**Inflation-Adjusted Wage Growth**  
Year-Over-Year Percentage Change



'10 '11 '12 '13 '14 '15 '16 '17 '18 '19 '20 '21 '22 '23 '24  
REALYRAW Index (US Real Average Hourly Earnings 1982-1984 USD YoY SA) Real Hry Wages Monthly 09SEP2009-30DEC2024  
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Bureau of Labor Statistics, U.S. Real Average Hourly Earnings, monthly as of November 30, 2024. Data accessed via Bloomberg.

Equities	Index Returns (%)					
	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.
S&P 500	5971	0.69	3.94	26.88	26.59	9.16
Russell 1000 Growth	4127	0.66	9.31	36.15	35.64	10.85
Russell 1000 Value	1838	0.52	-1.26	15.21	14.98	5.63
FTSE High Dividend Yield*	457	1.18	1.06	18.58	18.41	8.04
S&P Small and Mid Cap	17515	0.32	0.56	12.88	11.63	4.13
MSCI EAFE	2275	1.79	-7.53	5.04	5.09	2.48
MSCI EM	1083	1.03	-7.23	8.71	10.21	-1.08

\* Bloomberg U.S Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

Fixed Income	Index Returns (%)					
	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.
U.S. Aggregate	4.96	-0.33	-3.37	0.93	0.62	-2.46
U.S. Int. Gov/Credit	4.66	-0.12	-1.85	2.74	2.65	-0.25
U.S. Corporates	5.37	-0.29	-3.25	1.90	1.59	-2.27
High Yield	7.50	0.11	0.09	8.10	8.04	2.88
Municipals (1-10)	3.39	-0.01	-1.12	0.73	0.75	0.09

Key Rates	Levels (%)					
	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago
2-yr Treasury	4.33	4.34	3.64	4.25	4.25	0.73
10-yr Treasury	4.63	4.59	3.78	3.88	3.88	1.51
30-yr Treasury	4.82	4.78	4.12	4.03	4.03	1.92
SOFR	4.46	4.31	4.96	5.38	5.38	0.05
6-mo. CD rate	4.37	4.38	4.41	5.28	5.28	0.32
Prime Rate	7.50	7.50	8.00	8.50	8.50	3.25
30-yr fixed mortgage	7.28	7.25	6.68	6.99	6.99	3.27

Returns as of December 27, 2024

## LAST WEEK IN REVIEW

- **Building Permits & New Home Sales (Nov.):** Permits increased 5.2% from October to an annual rate of 1.5mln. New home sales rose 6% from October to a 664K annual rate. Higher inventory and incentives weigh on new home prices.
- **Conference Board Consumer Confidence (Dec.):** Decline from 111.7 to 104.7, suggesting consumers feel less optimistic about employment and income prospects than they did one month ago.

## THIS WEEK

- **Pending Home Sales (Nov.):** 12/30
- **Housing Starts & Building Permits (Nov.):** 12/31
- **S&P CoreLogic CS Home Price Index (Oct.):** 12/31
- **ISM Manufacturing (Nov.):** 1/3

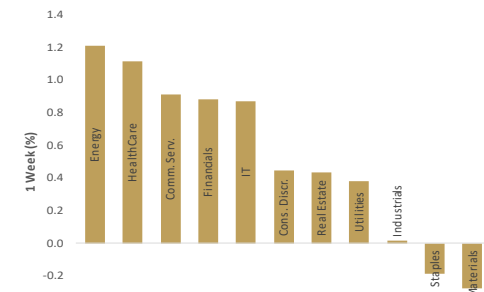
Equities	Index Returns (%)						Index Characteristics				
	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	NTM P/E	NTM P/E (20Y med)	NTM P/S	NTM P/S (20Y med)	Div. Yld
S&P 500	5971	0.69	3.94	26.88	26.59	9.16	25.1	16.8	3.2	1.7	1.3
Russell 1000 Growth	4127	0.66	9.31	36.15	35.64	10.85	35.0	19.8	6.0	2.0	0.6
Russell 1000 Value	1838	0.52	-1.26	15.21	14.98	5.63	18.8	15.0	1.9	1.4	2.1
FTSE High Dividend Yield*	457	1.18	1.06	18.58	18.41	8.04	13.9	14.3	1.5	1.6	4.2
S&P Small and Mid Cap	17515	0.32	0.56	12.88	11.63	4.13	19.5	19.0	1.3	1.2	1.6
MSCI EAFE	2275	1.79	-7.53	5.04	5.09	2.48	14.7	14.7	1.5	1.1	3.1
MSCI EM	1083	1.03	-7.23	8.71	10.21	-1.08	13.6	12.6	1.5	1.3	2.6

Currencies	Levels			
	Last	1 Wk Ago	Prev YE	3 Yrs Ago
DXY	108.06	108.04	101.33	95.97
\$ per €	1.04	1.04	1.10	1.13
\$ per £	1.26	1.25	1.27	1.35
¥ per \$	156.97	157.17	141.04	115.08

Commodities	Levels			
	Last	1 Wk Ago	Prev YE	3 Yrs Ago
Oil (WTI)	71.07	69.24	69.60	62.53
Gasoline	3.03	3.04	3.12	3.29
Natural Gas	3.89	3.66	2.51	3.56
Gold	2606	2613	2063	1815
Copper	9173	8802	8464	9724
Wheat	547	541	628	780
BBG Index	238.61	235.32	226.43	212.36

## S&P SECTOR RETURNS

### This Past Week



### Year-to-Date

