

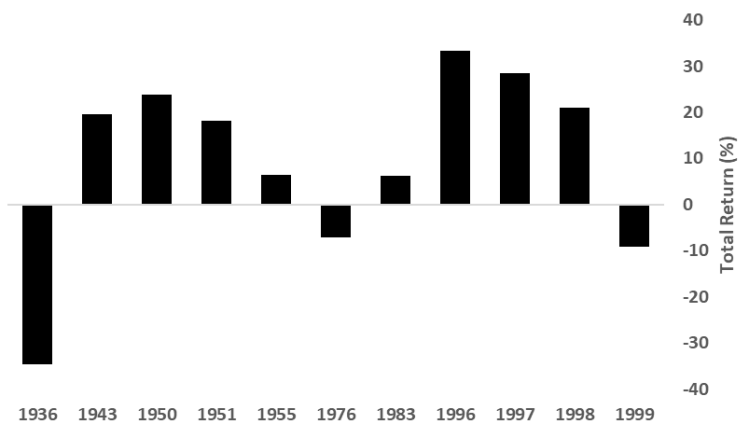
## U.S. Stocks: More of the Same

In large-cap U.S. stock markets, 2024's performance was much like 2023. The S&P 500® Index produced total returns in both years that were well above historical averages (26% in 2023 and 25% in 2024). Both years were marked by lopsided performance, with the S&P 500® market-cap-weighted index beating the S&P 500® equal-weight index by 12% in 2023 and in 2024. This performance variance speaks to the outsized role of a few large stocks on the market-cap-weighted index's return.

How much longer can the market continue to go up? We cannot say, of course. But prospects of continued U.S. economic growth and a Federal Reserve with a bias toward lower interest rates provide a constructive backdrop for U.S. stocks.

We would also note that, while the S&P 500® is inarguably expensive at 22x estimates of future earnings, current prices have proven questionable predictors of near-term returns. In fact, of the 11 prior periods in which the S&P 500® has produced back-to-back annual returns of 20% or more, the market has proceeded to generate positive returns in eight times in the third year, with an average total return of 9.7%. Thus, while it is reasonable for investors to feel queasy about the S&P 500® trading near all-time highs, that unease should not convince investors that the market must soon fall.

**S&P 500® Index: One-Year Forward Return**  
Following Back-to-Back Years of 20%+ Returns



Sources: Bloomberg, Goelzer.

### Economy

Last Week
-Pending Home Sales YoY (Nov.): 5.6% vs. 6.6% the month prior.
-Construction Spending MoM (Nov.): 0.0% vs. 0.4% the month prior
-ISM Manufacturing PMI (Dec.): 49.3 vs. 48.4 the month prior.
-Wards Total Vehicle Sales (Dec.): 16.8m/in vs. 16.5m/in the month prior

This Week
- JOLTS Job Openings, Quits, & Layoffs (Nov.): 1/7
- ISM Services PMI (Dec.): 1/7
- FOMC Meeting Minutes (Dec. 18): 1/8
- Payrolls & Unemployment (Dec.): 1/10

### Equities

Index	Level	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	5975	1.19	1.61	1.61	28.95	9.90	14.64
Russell 1000 Growth	4147	1.65	2.59	2.59	40.62	12.67	18.93
Russell 1000 Value	1835	0.87	0.66	0.66	15.50	5.63	8.95
FTSE High Dividend Yield*	455	0.59	0.38	0.38	17.81	7.07	10.05
S&P Small and Mid Cap	17598	1.25	1.07	1.07	16.78	4.84	10.07
MSCI EAFE	2280	0.92	0.82	0.82	6.63	2.63	5.50
MSCI EM	1079	0.13	0.40	0.40	10.72	-1.26	2.11

Index	NTM P/E	NTM P/E (20Y med)	Div Yield	YTD (%)	S&P Sector Returns YTD														
					Comm. Serv.	IT	Cons. Discr.	Energy	Health Care	Utilities	Industrials	Financials	Materials	Real Estate	Staples				
S&P 500	22.0	15.3	1.3	4															
Russell 1000 Growth	29.7	17.7	0.6	3															
Russell 1000 Value	16.4	13.4	2.2	2															
FTSE High Dividend Yield*	12.4	13.1	4.0	1															
S&P Small and Mid Cap	15.7	15.5	1.9	0															
MSCI EAFE	14.2	13.4	3.2	0															
MSCI EM	11.9	11.1	2.8	-1															
				-2															

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

### Fixed Income

Index	Yield	Returns (%)					
		1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.95	-0.32	-0.21	-0.21	2.27	-1.97	-0.43
U.S. Int. Gov/Credit	4.63	-0.11	-0.05	-0.05	3.64	0.12	0.80
U.S. Corporates	5.38	-0.49	-0.30	-0.30	3.41	-1.72	0.20
High Yield	7.35	0.55	0.52	0.52	9.99	3.42	4.25
Municipals (1-10)	3.31	0.33	0.25	0.25	1.38	0.41	0.99

Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	Levels (%)		
					1 Yr Ago	3 Yrs Ago	5-Year Ann.
2-yr Treasury	4.28	4.24	3.64	4.25	4.38	0.86	1.58
10-yr Treasury	4.63	4.57	3.78	3.88	4.03	1.76	1.88
30-yr Treasury	4.85	4.78	4.12	4.03	4.20	2.12	2.36
SOFR	4.27	4.49	4.96	5.38	5.31	0.05	1.55
6-mo. CD rate	4.36	4.33	4.41	5.28	5.31	0.30	1.84
Prime Rate	7.50	7.50	8.00	8.50	8.50	3.25	4.75
30-yr fixed mortgage	7.26	7.28	6.68	6.99	7.04	3.44	3.74

