

01/03/2025

MARKET  
COMMENTARY

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To Our Valued Clients,

As we turn the proverbial page to this new year, reflecting on 2024 reveals a handful of impactful themes. A resilient economy, strong stock market performance, AI adoption, and a global election cycle stand out as a few of the key trends. A look back at these developments and their implications for 2025 highlights key issues shaping what's top of mind for investors as we kick off the new year.

The story of 2024 was one of strength from an economic and market perspective. Economic growth exceeded expectations with the broadest measure, real Gross Domestic Product (GDP), forecasted to come in at around 3% for the year, well above long-term trend. This robust performance was underpinned by a strong labor market, healthy consumer balance sheets, elevated corporate capital expenditures, and modestly lower interest rates, all contributing to economic resilience. The stock market mirrored this strength with the S&P 500 closing above 20% for the second-consecutive year, a rare occurrence that we've only seen twice in the past half-century. While market leadership remained concentrated, with the top ten stocks accounting for the majority of the index's gains, there were encouraging signs of broadening participation in the latter half of the year as previously lagging sectors gained momentum. A welcome sight for diversified portfolios and one that we believe can continue.

Looking ahead to 2025, the key question is whether these areas of strength will persist. While there is ample evidence to support continued economic and market outperformance, uncertainty remains a constant. A few key risks that are top of mind for most investors are the potential impact of tariffs on global trade, concerns about market concentration and extended valuations, concerns about slowing growth in China and Europe, and the trajectory of interest rate policy. These themes will almost surely help tell the story of 2025 by this time next year.

As always, we will closely monitor and navigate these factors as the year unfolds. Thanks for reading, and as always, if you have any questions or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

*Brandon Hethcoat*

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