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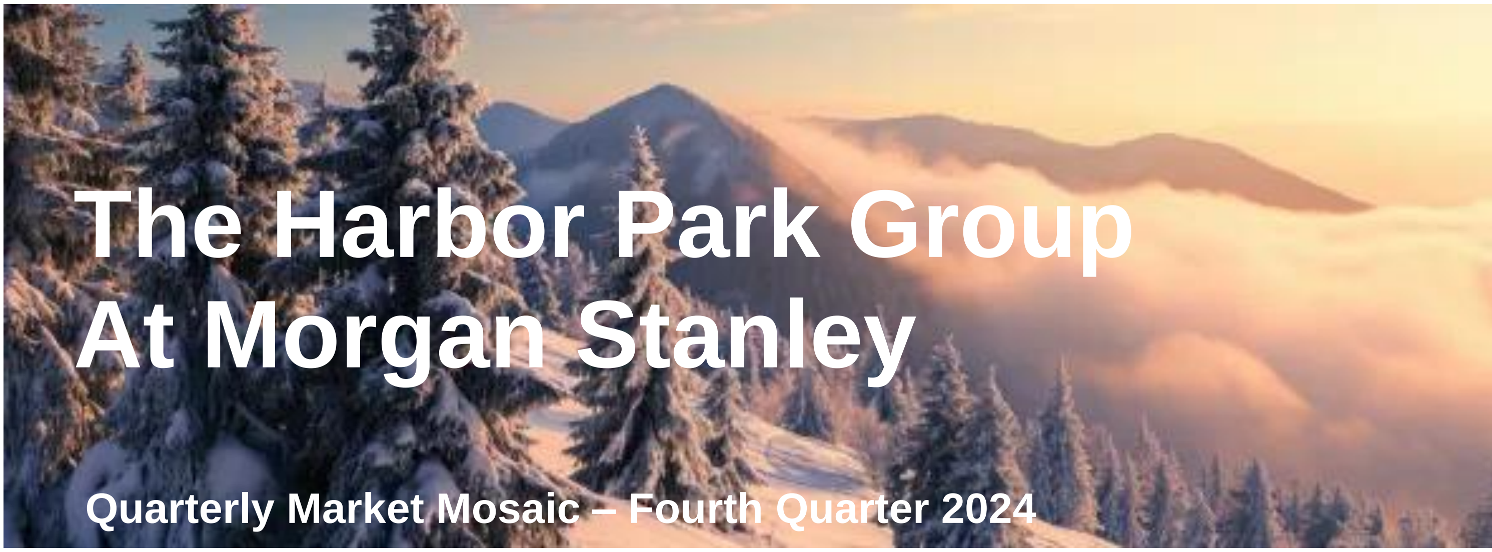


**An indepth insight and comprehensive analysis of market insights on significant developments and trends that unfolded in the fourth quarter**.

| | Oct | Nov | Dec | 4Q 2024 | Full Year 2024 |
|---|---|---|---|---|---|
| DJIA | (1.3)% | 7.8% | (5.1)% | 0.9% | 15.0% |
| S&P 500 | (0.9)% | 5.9% | (2.4)% | 2.4% | 25.0% |
| NASDAQ Composite | (0.5)% | 6.2% | 0.5% | 6.2% | 28.6% |
| **Source:** www.ajovista.com | | | | | |

Yogi Barra, the iconic NY Yankees catcher and World War II veteran, had a dry sense of humor and was good with one liners, including "It's déjà vu all over again." That quote sums up the S&P 500's 2024 performance compared to 2023.

The S&P 500's 25% gain last year, coupled with the index's 26% advance in 2023 was its best consecutive two-year performance since 1997 and 1998.[i]

The S&P 500 is a market capitalization weighted index, meaning that the larger the company the more impact it has on the index's performance. Similar to 2023, the S&P 500's performance last year was heavily skewed toward the "Magnificent Seven" technology stocks, with just those seven stocks representing one-third of the index's 2024-year end value.[ii]

On an equal weighted basis, meaning that the performance of all 500 stocks had the same weighting in the index, the similarity of the S&P 500's returns in the last two years was also striking, as shown below.[iii]

| | 2024 | 2023 |
|---|---|---|
| S&P 500 - market cap weighted | 25% | 26% |
| S&P 500 – equally weighted | 13% | 14% |

So, the Magnificent Seven stocks accounted for about one-half of the over S&P 500's return in each of the last two years – that really is déjà vu!

Unlike the stock market, the bond market had a rough fourth quarter. The yield on the 10-year treasury, the benchmark government bond, declined to 3.7% at the end of September after the central bank announced its first rate cut since 2020.[iv] Over the next 90 days, the yield on the 10-year treasury reversed course quickly and closed the year at a 4.5%. yield, significantly higher than its 3.9% yield at the end of 2023.

Bond prices have an inverse relationship to their yield, so if a bond's yield goes up, that means that the current price of the bond went down, which is called the mark-to-market price. As a result, the performance of the bond might not look good on your monthly statement, however, if you buy a treasury bond and hold it to maturity you can receive par (100 cents on the dollar).

The current concern, which seems to be the primary reason the 10-year bond yield rose so much during the quarter, is that the White House and Congress are now controlled by the same party so there is fear of continued overspending and talk of potentially doing away with the debt ceiling. A government shutdown was averted once again in December, to be addressed yet again when the new administration takes office in January.

As the US stock market continued higher throughout 2024, so did investor enthusiasm for investing in it. According to a Bank of America investor survey conducted the second week in December, fund managers reduced their cash holdings to a record low of 3.9% and investors are now the most overweight on the US relative to eurozone equities since 2012.[v] US stocks also seem expensive compared to bonds. The earnings yield of stocks which is the inverse of the price/earnings ratio is now barely above the 10-year treasury yield, the lowest reward for the risk of holding stocks since the aftermath of the dot-com bubble.[vi]

That isn't to say that there aren't attractive equities to consider investing in. There are many stocks that underperformed the overall market over the last couple of years that could potentially produce solid performance going forward in the more traditional value area.

When markets have performed very well for a period of time, risk taking tends to increase and that continues to be the case. The interest in Zero Days to Expiration (ODTE) options continues at a record pace and now makes up more than half of all trades in the market for S&P 500 index options.[vii]

Economically not much changed over the last several months. Inflation ticked up a little in November, although we believe not to a worrisome level. The economy continued to grow, as did serious credit card delinquencies (defined as 90+ days late). Household debt levels are reported by the Federal Reserve about 45 days after the end of each calendar quarter and the November 12th report showed that credit card debt that flowed into serious delinquency rose to 7.1% at the end of the third quarter this year compared to 5.8% at the end of June.

A year ago, I wrote about four people who passed away in a span of less than two weeks around Thanksgiving and who were pioneers in their own way: Sandra Day O'Connor, Henry Kissinger, Charlie Munger and Rosalyn Carter.

Former President Jimmy Carter passed away a few days ago at the age of 100, being the longest living former president in our country's history. After he left office in 1981, he and Rosalyn founded a humanitarian nonprofit, and they spent much of their time volunteering for Habitat for Humanity.

While Yogi Berra and Jimmy Carter had different career paths they had some striking similarities. They both served in the military, with Yogi Berra receiving the Purple Heart after taking part in the D-Day invasion during World War II. Jimmy Carter receiving the Nobel Peace Prize for his humanitarian work. They both married their life-long sweethearts, with the Carters being married 77 years and the Berras 65 years. They both came from humble beginnings and by all accounts, they both cared about the well-being of others.

Jimmy Carter received the Nobel Peace Prize for his humanitarian work. In 1988 he and his wife helped build a house with other Habitat for Humanity workers and the woman who was given the house also helped to build it. She was interviewed a couple of days after Jimmy Carter passed away. Below is part of what she said:

"The man he had love, he cared for people. And in this world, you got to know love. You got to have love, …we are all sisters and brothers. And that's what a lot of people don't understand."[viii]
There have been some horrific events in the US in the last few weeks. My hope is that more people heed her advice.

We will be posting a quarterly market update to our website on an ongoing basis, after the end of each calendar quarter. Please contact us with any comments and/or questions. We welcome your feedback.

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CRC 6197203 1/24

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Nancy is a Certified Financial Analyst for the Harbor Park Group. She started her career at Legg Mason (LM) in July 1982 as a secretary in the Accounting Department, shortly after graduating Cum Laude from Towson State University with a BS in Finance. Within six weeks she was promoted to a Staff Accountant and was involved in preparing the financial statements for Legg Mason's IPO in 1983. In 1985 she transitioned to the Funds Management division of LM, being hired by Ernie Kiehne to be a Securities Analyst for the group of mutual funds that he and Bill Miller were managing. In the 1990s she became the co-manager, then the sole manager of the Total Return Trust, a growth and income fund, and in 2000 became the assistant manager of the Value Trust, LM's flagship fund.

Nancy received her CFA in 1988 and her MBA from Loyola College at night, graduating as a member of the Beta Gamma Sigma honor society in 1989. She also received The Baltimore Association of Financial Planners Award upon her graduation from Towson State. She was the President of the Baltimore Security Analysts Society in 1996-1997. She currently volunteers as an InvestWrite Judge, grading student essays for the SIFMA Foundation and previously volunteered for the Maryland Special Olympics during and after college. In the early 2000s she served as a member of the Board of Directors for Chesapeake Academy, the elementary school her children attended.

Nancy and Mike were married in 1991 and had five sons within 3 ½ years – one born in 1994, one in 1996 and triplets in 1998! Nancy's desire to spend the majority of her time raising her children led her to transition to Mike's investment team, where she has worked part time since 2005.

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For index, indicator and survey definitions referenced in this report please visit the following:
https://www.morganstanley.com/wealth-investmentsolutions/wmir-definitions

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[i] Dow Jones Market Data, Wall Street Journal Dec. 31, 2024
[ii] Yahoo Finance, January 2, 2025
[iii] www.ajopartners.com
[iv] FOMC Statement September 18, 2024
[v] Bloomberg News: BofA Says Stocks Flash Sell Signal after Cash Holdings Tumble, December 17, 2024
[vi] Wall Street Journal, December 18, 2024
[vii] www.wsj.com Gunjan Banerji article, December 20, 2024
[viii] Reuters News, “Jimmy’s Home One Woman Shares Carter’s Habitat for Humanity Legacy.” January 1, 2025