

QUARTERLY MARKET GUIDE: Q1 2025

Our View of What's Most Relevant Now

January 10, 2025



Traverse Private Wealth is a registered investment advisor in the State of Pennsylvania

Please see important disclosures at the end of this report.

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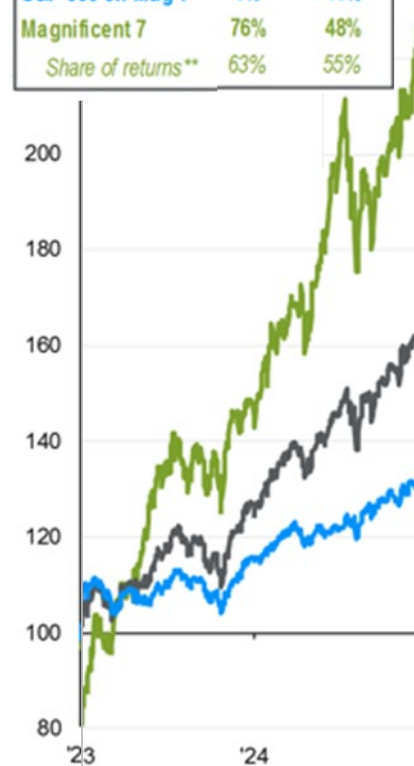
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Data in Focus: Mag 7 vs. 493

Price Return Indexed to 1/1/2021

Returns	'23	'24
S&P 500	24%	23%
S&P 500 ex-Mag 7	8%	10%
Magnificent 7	76%	48%
Share of returns**	63%	55%



Source: JPMorgan

About this narrow and sharp market leadership, everything I've learned in my 30+ years in investments tells me two things: (1) It may continue; (2) It will mean-revert -- eventually. (See full chart and more comp data on page 11.)

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Index Performance

Index	Asset Class	2024		2023
		Q4	YTD	
Equity Indexes		Total Returns		
NASDAQ 100	Mega Cap U.S. Growth Equity	4.9%	25.9%	55.1%
S&P 500	Large Cap U.S. Equity	2.4	25.0	26.3
S&P 400	Mid Cap U.S. Equity	0.3	13.9	16.4
S&P 600	Small Cap U.S. Equity	(0.6)	8.7	16.1
MSCI All Country World	Global Equity	(0.9)	18.0	22.8
MSCI All Country World (Ex U.S.)	International Equity	(7.5)	6.1	16.2
MSCI Europe, Asia & Far East (EAFE)	International Developed Market Equity	(8.1)	4.4	18.9
MSCI Emerging Markets (EM)	International Emerging Market Equity	(7.8)	8.1	10.3
Fixed Income Indexes				
Bloomberg U.S. Aggregate Bond	U.S. Investment Grade Bond	(3.1)	1.3	5.5
S&P National AMT-Free Municipal Bond	U.S. Investment Grade Muni Bond	(1.0)	1.3	6.2
S&P Municipal Bond High Yield	U.S. Muni Bonds (Below Investment Grade)	(1.0)	6.7	8.7
Bloomberg U.S. Corp. High Yield	U.S. Corp Bonds (Below Investment Grade)	0.2	8.2	13.4
Index Blends: Stock/Bond				
80%/20%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(1.3)	14.5	19.2
60%/40%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(1.8)	11.1	15.7
40%/60%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.2)	7.7	12.3
20%/80%: Global Equity (MSCI All Ctry World) / U.S. Investment Grade Bond (Bloomberg U.S. Agg)		(2.6)	4.5	8.9
Data as of 12/31/2024				

2024 was another stellar year for U.S. equities – particularly large caps. By the way, for 2024, International stocks peaked in October and suffered after the U.S. election.

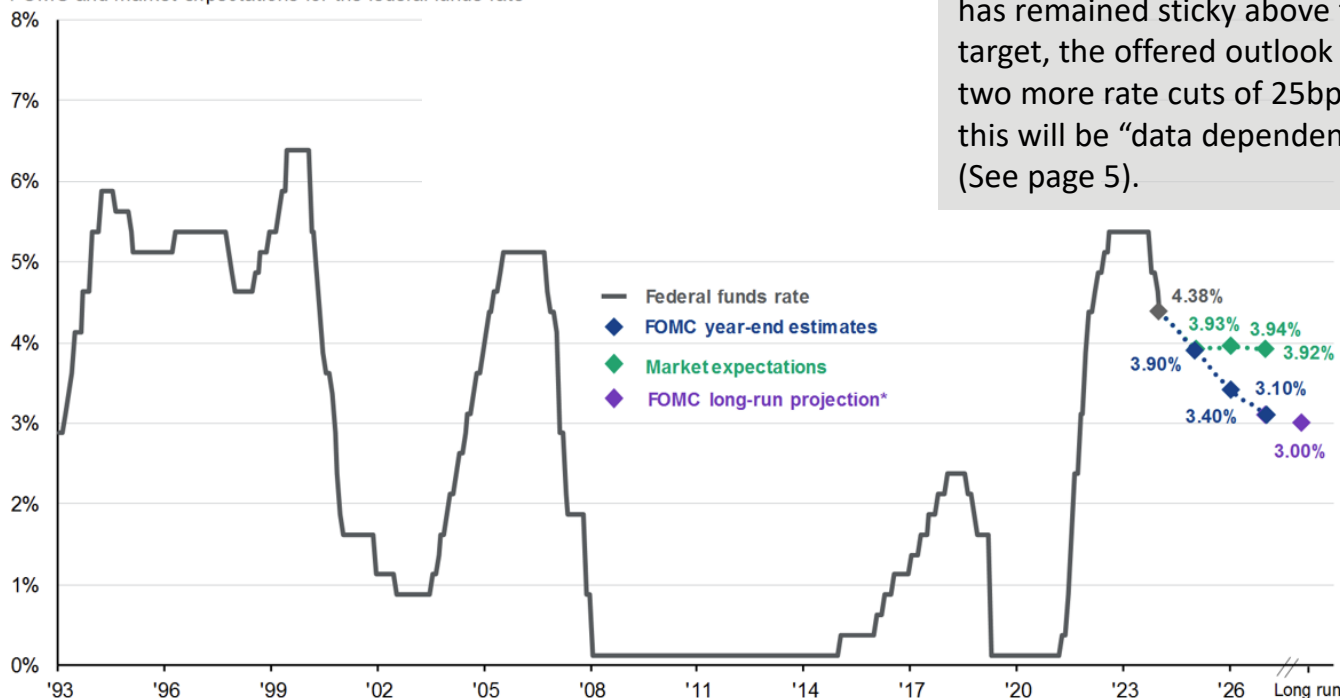
Source: Morningstar, and blended benchmark returns are based on monthly rebalancing.

Economy

Federal Funds Rate

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Federal Reserve Chair Powell's Fed Fund rate cut guidance for 2024 was fulfilled. His recently updated guidance for 2025, however, was received by many as disappointing. As inflation has remained sticky above the Fed's 2.0% target, the offered outlook for 2025 was for two more rate cuts of 25bp each – although this will be “data dependent.” (See page 5).

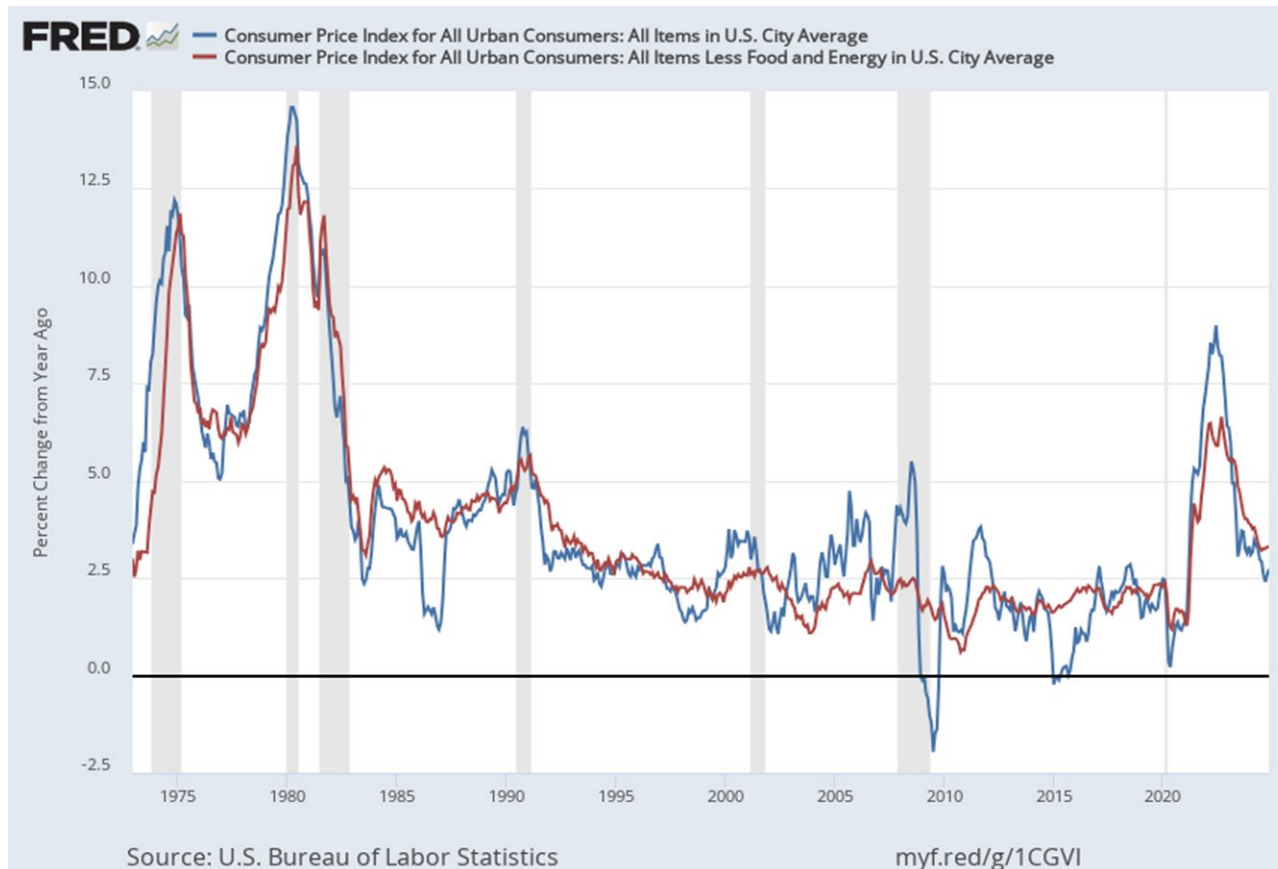
Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of December 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

Economy

Inflation



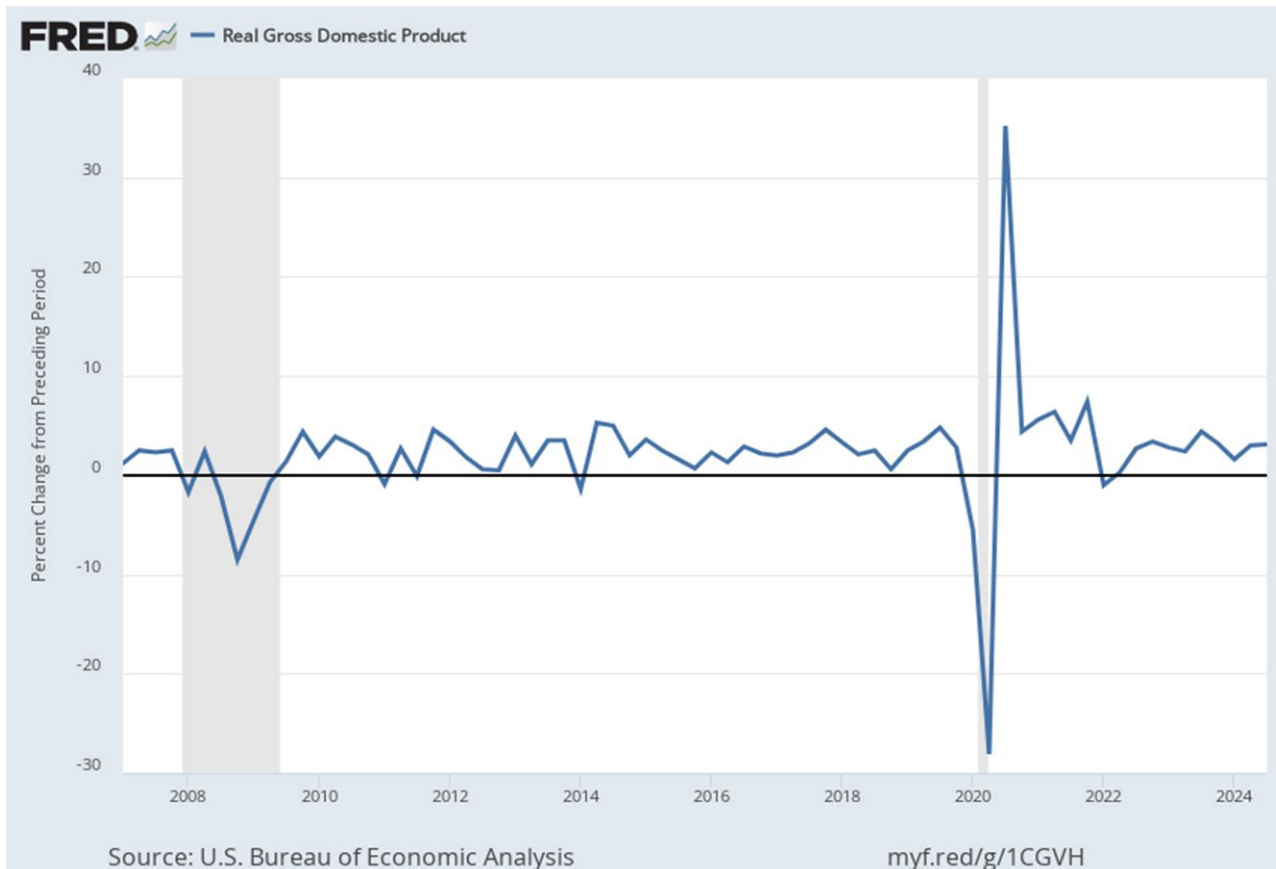
November CPI came in at an annual rate of 2.7%, and 3.3% for the so-called core inflation rate which excludes Food & Energy. These represented a slight uptick from October. Data for December will be reported Jan. 15.

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Economy

Real GDP

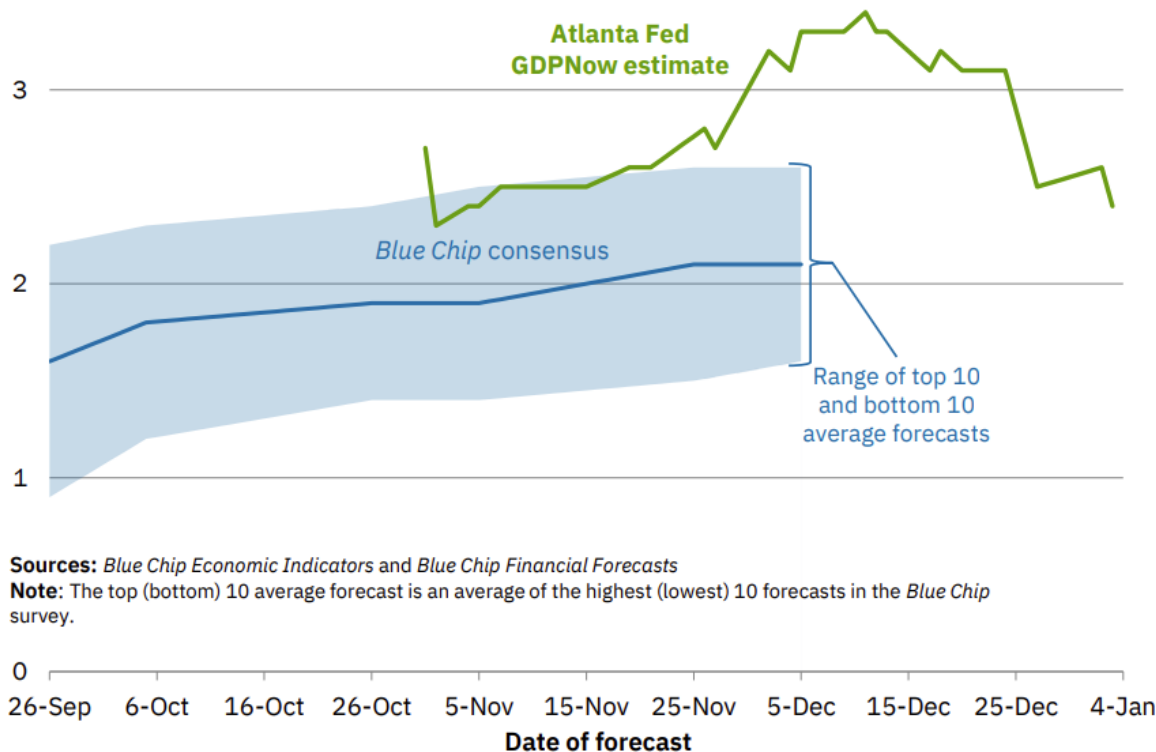


Q3 GDP was reported at +3.1% (quarter over quarter) – reaffirming a very healthy pace of growth. The Q3 result surpassed the consensus estimates, but was right on target with the Atlanta Fed estimate.

Economy

Real GDP Estimate – Atlanta Fed GDPNow

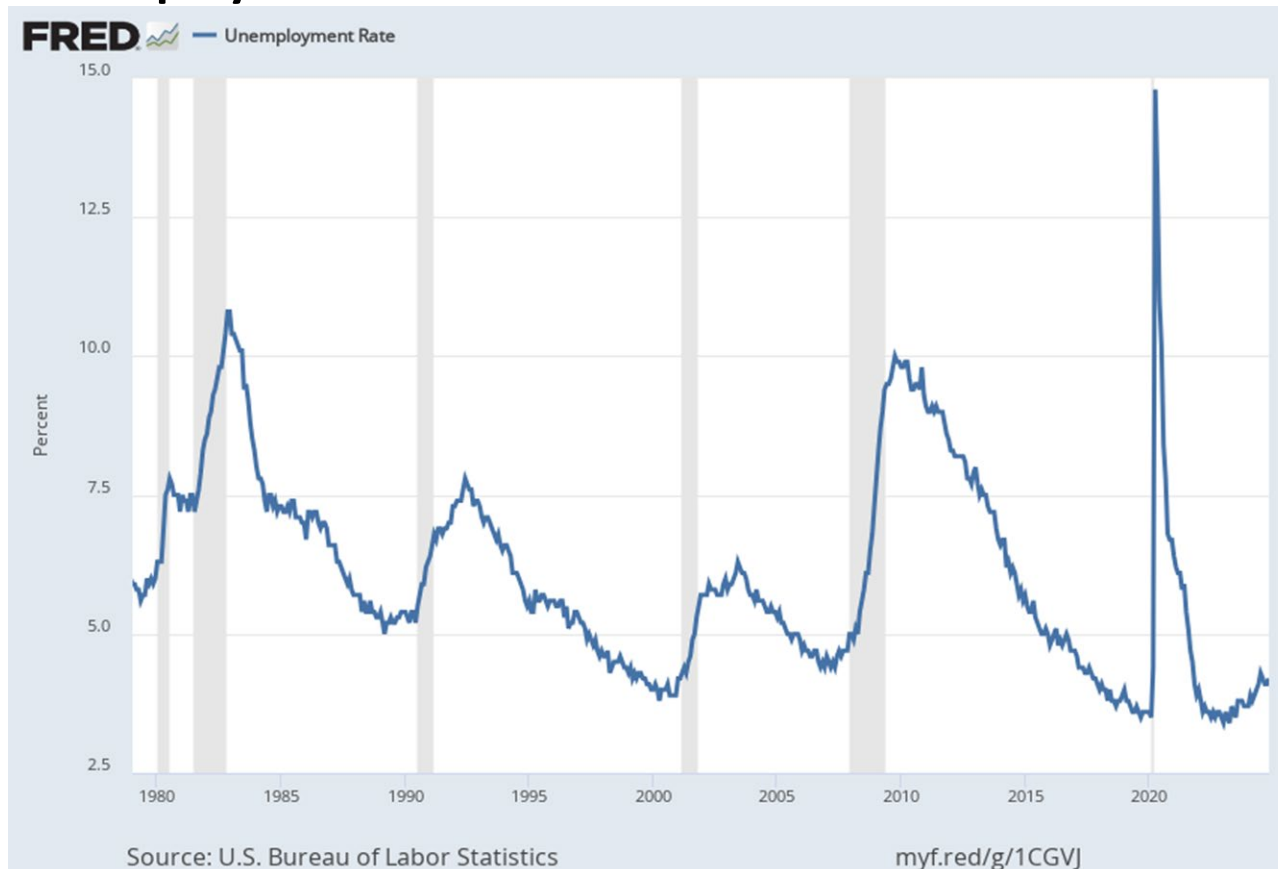
Evolution of Atlanta Fed GDPNow real GDP estimate for 2024: Q4
Quarterly percent change (SAAR)



The Atlanta Fed estimate is based entirely on a mathematical model, which provides a running estimate based on available economic data. As such, there is no color commentary offered.

Economy

Unemployment Rate



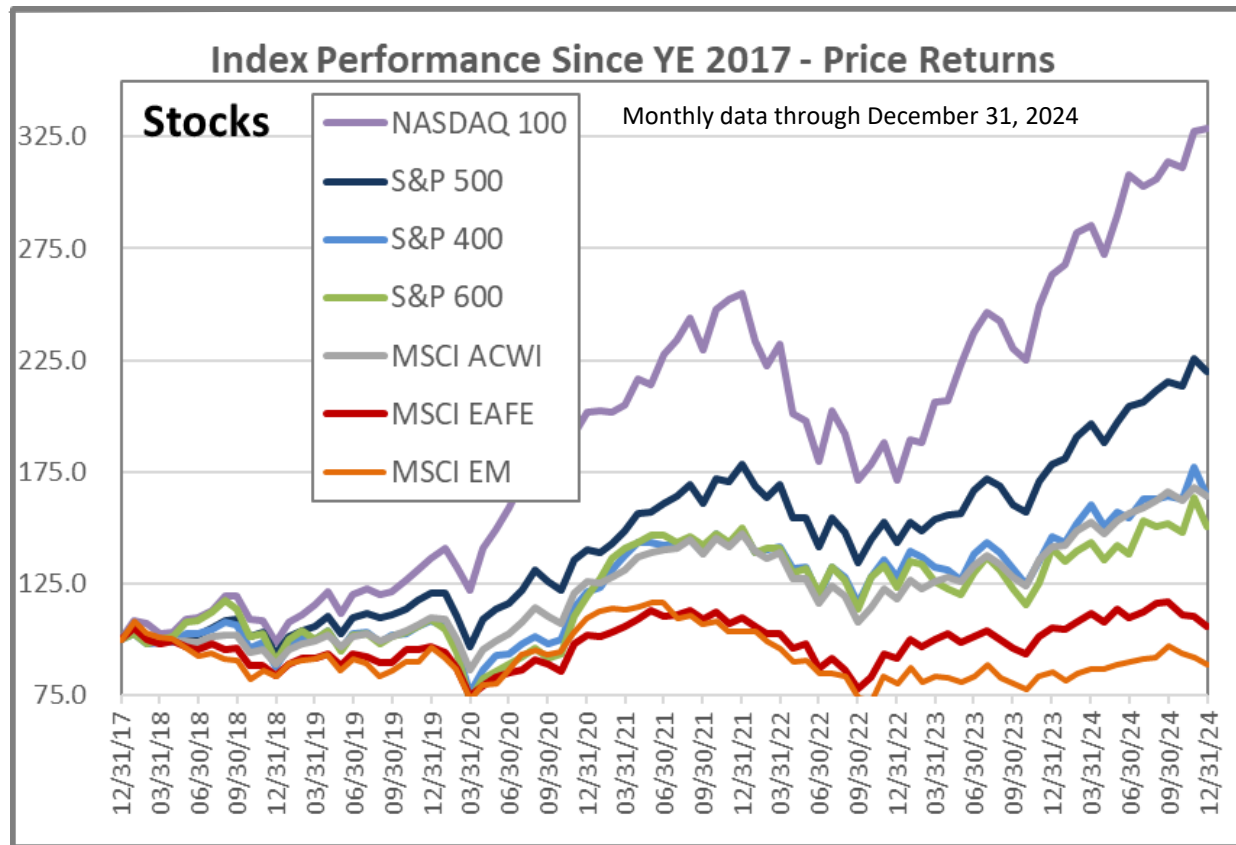
The unemployment rate was just reported at 4.2% for November, and the December data will be released just after this Quarterly is published.

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Equities

Sub-Asset Class Relative Performance



The spread continue to widen between the leaders and laggards over the just completed quarter.

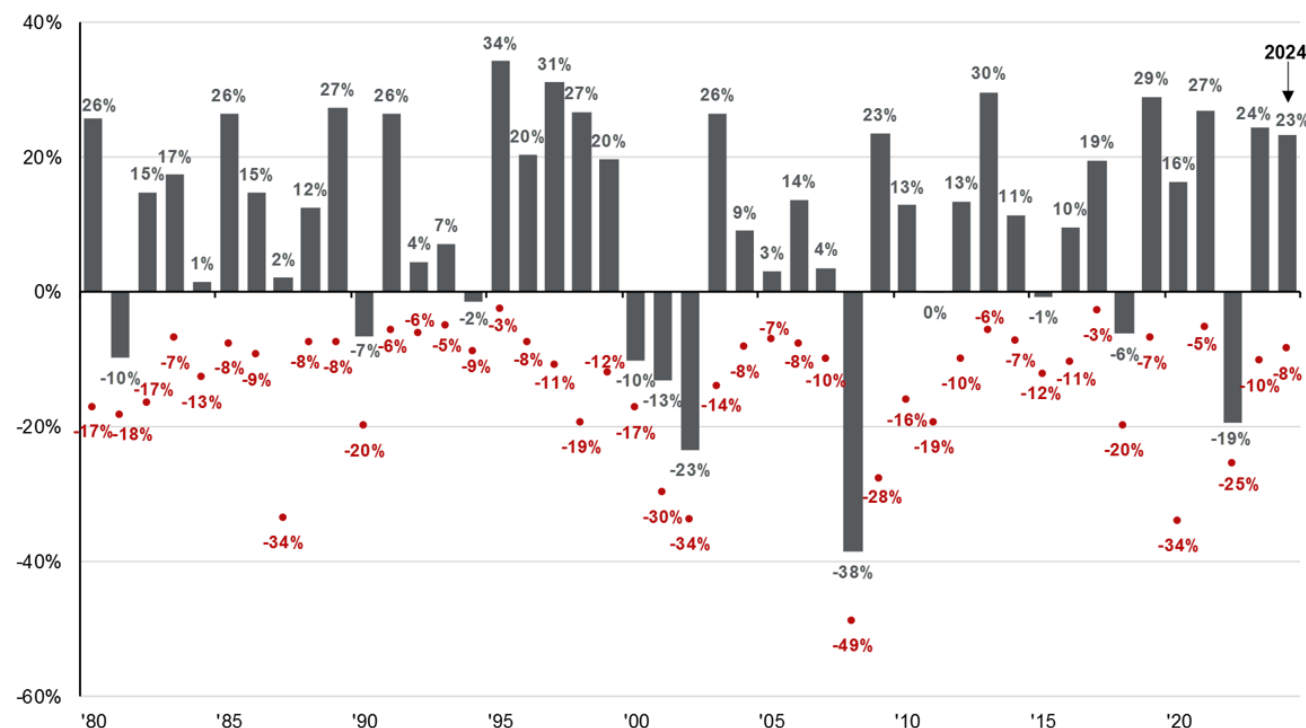
Source: Bloomberg and Yahoo Finance data, with analysis by Genesia Investments LLC

Equities

S&P 500 Annual Returns & Intra-Year Declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.1%, annual returns were positive in 34 of 45 years



2024 was a top quartile year for the S&P 500 in terms of both the top calendar year returns and lowest intra-year declines.

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which time period the average annual return was 10.6%.

Guide to the Markets - U.S. Data are as of December 31, 2024.

J.P.Morgan
ASSET MANAGEMENT

Equities

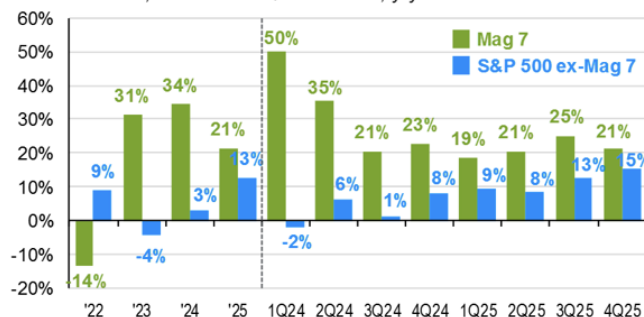
“Magnificent 7” vs. S&P 500’s Other 493

Performance of “Magnificent 7” stocks in S&P 500*
Indexed to 100 on 1/1/2021, price return



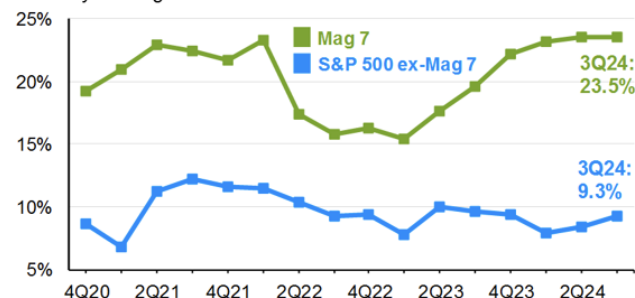
Earnings growth

Pro forma EPS, estimates 4Q24 onwards, y/y



Profit margins

Quarterly earnings/sales



The *Mag 7* have been delivering superior EPS growth; although, comparisons will get tougher.

The Equities chart on this page will rotate through the year based on perceived relevance.

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

*Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2024 and 2025 are forecasts based on consensus analyst expectations. **Share of returns represent how much each group contributed to the overall return. Numbers are always positive despite negative performance in 2022.

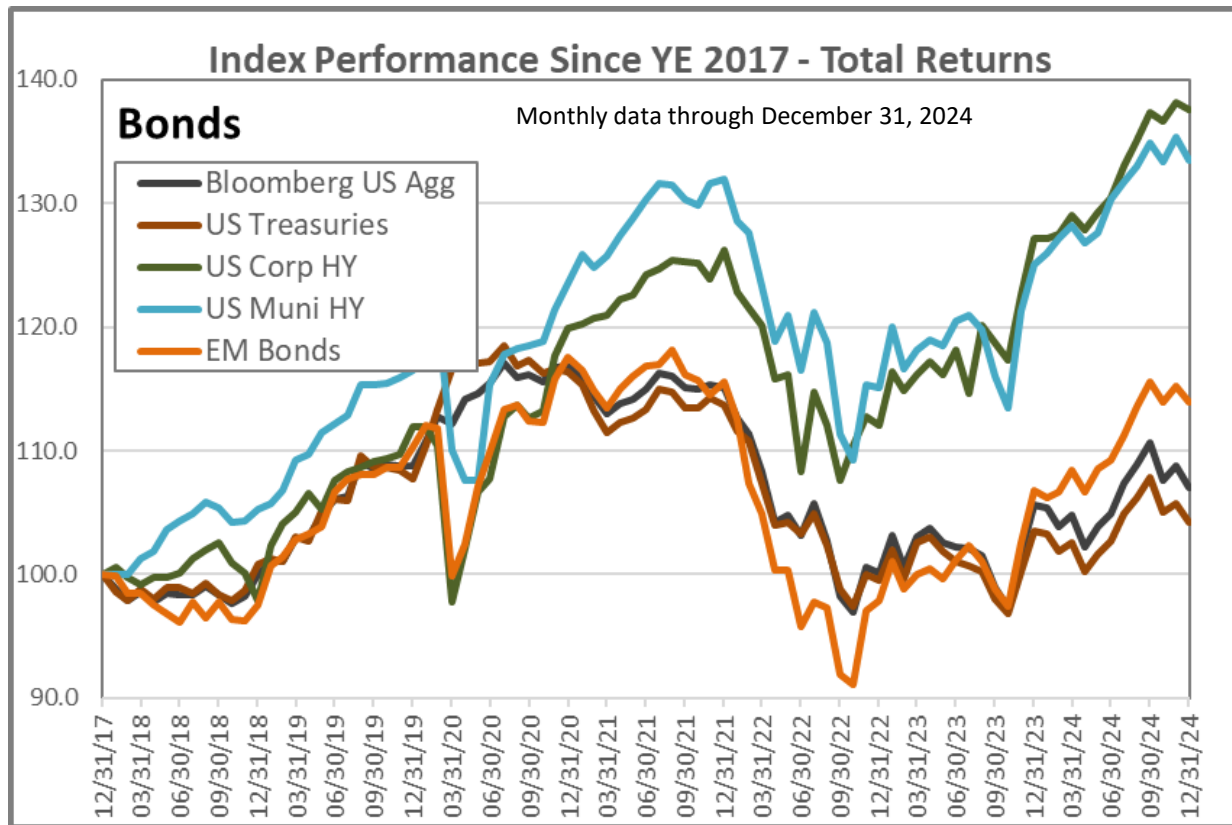
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Fixed Income

Sub-Asset Class Relative Performance

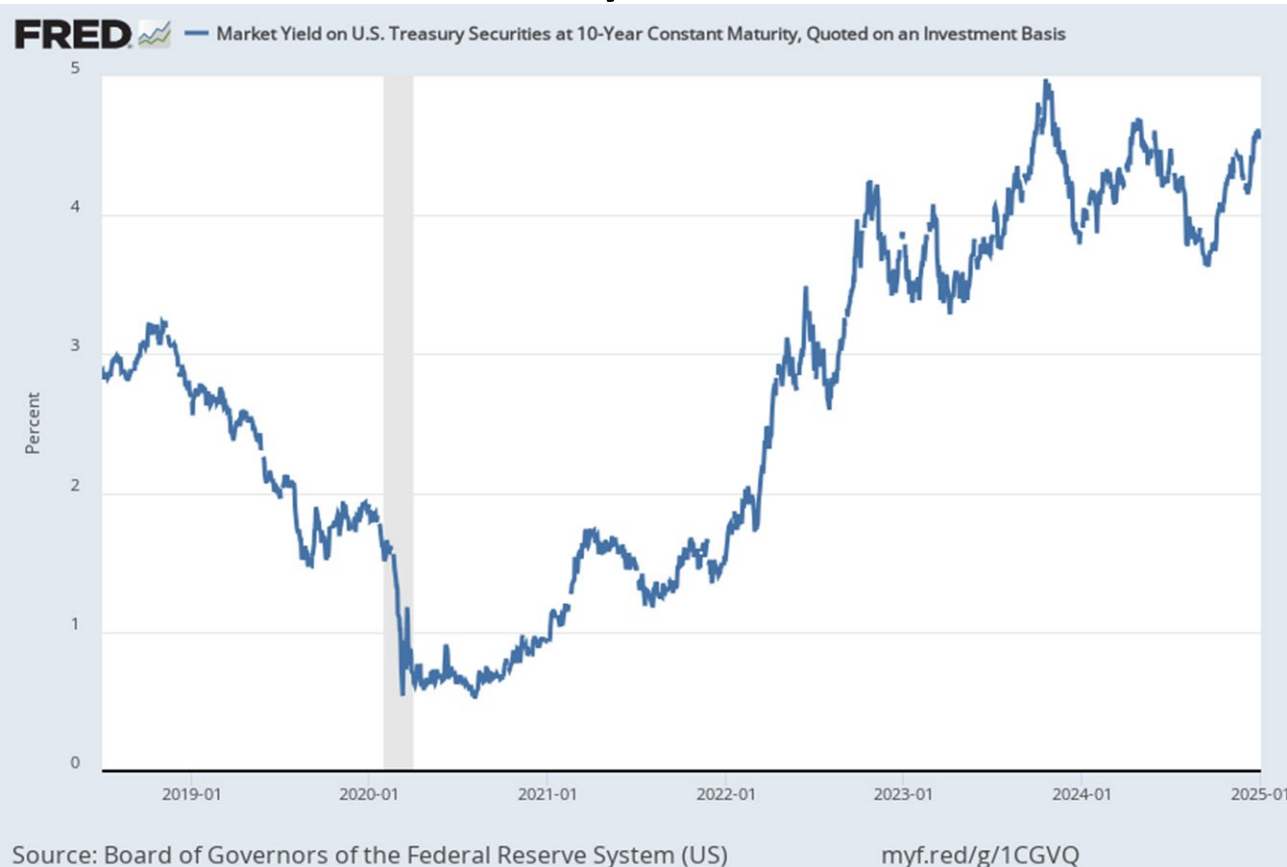
As in equities, Q4 saw a widening divergence across Bond indexes between the leaders and laggards.



Source: Bloomberg monthly index data, with analysis by Genesis Investments LLC

Fixed Income

Market Yield - U.S. Treasury 10-Year Bond

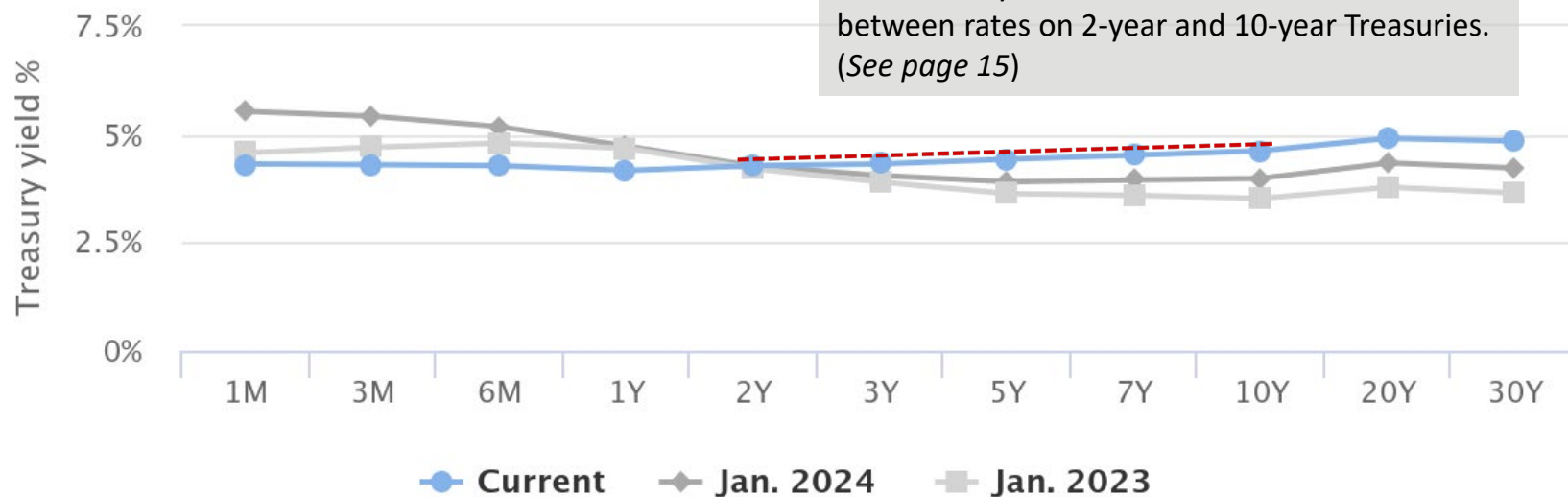


As of yearend, 10-year Treasury yields are up 85bp since mid-Sept. Over this same period, short-term rates, as represented by the Fed Funds rate, have declined 100bp. The 10-year market yield generally reflect a combination of anticipated inflation, interest rates, and also a risk premium. Which one of these factors may be most important now, you may ask – our answer is “yes.” 😊

Fixed Income

Treasury Yield Curve

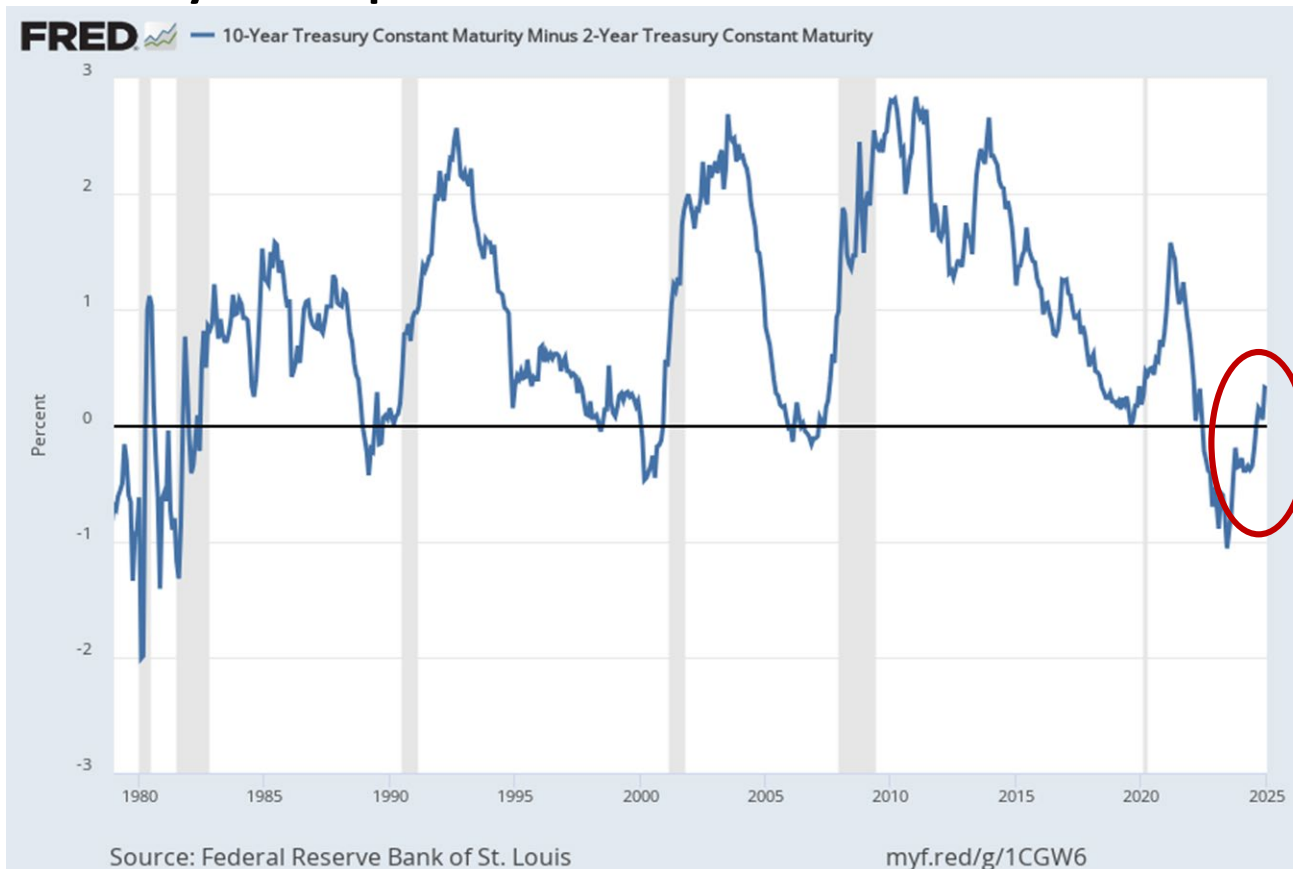
As of January 6, 2025



Source: GuruFocus.com

Fixed Income

Treasury Yield Spreads – 10-Year vs. 2-Year



We do hope it will be different this time... Referring, of course, to the recessions which have followed all six previous yield curve inversions.

Fixed Income

Credit Spreads – U.S. Corp High Yield vs U.S. Treasuries



High yield spreads have remained steady near historical lows.

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About the Author:

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Sources Include:

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Federal Reserve Bank of Atlanta Research & Data – <https://www.atlantafed.org/cqer/research/gdpnow>

GuruFocus.com LLC, U.S. Treasury Yield Curve Data & Charts -- https://www.gurufocus.com/yield_curve.php

JP Morgan, Quarterly Guide to the Markets -- <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

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Reference to market index information is included for illustrative purposes only, as it is not possible to directly invest in an index. Indexes are unmanaged, hypothetical vehicles that serve as market indicators. Index total return performance data reflects the assumptions of the reinvestment of interest and dividends but does not include the deduction of fees or transaction costs which otherwise reduce performance of an actual portfolio. The blended indexes are shown for informational purposes only and are not representative of any particular investment or plan.

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