

Quarterly Recap

At-A-Glance

The S&P 500 trimmed its final quarterly gain of the year to 2.41% with a December decline of 2.38%. The broad-based index finished 2024 at 5,881.63, 3.4% below its December 6 record high of 6,090.27. Even so, the S&P 500 capped its fifth straight quarterly gain.

The Dow Jones Industrial Average fell 5.13% last month, trimming its fourth quarter gain to 0.93%. For the year, the Dow-30 Index rose 14.99%, gaining the least among the three major U.S. equity indexes.

The tech-heavy Nasdaq Composite outperformed in December up 0.55%, extending its fourth quarter return to 6.35%. On a full year basis, the Nasdaq index outperformed the S&P 500 by over 4.5% (+29.57% versus +25.02%).

Foreign equities continue to broadly underperform the U.S. on a year-to-date basis with Emerging Markets and MSCI EAFE gaining just 7.50% and 3.82% respectively.

The Bloomberg Commodity Index rose 1.02% in December, while netting a 0.45% loss in the final quarter of the year. Commodities were up 5.38% in 2024.

Gold (+27.47%) had its best annual performance since 2010, ending 2024 at \$2,641/ounce. U.S. WTI Crude Oil ended the year nearly flat at \$71.72/barrel, up just 7-cents in 2024.

Fourth Quarter 2024 Recap

Market Indices ¹	December	4Q 2024	YTD
S&P 500	-2.38%	2.41%	25.02%
Russell 3000	-3.06%	2.63%	23.81%
Russell 2000	-8.26%	0.33%	11.54%
MSCI EAFE	-2.27%	-8.11%	3.82%
MSCI Emerging Markets	-0.14%	-8.01%	7.50%
Bloomberg US Aggregate Bond	-1.64%	-3.06%	1.25%
Bloomberg US Municipal Bond	-1.46%	-1.22%	1.05%
Bloomberg US Corporate High Yield	-0.43%	0.17%	8.19%

¹FactSet (all equity performance is total return based, which include reinvested dividends).

The fourth quarter gave investors much to ponder with a presidential election and Fed rate cuts along with stronger than expected economic growth and corporate earnings.

The S&P 500 ended 2024 up 25.02%, capping gains of 53% since the start of 2023, its strongest consecutive two-year performance since a 66% rally ending in 1998. Over the course of the year the S&P 500 recorded 57 new all-time highs. Investor enthusiasm for Big Tech artificial intelligence (AI) based stocks helped fuel this year's rally. Additional 2024 bullish catalysts included the Federal Reserve's cumulative 1% interest rate cuts that began in September and Donald Trump's sweeping presidential election victory that fanned a November rebound rally supported by earnings optimism over proposed tax cuts and deregulation.

Despite the overall strong 2024 performance, equities were mostly lower in December, with the Dow Industrials and S&P 500 both posting declines while the Nasdaq Composite ended only fractionally higher. Amid the backdrop of rising valuations, investors trimmed some of their biggest winners and losers before the end of the tax year. Wall Street was therefore dismayed by an absence of a Santa Claus rally that can occur during the final five days of December and into the first two days of January. This year the S&P 500 ended 2024 with four-straight daily declines for the first time since 1966.

At their December 17-18 FOMC rate and policy meeting, Federal Reserve officials voted to cut interest rates by 0.25%, lowering their target Fed Funds rate to a range of 4.25-4.50%. The Fed's policy statement noted that inflation has made progress toward their 2% target but added that inflation still "remains somewhat elevated." The Fed's Dot Plot of individual policy members' rate outlook projects just two rate cuts in 2025, down from the four cuts projected in September's Dot Plot.

On a brighter note, the U.S. GDP expanded at its fastest pace so far this year, growing at an annualized pace of 3.1% during the third quarter versus 3% for the preceding quarter.

In corporate earnings, fourth quarter profits for S&P 500 companies are expected to grow by 8.9% from the 7.0% pace during the third quarter, with full year 2024 earnings currently forecasted at an 8.6% increase.

As shown in the style box performance boxes below, Growth stocks showed the strongest performance in all three time periods. Mid cap Growth had the strongest gain during the fourth quarter (+8.14%), outperforming its Large cap counterpart by over 1% (8.14% vs. 7.07% respectively). All sizes and styles delivered positive performance for the full year, yet the differential between Large cap Growth and Small cap Value was huge at over 25% (33.36% vs. 8.05% respectively).

December Returns				Quarterly Returns				2024 Returns			
	Value	Blend	Growth		Value	Blend	Growth		Value	Blend	Growth
Large Cap	-6.84%	-2.79%	0.88%	Large Cap	-1.98%	2.75%	7.07%	Large Cap	14.37%	24.51%	33.36%
Mid Cap	-7.32%	-7.04%	-6.22%	Mid Cap	-1.75%	0.62%	8.14%	Mid Cap	13.07%	15.34%	22.10%
Small Cap	-8.33%	-8.26%	-8.19%	Small Cap	-1.06%	0.33%	1.70%	Small Cap	8.05%	11.54%	15.15%

Source: Cetera Investment Management, FactSet, FTSE Russell. Returns shown are total return, which include dividends. Investors cannot invest directly in indexes. Data as of 12/31/2024.

Sector performance struggled in December with only three sectors posting gains. Positive performance slightly broadened to four sectors during the fourth quarter with Technology (+4.84%) gaining the least. The 2024 Great Rotation was however preserved on a year-to-date basis with all but one sector posting gains. Materials was the only sector with negative full year performance, albeit down just 0.04%.

Top Sector Performers – December ¹		Bottom Sector Performers – December ¹	
Communication Services (+3.58%)		Real Estate (-8.59%)	
Consumer Discretionary (+2.39%)		Energy (-9.47%)	
Technology (+1.16%)		Materials (-10.72%)	
Top Performers – Fourth Quarter ¹		Bottom Performers – Fourth Quarter ¹	
Consumer Discretionary (+14.25%)		Real Estate (-7.94%)	
Communication Services (+8.87%)		Healthcare (-10.30%)	
Financials (+7.09%)		Materials (-12.42%)	
Top Performers – Full Year 2024 ¹		Bottom Performers – Full Year 2024 ¹	
Communication Services (+40.23%)		Real Estate (+5.23%)	
Technology (+36.61%)		Healthcare (+2.58%)	
Financials (+30.56%)		Materials (-0.04%)	

¹FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends). Data as of 12/31/2024.

Mostly reflecting the sting of inflation, the yield on benchmark 10-year Treasury notes ended the year at 4.572%, up 0.69% from 3.879% at year-end 2023.

In fixed-income performance, U.S. Treasuries (as measured by the Bloomberg U.S. Government Bond Index) declined 1.52% in December, extending its fourth quarter loss to 3.10%. The government bond index netted a 0.62% gain for the year. Longer-term U.S. Government bonds performed worse, falling 5.31% in December, capping an 8.60% loss in the fourth quarter, which turned its full year performance negative with a loss of 6.37%.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) likewise fell 1.64% last month, extending its quarterly loss to 3.06% which trimmed its full year gain to 1.25%. Non-investment-grade High-Yield corporate bonds performed best, backpedaling just 0.43% in December, trimming its quarterly gain to 0.17% which lifted its full-year gain to 8.19%. Municipal Bonds posted losses in December (-1.46%) and in the fourth quarter (-1.22%), while preserving a 1.05% gain for the year.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on X.

About Cetera® Investment Management

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group

“Cetera Financial Group” refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), and Cetera Financial Specialists LLC. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

About Avantax

Avantax, Inc. (Avantax) is a wholly owned subsidiary of Aretec Group, Inc. (dba Cetera Holdings). Avantax is a unique community within Cetera Holdings. Avantax Investment Services, Inc., a subsidiary of Avantax, Member FINRA / SIPC. Located at 3200 Olympus Blvd, Suite 100, Dallas, TX, 75019. Avantax and Cetera Financial Group are under common ownership.

Disclosures

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

A diversified portfolio does not assure a profit or protect against loss in a declining market.

Glossary

The **Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The **Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

The **Bloomberg U.S. Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index**[®] (VIX[®]) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.