

Capital Markets Snapshot

Courtesy of the Davis Financial Group

Week ending December 13, 2024

It was a mixed week for equity markets as the S&P snapped a three-week streak of gains and the Nasdaq posted a new all time high supported by asset flows into many of the mega-cap tech names. As the end of the year draws near, US equities are on pace for back-to-back years of over 20% gains for the first time since 1999. Tailwinds for this year's performance include solid economic growth, falling inflation, and the start of easing monetary policies by the Federal Reserve. However, last week's inflation release marked the second month in a row the CPI came in above the previous month's reading. While the last week's reading was in line with expectations, it may be a sign inflation reduction is stalling, which could increase uncertainty regarding future central bank actions. With the Federal Reserve meeting this week, expectations remain high for another 25-basis points rate cut, but expectations for rate cuts by the end of 2025 are moderating, current expectations suggest a total of 75 bps down from 175 bps expected in late September.

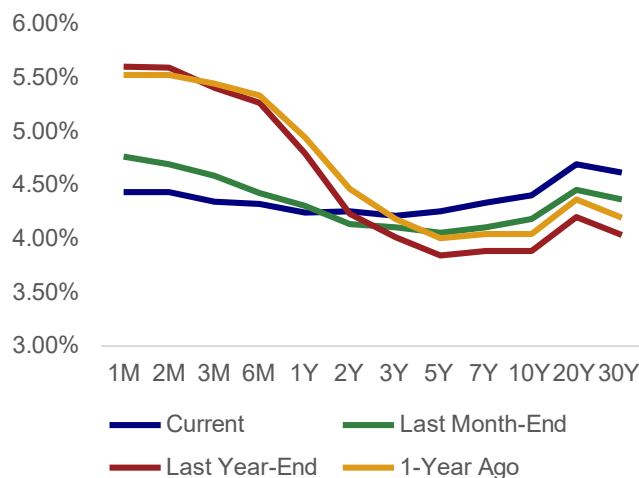
Fixed Income Markets Overview

- U.S. Treasury yields broke their recent trend and largely rose following last week's inflation release. Rates shorter than 1-year fell between 2 and 14 bps, but rates 1-year and longer all rose between 5 and 27 bps.
- Expectations for a potential rate cut at this week's Federal Open Market Committee (FOMC) meeting increased to over 95% of a 25 bps cut.
- Mortgage rates fell for the third week in a row, boosting homebuyer demand due to steady income growth and a strong stock market. However, homebuyers still face significant affordability challenges.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
Short	1-3 Year Govt/Credit	-0.2%	4.2%	1.6%	1.5%
	Core Plus				
	Intermediate Govt/Credit	-0.6%	3.3%	-0.1%	0.9%
	International Aggregate	-1.2%	-0.5%	-4.3%	-1.7%
	US Aggregate	-1.4%	2.0%	-2.2%	-0.2%
	US Treasury	-1.3%	1.2%	-2.8%	-0.6%
	US TIPS	-0.9%	2.7%	-1.7%	2.0%
	US Corporate	-1.4%	3.2%	-2.0%	0.5%
	US Corporate High Yield	-0.2%	8.9%	3.4%	4.5%
Other	Emerging Markets Aggregate	-0.7%	7.7%	-0.2%	1.0%
Muni	US Municipals	-0.9%	2.0%	-0.2%	1.2%
	US Municipals High Yield	-0.9%	7.5%	0.7%	2.9%

Source: Bloomberg as of December 13, 2024

U.S. Treasury Yield Curve



Source: Bloomberg and U.S Treasury as of December 13, 2024

Interest Rates (%)

Date	12/13/2024	11/29/2024	12/29/2023	12/13/2023
Federal Funds Rate	4.43%	4.76%	5.60%	5.52%
3 Month Treasury	4.34%	4.58%	5.40%	5.44%
6 Month Treasury	4.32%	4.42%	5.26%	5.33%
2 Year Treasury	4.25%	4.13%	4.23%	4.46%
5 Year Treasury	4.25%	4.05%	3.84%	4.00%
10 Year Treasury	4.40%	4.18%	3.88%	4.04%
30 Year Treasury	4.61%	4.36%	4.03%	4.19%
US Aggregate	4.79%	4.64%	4.53%	4.70%
US Corporate	5.17%	5.05%	5.06%	5.24%
US Corporate High Yield	7.19%	7.14%	7.59%	8.11%
US Municipal	3.55%	3.45%	3.22%	3.45%
US Municipal High Yield	5.34%	5.26%	5.57%	5.74%

Spreads Over 10-Year US Treasuries

Date	12/13/2024	11/29/2024	12/29/2023	12/13/2023
30 Year Treasury	0.21%	0.18%	0.15%	0.15%
US Aggregate	0.39%	0.46%	0.65%	0.66%
US Corporate	0.77%	0.87%	1.18%	1.20%
US Corporate High Yield	2.79%	2.96%	3.71%	4.07%
US Municipal	-0.85%	-0.73%	-0.66%	-0.59%
US Municipal High Yield	0.94%	1.08%	1.69%	1.70%

Source: Bloomberg and U.S. Treasury as of December 13, 2024

Equity Markets Overview

- US equities had mixed performance with the S&P 500 retreating -0.6% and the Dow Jones sliding -1.8%. However, the Nasdaq posted a new all-time high and closed the week with a modest gain of 0.4%.
- Nine of the eleven sectors posted a loss for the week. Materials, Utilities, and Real Estate were the biggest losers falling -2.96%, -2.7%, and -2.4%, respectively. The only winners were Consumer Discretionary and Telecommunications which rose 1.4% and 2.4%, respectively.
- From a size perspective, large cap stocks held up the best with only a -0.6% loss while mid- and small-cap lost -1.6% and -1.4%, respectively. From a style perspective, growth only outperformed value in large-caps, the inverse was true with small-caps, and the two tied in mid-caps.

Asset Class	Name	1W	YTD	3Y(Ann.)	5Y(Ann.)
All-Cap	S&P 1500	-0.7%	27.7%	10.4%	15.3%
Large-Cap	S&P 500	-0.6%	28.6%	10.7%	15.6%
	S&P 500 Growth	0.3%	39.7%	9.1%	18.2%
	S&P 500 Value	-1.9%	15.9%	11.5%	11.6%
Mid-Cap	S&P Midcap 400	-1.6%	19.5%	7.8%	11.8%
	S&P Midcap 400 Growth	-1.6%	22.5%	6.5%	11.7%
	S&P Midcap 400 Value	-1.6%	16.3%	8.9%	11.5%
Small-Cap	S&P Smallcap 600	-1.4%	14.8%	5.0%	10.0%
	S&P Smallcap 600 Growth	-2.0%	16.1%	3.8%	10.0%
	S&P Smallcap 600 Value	-0.9%	13.2%	6.0%	9.6%
Int'l.	MSCI ACWI ex-USA	-1.0%	8.3%	2.4%	5.0%
	MSCI EM	0.3%	10.6%	-0.9%	2.8%

Source: Bloomberg as of December 13, 2024

Alternative Markets Overview

- Oil prices rose for the week, settling at a three-week high, on expectations of sanctions on Russia and Iran reducing supply and lower interest rates in Europe and the US potentially boosting demand.
- Gold prices began to climb again as they rose 0.6% last week but ended the week with prices falling. There is expectation this could continue as some investors unwind their positions approaching year-end to solidify their gains from gold's strong year.
- Bitcoin was relatively flat over the week but remains just above the \$100k price level.

Name	1W	YTD	3Y (Ann.)	5Y (Ann.)
S&P GSCI	3.1%	8.3%	10.6%	7.4%
Gold	0.6%	29.2%	14.4%	12.6%
FTSE All Equity NAREIT	-1.9%	9.2%	-1.5%	4.9%
Bitcoin	0.1%	139.1%	29.7%	69.6%
Ethereum	-3.3%	70.0%	1.5%	93.5%

Source: Bloomberg as of December 13, 2024



Upcoming Week

- As we approach year-end keep an eye out for noteworthy earnings releases from Micron Technologies, FedEx, and Nike this week.
- It will be a busy week for economic releases with many awaiting the results of the Federal Reserve's meeting on Wednesday. Other noteworthy releases include Monday's S&P Global Purchasing Managers Index; housing data on Tuesday and Thursday; GDP, PCE, and jobs data Thursday; and Personal Income, Personal Spending, and Consumer Sentiment releases Friday.

Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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