

Weekly Market Recap

January 6th, 2025

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	5,942	-0.5%	1.0%
Dow Jones Industrial Average	42,732	-0.6%	0.4%
NASDAQ	19,622	-0.5%	1.6%
Russell 2000 [®] Index	2,269	1.1%	1.7%
MSCI EAFE Index	2,260	-0.7%	-0.1%
Ten-Year Treasury Yield	4.60%	0.0%	0.7%
Oil WTI ¹ (\$/bbl ²)	\$74.02	4.8%	3.2%
Bonds ³	\$96.81	0.2%	0.0%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

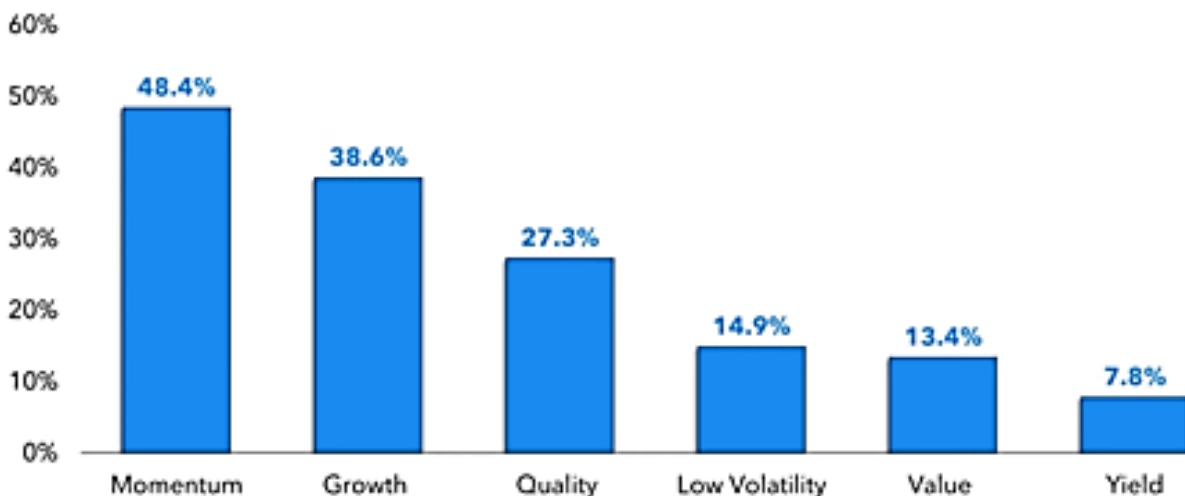
- U.S. large-cap equities (S&P 500 Index) fell -0.5% as higher interest rates, the stronger U.S. dollar, and concerns regarding President-elect Trump's trade/tariff policies provided an overhang on stocks at the end of 2024/beginning of 2025. Headline December Institution for Supply Management (ISM) manufacturing improved to the highest level since March, and the new orders component expanded further. Initial jobless claims fell along with continuing claims. Wall Street strategists appear to be optimistic for 2025, with analysts expecting continued economic growth helped by consumer spending, real income growth, healthy household balance sheets, and fiscal-policy tailwinds. Gold was up +0.8% and oil (WTI) was up +4.8%.
- S&P 500 Index Sector Returns:
 - Energy (+3.2%) rose, as the price of WTI rose +4.8%.
 - Utilities (+1.7%) and healthcare (+1.2%) outperformed, as investors appeared to favor defensive equities.
 - Financials (+0.7%) rose, led by banks and asset managers.
 - Communication services (+0.7%) rose, led by social media and internet search stocks.
 - Real Estate (+0.6%) rose, led by public storage and cell towers.
 - Industrials (+0.6%) rose, with strength from aerospace and defense stocks and transports stocks.
 - Technology (+0.4%) rose, led by software.
 - Consumer discretionary (+0.1%) rose.
 - Consumer staples (-0.2%) fell, led lower by beverage companies.
 - Materials (-0.8%) fell, led lower by chemical stocks.

- In 2024, the momentum and growth factors outperformed while value and yield factors underperformed.

S&P 500 factor returns for 2024

Momentum has annualized a 20% total return over the last 5 years

As of 12/30/2024



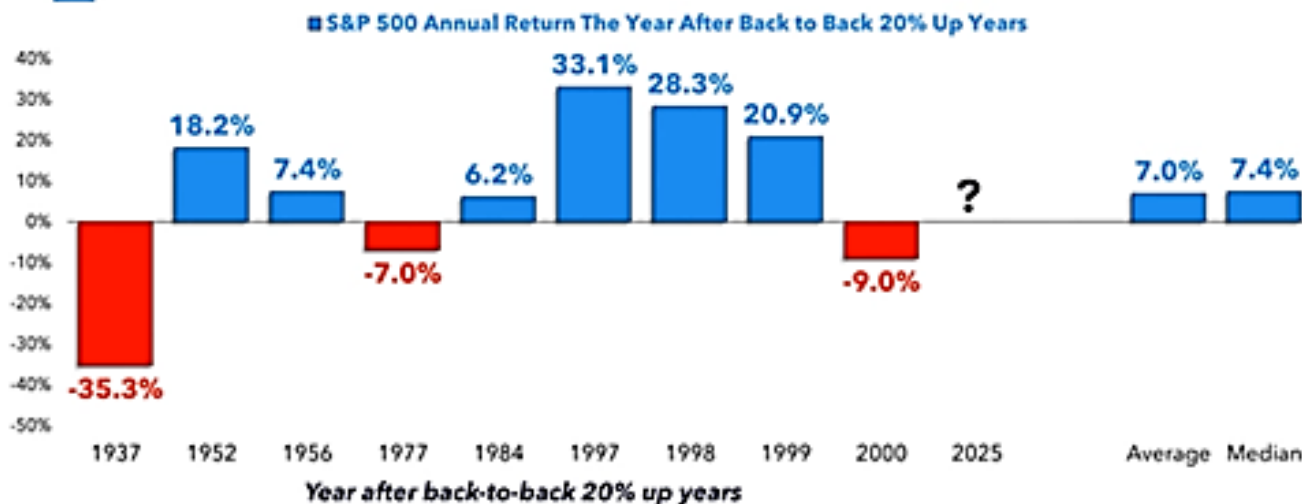
Sources: The Compound Media; Y Charts; Bloomberg L.P.

- Historically, the S&P 500 Index averaged a 7.0% return after back-to-back years of 20% returns.

Historical playbook for 2025

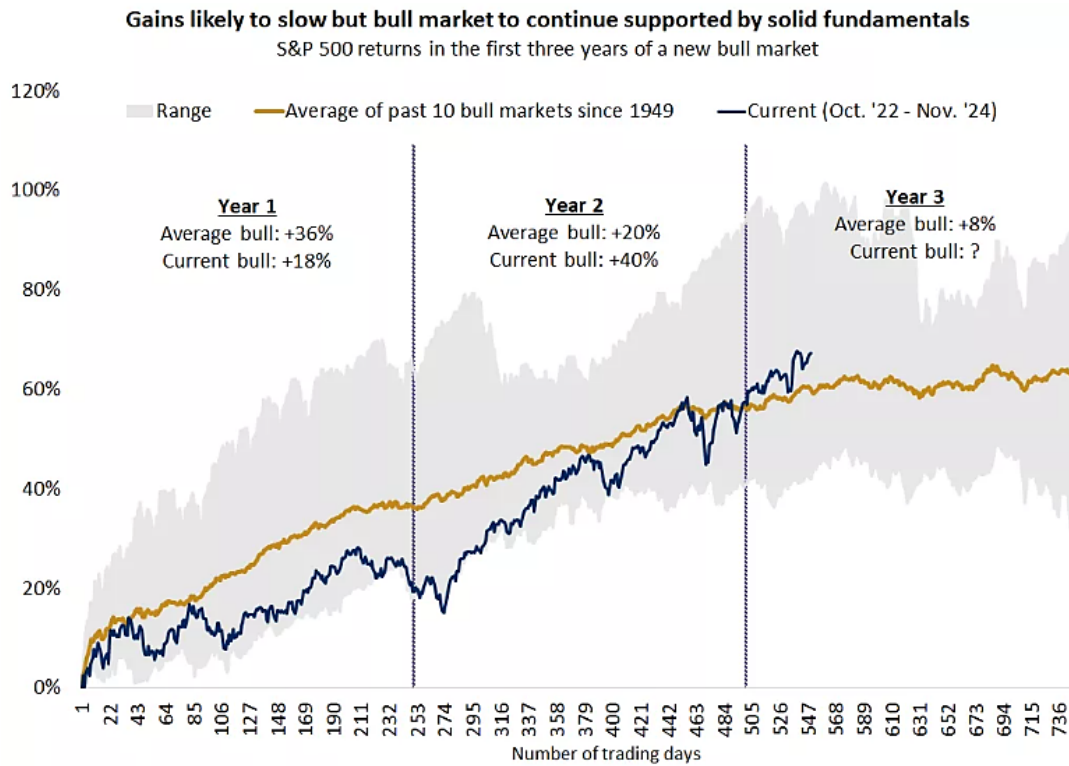
S&P 500 Annual Return the year after back-to-back 20% up years

Since 1928. 9 Total Instances. Returns include dividends.



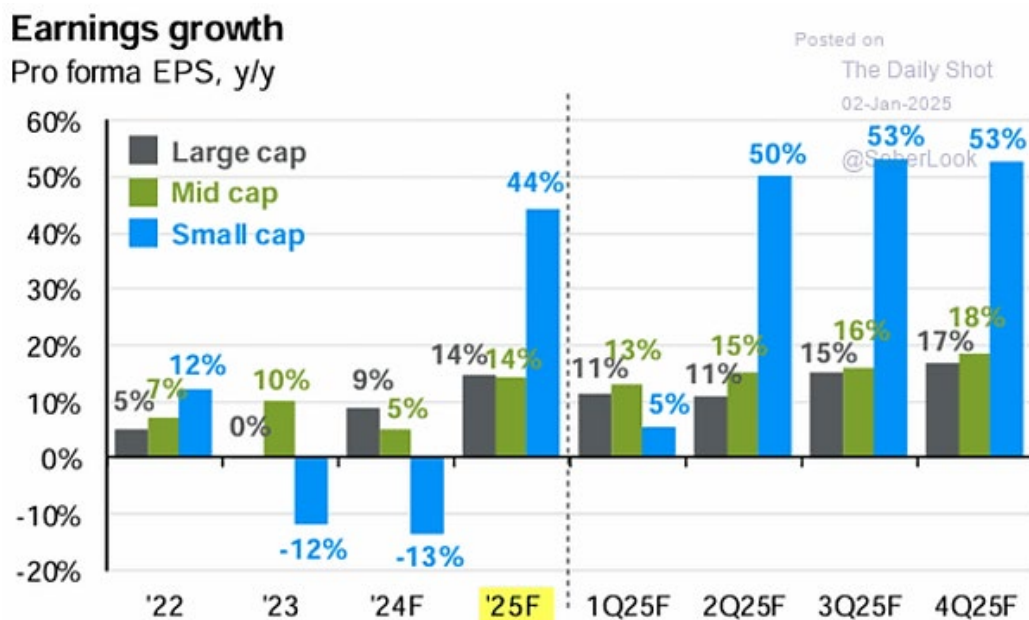
The red bars represent down years. Sources: Standard & Poor's; NYU Data Library; The Compound Media.

- Historical bull markets suggest that the current bull market may experience positive returns in 2025 (year 3 in the chart below), but potentially lower returns than 2024.



Sources: Bloomberg L.P.; The Daily Shot.

- Analysts expect earnings growth to be robust for small caps in 2025 and healthy for large- and mid-cap stocks.



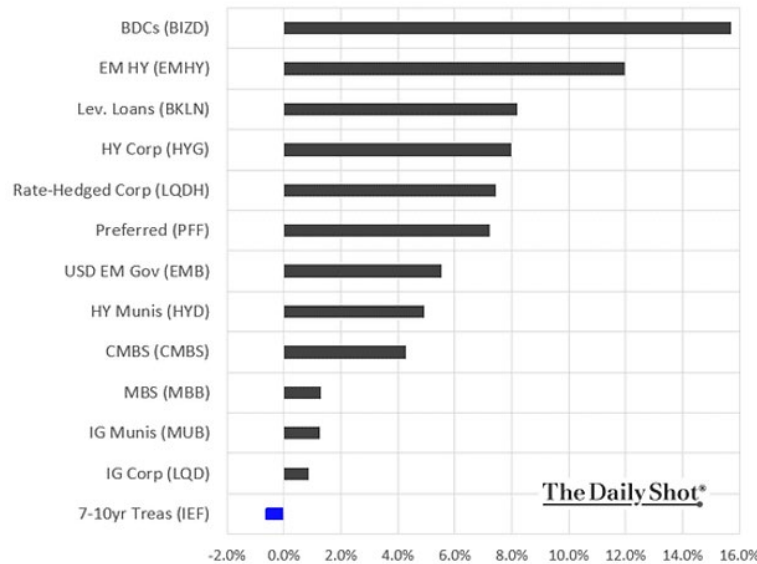
EPS: earnings per share. Sources: JP Morgan; The Daily Shot.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6.

Fixed Income Markets

- Business development companies (BDCs), emerging market high yield (EM HY), leveraged loans, and high yield U.S. corporate bonds outperformed in 2024, while U.S. 7-10 year Treasuries underperformed.

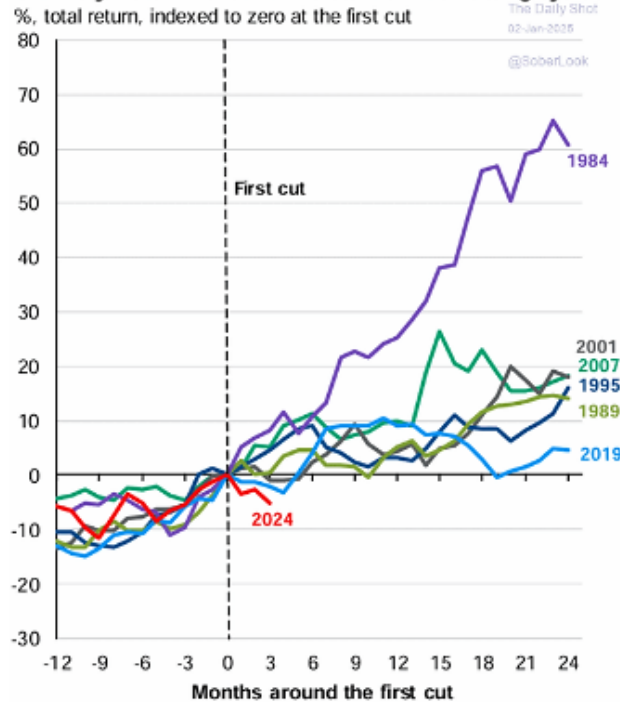
Credit Asset Returns (TR): 29-Dec-23 to 31-Dec-24



CMBS: commercial mortgage-backed security. MBS: mortgage-backed security. IG: investment-grade. Sources: Bloomberg L.P.; The Daily Shot.

- The chart below shows the historical returns for U.S. 10-year Treasury bonds around the beginning of a Federal Reserve (Fed) cutting cycle.

U.S. 10-yr returns around the start of Fed cutting cycles



Sources: JP Morgan; The Daily Shot.

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U.S. Economic and Political News

- November pending homes sales beat analyst expectations, rising for the fourth-consecutive month.
- Final December Markit Purchasing Managers' Index (PMI) data came in ahead of consensus analyst expectations but still fell from November.

International Markets and News

- European markets (STOXX 600 Index) rose +0.2% as the European Central Bank President, Christine Lagarde, reiterated in a press conference that inflation was on track to hit the 2% target in 2025, which suggests that interest rates may remain on a downward path.
- The Chinese stock market (Shanghai Composite) fell -5.5% as China's factory activity expanded for the third-consecutive month to 50.1 in December from 50.3 in November.
- Japanese equities (Nikkei 225 Index) ended 2024 with a nearly 20% annual gain, supported by share buybacks, corporate governance reforms, and a weaker yen that boosted exporters.

This Week:

- The volume of corporate earnings reports will be light this week.
- Economic data:
 - Monday: PMI Services Final, Factory Orders;
 - Tuesday: Trade Balance, Ivey PMI, Job Openings and Labor Turnover Survey (JOLTS), ISM Non-Manufacturing Index;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Automatic Data Processing (ADP) Employment Report, Consumer Credit, Department of Energy (DOE) Crude Inventories, Energy Information Administration (EIA) Natural Gas Inventories;
 - Thursday: Challenger Job Cuts, Weekly Jobless Claims;
 - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Employment, Building Permits, Michigan Consumer Sentiment (Preliminary).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **The ADP National Employment Report** is a monthly report that provides a high-frequency, independent view of the private sector labor market in the United States. **A business development company (BDC)** is an organization that invests in small- and medium-sized companies as well as distressed companies. A BDC helps these firms grow in the initial stages of their development. **Commercial mortgage-backed securities (CMBS)** are fixed-income investment products that are backed by mortgages on commercial properties rather than residential real estate. CMBS can provide liquidity to real estate investors and commercial lenders alike. **The ISM Non-Manufacturing Index** is an index that measures the economic condition and performance of service-based companies. It is now called the Services Purchasing Managers' Index (PMI). **The ISM Manufacturing Index**, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at manufacturing firms nationwide. **The Ivey Purchasing Managers Index (PMI)** is an economic index which measures the month to month variation in economic activity as indicated by a panel of purchasing managers from across Canada, and is prepared by the Ivey Business School. **The job openings and labor turnover survey (JOLTS)** is a monthly report by the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor counting job vacancies and separations, including the number of workers voluntarily quitting employment. **The Michigan Consumer Sentiment Index (MCSI)** is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. The survey is based on telephone interviews that gather information on consumer expectations for the economy. **Mortgage-backed securities (MBS)** are investments like bonds. Each MBS is a share in of a bundle of home loans and other real estate debt bought from the banks or government entities that issued them. **The Purchasing Managers' Index (PMI)** is an indicator of the prevailing direction of economic trends in the manufacturing and service sectors. The indicator is compiled and released monthly by the Institute for Supply Management (ISM), a nonprofit supply management organization. **Pro forma earnings per share (EPS)** is a calculation that projects a company's earnings per share after a merger and acquisition (M&A). **A rate-hedged corporate bond** is a corporate bond that has a built-in hedge to reduce the impact of interest rate risk. (Technical definitions are sourced from Corporate Finance Institute.) **The Chartered Financial Analyst® (CFA)** charter is a graduate-level investment credential awarded by the CFA Institute — the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.