

SYMMETRY  
*Invested In Your Goals*



# 2024 Q4 SYMMETRY MARKETS & FACTORS REPORT

Q4 2024

# Market Commentary

## Quarter in Review

The fourth quarter of 2024 proved volatile, reflecting a shifting geo-political landscape, rising global conflict, and direction changes by central bankers.

October 2024 experienced a strong start for equities and bonds. Still, it was met with downturns by the month's end due to uncertainties around the presidential election and potential Federal Reserve interest rate changes. Tech stocks were particularly impacted, leading to a 2.8% decline for the Nasdaq Composite Index (NASDAQ). However, the Financials sector made strides, increasing by 2.7% due to strong earnings and a steeping yield curve.<sup>1</sup>

In contrast, November 2024 marked a significant positive turn for U.S. stocks, as a quick resolution of the contentious election season helped deliver the highest monthly gain of the year, with the S&P 500 recording a roughly 6% increase. Consumer Discretionary and Financials sectors led the pack with 13% and 10% growth, respectively. Additionally, mid- and small-cap stocks experienced remarkable growth, and the Russell 2000 index attained a new all-time high.<sup>2</sup>

December marked a pullback across global equities and fixed income, as the successive collapse of the French and German governments, the near collapse of the Canadian government, and a currency crisis in Brazil weighed heavily on international markets.

While the Fed announced another 25bps cut to the federal funds rate in December, marking the third consecutive reduction and bringing borrowing costs to the 4.25% to 4.5% range, Federal Reserve Chairman Jerome Powell's remarks afterward cooled expectations for a slew of rate cuts in 2025.<sup>3</sup> The S&P 500 finished the month down -2.38%, led by declines of -10.72% in Materials and -9.47% Energy sectors, respectively.<sup>4</sup>

In 2024, U.S. stocks had a notable performance, with the S&P 500 rising by 25% and achieving 57 record closes, reflecting a healthy economy and a lower inflation rate. Despite minor setbacks in the last trading days, it was one of the best consecutive years for the broad U.S. stock index since 1997 and 1998. The top-performing tech stocks, often referred to as the "Magnificent Seven"—Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla—contributed over 53% of the total return of the S&P 500 index. Particularly noteworthy was Nvidia, a maker of Artificial Intelligence chips, which alone accounted for 21% of the return and saw its market value soar past \$3 trillion. However, stocks from various industries also played a part in the rally, with the financial sector increasing 28%, utilities 20%, and industrials 16%.<sup>5</sup>

Despite the big tech sector's dominance, stocks in other sectors also present attractive valuations, opening up opportunities for these sectors to potentially "catch up" with tech. There is increasing interest in small-capitalization stocks, which have lagged large caps for several years.

Post-election, the small caps experienced a significant spike, with the Russell 2000 marking its first all-time high in years. There is a notable increase in recent trends, which could potentially influence the market in 2025, considering factors such as lower interest rates and improved economic conditions. Further, domestic revenue generation is a key component for about 80% of Russell 2000 firms, which could potentially influence their resilience in the face of any trade war under Donald Trump's presidency.<sup>6</sup>

See disclosures for citations

Past performance does not guarantee future results. All data is from sources believed to be reliable but cannot be guaranteed or warranted.

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# Market Commentary

## Striving for America's Prosperity

The potential impact of Donald Trump's return to the White House in 2025 is a significant factor considered by many investment outlooks published by major banks, advisors, and asset managers. There is a general sense of optimism due to Trump's anticipated pro-business policies, particularly around Corporate America and U.S. assets. However, his unpredictability and hard stance on global trade create some uncertainty.

The coming weeks are crucial in setting the tone for the year, as Trump's early policies, especially on tariffs, will play a significant role. The Fed's meeting just eight days post-inauguration will also inform how Trump's agenda may affect interest rates. Despite potential hurdles, the U.S. economy has shown resilience, with a projected GDP growth of 3.1% for the last quarter.

The base case scenario for 2025 depicts a modest global expansion led by the United States, supported by lower rates and pro-growth policies. As for inflation, it is seen as contained and range-bound in the United States and internationally, despite Trump's potential trade barriers (the biggest risk appears to be a possible escalation in trade wars due to Trump's hardline tariff policies).

The stock outlook points to a broadening rally favoring mid- and small-cap equities, while bonds offer attractive yields as a key income source. Commodities are mixed, with the price of oil continuing to face downward pressure due to a glut of supply and diminishing demand.<sup>7</sup>



Source: Bloomberg



Q4 2024

# Market Commentary

## Final Thoughts – Don't Abandon Broad Diversification

U.S. equities have posted the best back-to-back two years since 1997 and 1998, punctuating a decade of U.S. market dominance. The term "U.S. exceptionalism" has taken hold for many investors. It is the idea that the U.S. equity market's prolonged and pronounced performance is a permanent feature. This concept of exceptionalism isn't unique to U.S. equities; it's the narrative spun around any asset class that has delivered unusually high returns for an extended period. However, examining whether this outperformance is due to inherent structural factors, cyclical phenomena, or a one-off confluence of variables is essential.

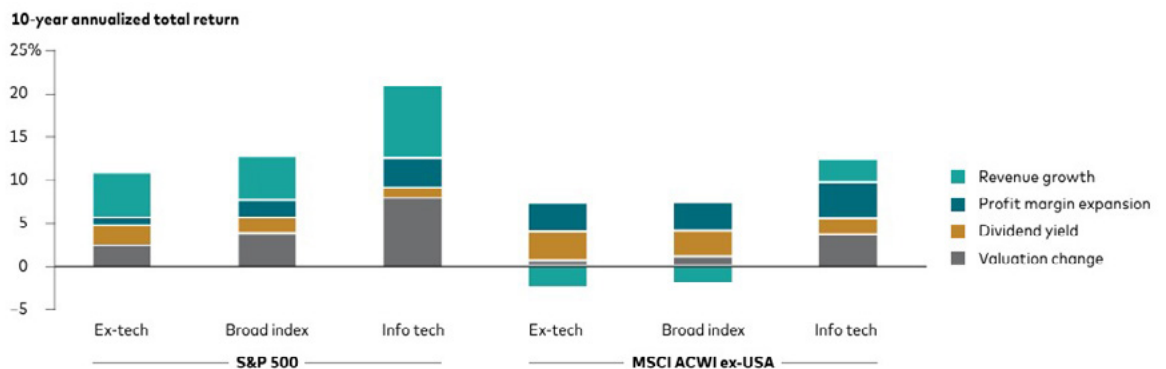
The U.S. market is often perceived as shareholder-friendly, which may contribute to the emergence of successful, large companies. While there may be some truth to this, it's vital to understand that the narrative of exceptionalism typically reflects past performance and is often used to justify continued investment in the asset class.

On the flip side, the belief in U.S. exceptionalism is reflected in the fact that it accounts for over 60% of global equities and that most investors are heavily invested in it. However, projecting this past exceptionalism indefinitely into the future may be overly optimistic. This is especially true when the major contributors to U.S. earnings growth are a handful of gigantic companies. Maintaining the same accelerated growth rate becomes increasingly difficult as these companies grow.

A notable trend in the market is the high concentration of a few large tech companies, which has influenced the companies' rich valuations have come to reflect their contribution to driving market growth. However, sustaining that level of valuation difference from the rest of the market would require them to maintain the robust revenue growth that markets are accustomed to.

That is a tall order. If there is a slip, it could potentially influence other markets, similar to the period following the "tech bubble" when U.S. stocks experienced a decade of losses while Emerging Markets saw significant returns.

While it may be tempting to "go all in" on what has been doing the best recently, history shows us that is precisely when you want to stay disciplined to a broadly diversified allocation.



**Notes:** The chart shows the component drivers behind the 10-year annualized returns for technology stocks versus the broad market and versus the broad market minus tech stocks—first for the U.S. market and then for international markets. The drivers were P/E ratios (valuation change), dividend yield, and earnings per share broken down by profit margin expansion and revenue growth. The following indexes were used: Standard & Poor's 500 Index, S&P 500 Information Technology Sector Index, MSCI ACWI ex USA Total Return USD Index, and MSCI ACWI ex USA Information Technology Total Return USD Index. **Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.**

**Sources:** Vanguard calculations, based on data from Bloomberg, as of September 30, 2024.

Past performance does not guarantee future results. All data is from sources believed to be reliable but cannot be guaranteed or warranted.

# Market Update

Asset Class Snapshot		12/31/24
Asset Class		QTD Return
U.S. Stock		2.79%
International Bond		0.74%
U.S. Bond		-3.06%
Global Stock Ex U.S.		-7.60%
U.S. Real Estate		-7.78%

Region Snapshot		12/31/24
Region		QTD Return
U.S. Stock		2.79%
Asia Pacific Stock		-6.75%
International Developed		-7.36%
Emerging Markets		-8.01%
Europe Stock		-9.74%
Latin America Stock		-15.84%

Equity Style Snapshot				12/31/24
	QTD	Value	Blend	Growth
Large		-2.51%	2.75%	6.98%
Mid		-2.95%	0.45%	4.52%
Small		-0.77%	1.66%	4.82%

Asset Class Summary								12/31/24
Asset Class	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	-2.67%	-2.54%	2.79%	25.08%	25.08%	8.59%	14.56%	
Global Stock Ex U.S.	0.15%	-1.94%	-7.60%	5.53%	5.53%	0.82%	4.10%	
U.S. Bond	0.19%	-1.64%	-3.06%	1.25%	1.25%	-2.41%	-0.33%	
International Bond	0.09%	-0.08%	0.74%	4.97%	4.97%	0.86%	1.01%	
U.S. Real Estate	0.32%	-8.20%	-7.78%	4.86%	4.86%	-4.14%	3.00%	

Region Summary								12/31/24
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
U.S. Stock	-2.67%	-2.54%	2.79%	25.08%	25.08%	8.59%	14.56%	
International Developed	0.53%	-2.66%	-7.36%	5.26%	5.26%	2.46%	5.64%	
Emerging Markets	-0.82%	-0.14%	-8.01%	7.50%	7.50%	-1.92%	1.70%	
Europe Stock	0.39%	-2.44%	-9.74%	1.79%	1.79%	1.20%	4.90%	
Asia Pacific Stock	0.14%	-0.90%	-6.75%	9.56%	9.56%	0.36%	3.58%	
Latin America Stock	-0.98%	-6.11%	-15.84%	-26.38%	-26.38%	2.10%	-3.36%	

Factor Summary								12/31/24
Region	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
MSCI USA	-2.67%	-2.54%	2.79%	25.08%	25.08%	8.59%	14.56%	
MSCI ACWI	-1.76%	-2.33%	-0.89%	18.02%	18.02%	5.94%	10.58%	
MSCI USA Value	-1.25%	-6.96%	-3.05%	14.34%	14.34%	5.40%	8.50%	
MSCI USA Small Cap	-1.43%	-7.75%	0.90%	12.04%	12.04%	3.20%	9.34%	
MSCI USA Quality	-2.45%	-3.15%	-0.62%	24.03%	24.03%	9.34%	15.45%	
MSCI USA Momentum	-2.77%	-3.37%	1.38%	32.33%	32.33%	6.18%	11.86%	
MSCI USA Minimum Volatility	-1.47%	-5.58%	-2.26%	15.99%	15.99%	4.97%	8.16%	
MSCI USA Diversified Multi-Factor	-2.23%	-3.82%	1.43%	22.74%	22.74%	6.86%	11.21%	
MSCI ACWI Diversified Multi-Factor	-1.37%	-4.06%	-1.95%	15.72%	15.72%	3.71%	8.14%	

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# Market Update

Sector Snapshot		12/31/24
Sector	QTD	Return
Consumer Cyclical		12.18%
Comm. Services		7.37%
Financials		7.10%
Technology		3.16%
Energy		-1.62%
Industrials		-2.23%
Consumer Defensive		-4.57%
Utilities		-5.53%
Real Estate		-7.98%
Health Care		-10.28%
Materials		-12.24%

S&P 500 Sector Weights*		1/2/25
Sector	Weight	
Technology	33.74%	
Financials	13.16%	
Consumer Cyclical	11.30%	
Health Care	10.13%	
Comm. Services	9.45%	
Industrials	7.23%	
Consumer Defensive	5.51%	
Energy	3.20%	
Utilities	2.54%	
Real Estate	2.08%	
Materials	1.66%	

Sector Summary								12/31/24
Sector	1 Week	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	
<b>Cyclical</b>								
Consumer Cyclical	-2.10%	1.11%	12.18%	26.51%	26.51%	4.03%	13.30%	
Financials	-0.19%	-5.46%	7.10%	30.55%	30.55%	9.35%	11.63%	
Materials	-1.09%	-10.76%	-12.24%	0.14%	0.14%	-0.42%	8.69%	
Real Estate	0.32%	-8.66%	-7.98%	5.07%	5.07%	-4.51%	4.48%	
<b>Sensitive</b>								
Comm. Services	-1.46%	-1.36%	7.37%	34.70%	34.70%	8.69%	13.57%	
Energy	2.06%	-9.58%	-1.62%	5.52%	5.52%	19.84%	12.23%	
Industrials	-1.02%	-8.03%	-2.23%	17.31%	17.31%	9.37%	11.94%	
Technology	-2.33%	-0.36%	3.16%	21.63%	21.63%	11.10%	21.56%	
<b>Defensive</b>								
Consumer Defensive	-0.39%	-4.82%	-4.57%	12.19%	12.19%	3.33%	7.33%	
Health Care	-0.85%	-6.26%	-10.28%	2.47%	2.47%	0.79%	7.90%	
Utilities	-0.49%	-7.98%	-5.53%	23.28%	23.28%	5.09%	6.56%	

Market Indicators							
Name	As of	Last Quarter	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.
<b>Key Interest Rates</b>							
1 Month Treasury	12/31/24	4.40%	4.76%	▼ -7.6%	5.60%	▼ -21.4%	Daily
2 Year Treasury	12/31/24	4.25%	4.13%	▲ 2.9%	4.23%	▲ 0.5%	Daily
10 Year Treasury	12/31/24	4.58%	4.18%	▲ 9.6%	3.88%	▲ 18.0%	Daily
30 Year Mortgage	12/26/24	6.85%	6.84%	▲ 0.1%	6.67%	▲ 2.7%	Weekly
US Corporate AAA	12/31/24	4.92%	4.64%	▲ 6.0%	4.52%	▲ 8.8%	Daily
US Corporate BBB	12/31/24	5.55%	5.27%	▲ 5.3%	5.36%	▲ 3.5%	Daily
US Corporate CCC	12/31/24	11.78%	11.46%	▲ 2.8%	13.05%	▼ -9.7%	Daily
Effective Federal Funds	12/31/24	4.33%	4.58%	▼ -5.5%	5.33%	▼ -18.8%	Daily
<b>U.S. Economy</b>							
Consumer Sentiment	12/31/24	74.00	71.80	▲ 3.1%	69.70	▲ 6.2%	Monthly
Unemployment Rate	11/30/24	4.20%	4.10%	▲ 2.4%	3.70%	▲ 13.5%	Monthly
Inflation Rate	11/30/24	2.75%	2.44%	▲ 12.7%	3.14%	▼ -12.4%	Monthly
Manufacturing PMI	12/31/24	49.30	48.40	▲ 1.9%	47.10	▲ 4.7%	Monthly
Non Manufacturing PMI	11/30/24	52.10	54.90	▼ -5.1%	52.70	▼ -1.1%	Monthly
Retail Sales	11/30/24	627,915	620,104	▲ 1.3%	603,231	▲ 4.1%	Monthly
Building Permits	11/30/24	1,505	1,425	▲ 5.6%	1,508	▼ -0.2%	Monthly

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# Market Update

## Asset Class Indices

Name	Index	Index Start Date
U.S. Stock	MSCI USA	#VALUE!
Global Stock Ex U.S.	MSCI ACWI Ex USA Net Total Return	#VALUE!
U.S. Bond	Bloomberg US Aggregate	#VALUE!
International Bond	Bloomberg Global Aggregate ex-USD USD Hedged	#VALUE!
U.S. Real Estate	Dow Jones US Real Estate Index Total Return	#VALUE!

## Region Indices

Name	Index	Index Start Date
U.S. Stock	MSCI USA	#VALUE!
International Developed	MSCI World Ex USA	#VALUE!
Emerging Markets	MSCI Emerging Markets Net Total Return	#VALUE!
Europe Stock	MSCI Europe Net Total Return	#VALUE!
Asia Pacific Stock	MSCI AC Asia Pacific Net Total Return	#VALUE!
Latin America Stock	MSCI Emerging Markets Latin America Net Total Return	#VALUE!

## Equity Style Indices

Name	Index	Index Start Date
MSCI USA	MSCI USA	#VALUE!
MSCI ACWI	MSCI ACWI	#VALUE!
MSCI USA Value	MSCI USA Value	#VALUE!
MSCI USA Small Cap	MSCI USA Small Cap	#VALUE!
MSCI USA Quality	MSCI USA Quality	#VALUE!
MSCI USA Momentum	MSCI USA Momentum	#VALUE!
MSCI USA Minimum Volatility	MSCI USA Minimum Volatility	#VALUE!
MSCI USA Diversified Multi-Factor	MSCI USA Diversified Multi-Factor	#VALUE!
MSCI ACWI Diversified Multi-Factor	MSCI ACWI Diversified Multi-Factor	#VALUE!

## Sector Indices

Name	Index	Index Start Date
Consumer Cyclical	Consumer Discretionary Select Sector SPDR Fund	12/16/98
Financials	Financial Select Sector SPDR Fund	12/16/98
Materials	Materials Select Sector SPDR Fund	12/16/98
Real Estate	Real Estate Select Sector SPDR Fund	10/7/15
Comm. Services	Communication Services Select Sector SPDR Fund	6/18/18
Energy	Energy Select Sector SPDR Fund	12/16/98
Industrials	Industrial Select Sector SPDR Fund	12/16/98
Technology	Technology Select Sector SPDR Fund	12/16/98
Consumer Defensive	Consumer Staples Select Sector SPDR Fund	12/16/98
Health Care	Health Care Select Sector SPDR Fund	12/16/98
Utilities	Utilities Select Sector SPDR Fund	12/16/98

\* SPY's sector exposure data is used as a proxy for the 'S&P 500 Sector Weights' module. This data may not be updated as of the selected time period in cell F1, as YCharts does not provide historical sector exposure data for ETFs or Mutual Funds.

\*\* Economic data may not be updated as of the selected time period in cell F1. Please see the 'As of' column in the 'Market Indicators' module to determine each indicator's as of date. '1 Month Ago' and '1 Year Ago' columns will populate with data 1 month and 1 year prior to the 'As of' column, respectively.



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The S&P 500 Index represents the 500 leading U.S. companies, approximately 80% of the total U.S. market capitalization. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq Composite Index (NASDAQ). The NASDAQ measures all NASDAQ domestic and international based common type stocks listed on The Nasdaq Stock Market and includes over 2,500 companies. The MSCI World Ex USA GR USD Index captures large- and mid-cap representation across 22 of 23 developed markets countries, excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets (as defined by the MSCI). The index consists of the 25 emerging market country indexes. The Bloomberg Barclays US Aggregate Bond Index measures the performance of the U.S. investment grade bond market. The index invests in a wide spectrum of public, investment-grade, taxable, fixed-income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year. The Bloomberg Barclays Global Aggregate (USD Hedged) Index is a flagship measure of global investment grade debt from 24 local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging market issuers. The Index is USD hedged.

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