Q4

Economic & Market Review

Fourth Quarter 2024

Gould Asset Management®

Economic Review

Fourth Quarter 2024

Gould Asset Management

US Economy Climbs on Strong Spending and Pickup in Manufacturing

The US economy grew at a healthy 3.1% annualized rate in the fourth quarter, helped by buoyant consumption and robust exports.

Consumer spending, which accounts for more than two-thirds of the US economy, remained solid through the fall months. Spending rose 0.4% in November, driven by strong growth in auto sales and recreational goods and services.

The manufacturing sector provided another bright spot, with activity reaching its highest level in nine months during December. Both production and new orders expanded, though rising input costs added to concerns of stubborn inflation.

Unemployment ticked down to 4.1% as the job market proved stronger than expected in December. Employers added 256,000 jobs last month, the most since March.

Housing ended the year on a positive note, with November sales posting significant gains thanks to increased supply and a temporary dip in mortgage rates. However, affordability challenges persist—home prices remain elevated and mortgage rates recently climbed to six-month highs, which could slow activity in early 2025.

Fed Cuts Rates Twice More but Signals Fewer Moves in 2025

The Federal Reserve cut its target fed funds rate by 0.25% twice during the fourth quarter of 2024, dropping the central bank's policy rate to 4.25% to 4.50% at year-end. The moves bring the cumulative easing to 1.0% since the first cut in September. Fed Chair Jerome Powell noted that while the Fed expects to cut further, officials need to see continued progress toward their 2.0% inflation target.

Chair Powell indicated that the pace of easing would slow going forward, a viewpoint supported by changes to the central bank's 2025 rate forecast. Fed officials lowered the number of expected 0.25% cuts from four to two, surprising financial markets that had anticipated three cuts.

The notable change in the Fed's rate outlook coincided with a projection that inflation remains sticky in 2025, declining from 2.9% currently to only 2.5%, above their previous forecast of 2.2%. The Fed also made positive revisions to its US economic outlook, forecasting GDP growth above 2.0% and unemployment at 4.3%.

ECB Cuts Rates Further While BOJ Pauses Rate Hikes

The eurozone economy expanded 0.4% in the fourth quarter, its strongest reading in two years. Fixed investment bounced back, rising 2.0% after two negative quarters, while household spending gained 0.7% following several sluggish periods. Ireland registered the best GDP growth in the bloc at +3.5%, whereas Germany continues to underperform at +0.1%.

The European Central Bank (ECB) cut its benchmark rate by 0.25% to 3.0% in December. Since June, the ECB has lowered rates by a total of 1.0%, matching the Fed's easing. Their paths could diverge in 2025, however, as ECB President Christine Lagarde signaled further cuts due to global trade tensions and political turmoil in France and Germany. The ECB reduced its 2025 growth outlook to +1.1%.

Japan's economy expanded at an annual rate of 1.2% in the fourth quarter. Although growth slowed somewhat from the prior period, private consumer spending remained solid, helped by tax cuts that took effect in June.

After hiking twice in early 2024, the Bank of Japan (BOJ) held its policy rate steady at 0.25% in the fourth quarter. Inflation has remained above the BOJ's 2% target for an extended period, but BOJ Governor Kazuo Ueda indicated a desire for more clarity on President-elect Trump's policies and Japan's spring wage negotiations before raising rates again.

China and India Slow, Brazil Grapples with Fiscal Turmoil

China's GDP growth slowed to 4.6% year-over-year in the fourth quarter, its slowest pace since early 2023. Despite improving retail sales and exports, the country's real estate sector remains mired in a protracted downturn, and the prospect of renewed trade tensions with the US adds another layer of uncertainty for the world's second-largest economy.

India's economy slowed unexpectedly to 5.4% year-over-year in the fourth quarter, down from 6.7% the prior quarter. Weak consumer spending and a pullback in government expenditure weighed on growth in what has been the world's fastest-growing major economy.

Brazil's mounting federal deficit sparked a financial crisis in late 2024 despite solid economic growth of 4.0% year-over-year in the fourth quarter. A sharp decline in the Brazilian real, the nation's currency, prompted the central bank to hike interest rates multiple times in an attempt to halt the damage. The combination of rising rates and fiscal uncertainty could cause significant headwinds for Latin America's largest economy heading into 2025.

Market Review: Stocks

Fourth Quarter 2024

US Stocks Outperform International by Wide Margin in Q4 and 2024

Global stock market performance was mixed in the fourth quarter of 2024, capping off a strong year for many markets. **US equities advanced,** albeit at a much slower pace than in the first three quarters. **Eurozone and Asia markets** declined amid concerns over potential new US trade tariffs and political instability in countries like France and Germany.

US large-cap stocks, represented by the S&P 500 index, rose 2.4% in Q4 2024, capping a robust 25.0% gain for the year. After the election, stocks first climbed on expectations of lower taxes and easier regulations, but then gave back gains as those same policy expectations contributed to a jump in long-term interest rates.

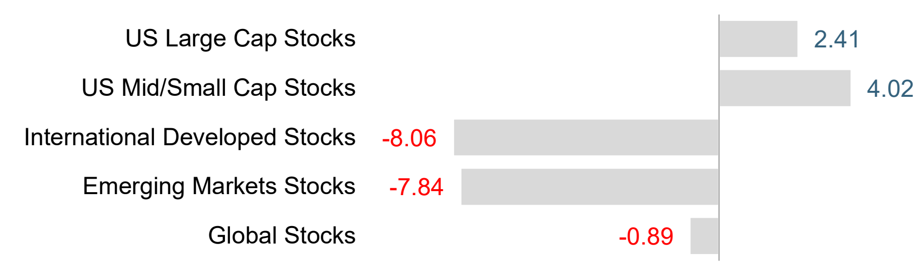
Consumer Discretionary (up 12.1%) **led all US sectors in Q4**, finishing the year with a sparkling 26.6% gain on the back of solid consumer spending. **Communication Services** (up 8.9%) **and Technology** (up 3.1%) also performed well, and **were among the best performing sectors on the year**, rising 40.2% and 21.7% respectively. AI was a consistent theme in 2024, driving investor interest and market returns.

US mid and small cap stocks modestly outperformed large caps in Q4, with the Wilshire 4500 stock index rising 4.0% on the period. For the year, US mid and small cap stocks posted strong gains (up 16.9%), but couldn't keep pace with large caps and the "Magnificent 7" stocks that accounted for more than half of the gains on the S&P 500.

The MSCI EAFE Index fell in Q4 (down 8.1%), **finishing 2024 with a modest gain** (up 4.4%), impacted by slowdowns in Germany and China, a strong US dollar, and geopolitical uncertainties like potential US trade tariffs. Similarly, **the MSCI Emerging Markets Index declined for the quarter** (down 7.8%) **but rose for the year** (up 8.1%), **hindered by currency weakness**.

Market volatility increased in Q4, due to election uncertainties and policy concerns. The VIX index, a key barometer of market volatility, rose from 16.7 at the start of the quarter to 23.0 around the election, before dropping to 12.7 during a market rally. It later spiked above 28 due to rising bond yields and settled at 17.3 to close 2024.

Returns for the Quarter (%)



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*
US Large Cap Stocks	25.02	8.94	14.53
US Mid/Small Cap Stocks	16.93	3.59	11.23
International Developed Stocks	4.35	2.17	5.24
Emerging Markets Stocks	8.05	-1.48	2.10
Global Stocks	18.02	5.94	10.58

Past performance is not a guarantee of future results. Returns for periods longer than one year are annualized. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Large Cap (S&P 500 Index), US Mid/Small Cap (Wilshire 4500 Completion Index), International Developed (MSCI Europe Australasia Far East Index), Emerging Markets (MSCI Emerging Markets Index), and Global Stocks (MSCI All Country World Index). Growth of $1,000 chart market segmentations as follows: US Stocks (Wilshire 5000 Full Cap Index) and Foreign Stocks (All Country World Index ex US).

Market Review: Bonds

Fourth Quarter 2024

Bonds Slump in Q4, Leaving 2024 Returns Mixed

Despite two additional 0.25% rate cuts by the US Federal Reserve, rising US treasury bond yields challenged fixed income markets in Q4. Persistent economic growth, fiscal deficit concerns, and signals that the Federal Reserve may slow further cuts in 2025 all weighed on bond prices, which move inversely to yields. As measured by the Bloomberg US Aggregate Bond Index, US bonds declined 3.1% in the final quarter, resulting in a full-year 2024 return of 1.3%.

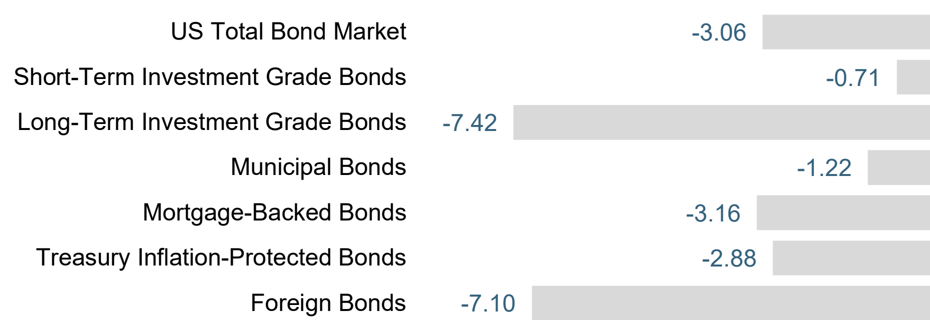
Yields jumped across nearly the entire US Treasury curve during the fourth quarter, with the 2-year rate rising to 4.25% from 3.66% and the 10-year yield climbing to 4.58% from 3.81%. Since the Federal Reserve's initial 0.50% rate cut in September, **US economic data generally surprised to the upside, causing both Fed officials and bond investors to dial back expectations** for additional rate cuts in 2025.

High yield bonds outperformed other fixed income sectors in Q4, returning 0.2% as corporate credit spreads (the additional yield above Treasury rates) narrowed. **High yield and investment grade spreads are at the tightest levels in many years, reflecting strong US corporate fundamentals**. For the year, returns varied across sectors, with high yield bonds posting strong returns (+8.2%) while long-term investment grade bonds (-4.2%) were hit by higher long-term Treasury rates.

Municipal bonds posted modest declines (down 1.2%) in the fourth quarter, **leading to small full-year gains** (up 1.1%). Although this is below the 1.3% return for the Bloomberg Aggregate, on an after-tax basis, munis held their own compared to taxable bonds.

The year ahead could see more volatility in the US bond market. Further Fed rate cuts are in doubt after a string of robust economic data. A large budget deficit will test market demand for Treasury debt. And corporate bonds' narrow credit spreads leave little room for error, should there be a downturn in corporate earnings.

Returns for the Quarter (%)



Period Returns (%)

Annualized

Asset Class	1 Year	3 Years*	5 Years*
US Total Bond Market	1.25	-2.41	-0.33
Short-Term Investment Grade Bonds	3.76	0.94	1.29
Long-Term Investment Grade Bonds	-4.15	-9.20	-3.26
Municipal Bonds	1.05	-0.55	0.99
Mortgage-Backed Bonds	1.20	-2.13	-0.74
Treasury Inflation-Protected Bonds	1.84	-2.30	1.87
Foreign Bonds	-5.32	-7.91	-4.81

Past performance is not a guarantee of future results. Returns for periods longer than one year are annualized. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Total Bond Market (Bloomberg US Aggregate Index), Short-Term Investment Grade (Bloomberg US Govt/Credit 1-5 Year Index), Long-Term Investment Grade (Bloomberg US Govt/Credit Long Index), Municipal (Bloomberg Municipal Index), Mortgage Backed (Bloomberg US MBS Index), Treasury Inflated-Protected (Bloomberg US TIPS Index), and Foreign (FTSE World Govt Bond Non USD Index).

Market Review: Alternatives

Fourth Quarter 2024

Gold Caps Strong Year Despite Uninspiring Quarter for Alternatives

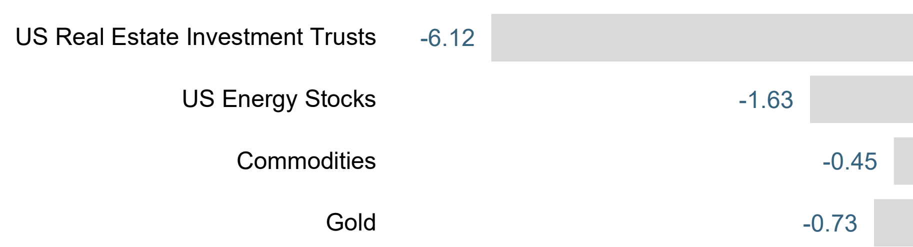
Performance was relatively lackluster for alternative asset classes in Q4. All sectors declined modestly, impacted by a strong US dollar and global economic uncertainty. For the year-to-date, however, alternative asset class performance was positive, with gold providing the biggest return and diversification boost to portfolios.

REITs declined in Q4 (down 6.1%), **though they achieved an overall gain for the year** (up 8.8%). **The quarterly downturn can be attributed to rising long-term interest rates**, which increased borrowing costs and pressured property valuations. Despite this, the annual performance was bolstered by a strong recovery in sectors like data centers and industrial properties, a sign of improving conditions for REITs.

Gold experienced a modest decline in Q4 (down 0.7%) **but surged** (up 26.6%) **in 2024**, marking its best performance in 14 years. The slight dip in the fourth quarter was due to a strengthening US dollar and expectations of fewer interest rate cuts in 2024. **Gold benefited in 2024 from increased central bank purchases, particularly by countries like China and India**, seeking to diversify reserves away from the US dollar amid geopolitical uncertainties.

US energy stocks declined by 1.6% in **Q4**, **ending with a modest annual gain** of 5.7%. The quarterly downturn was primarily driven by concerns about the potential for global economic slowing and its impact on oil demand. Crude oil prices were stable throughout the quarter, trading in the low-to-mid $70 range. **Commodities followed a similar trend**, dipping 0.5% in Q4 but ending the year with a 5.4% gain.

Returns for the Quarter (%)



Period Returns (%)

** Annualized*

Asset Class	1 Year	3 Years*	5 Years*
US Real Estate Investment Trusts	8.75	-2.26	4.31
US Energy Stocks	5.65	20.01	12.23
Commodities	5.38	4.05	6.77
Gold	26.59	12.78	11.89

Past performance is not a guarantee of future results. Returns for periods longer than one year are annualized. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Real Estate Investment Trusts (MSCI US REIT Index), US Energy Stocks (S&P 500 Energy), Commodities (Bloomberg Commodity Index), and Gold (London Bullion Market Association Gold P.M. Price). Gold spot price data obtained from Federal Reserve Economic Data.

Market Summary

Index Returns

GOULD ASSET MANAGEMENT®

Q4 2024	US Large Cap	US Mid/Small Cap	International Developed	Emerging Markets	US Bond Market	US Dollar
	STOCKS				BONDS/DOLLAR	
	2.41%	4.02%	-8.06%	-7.84%	-3.06%	6.55%

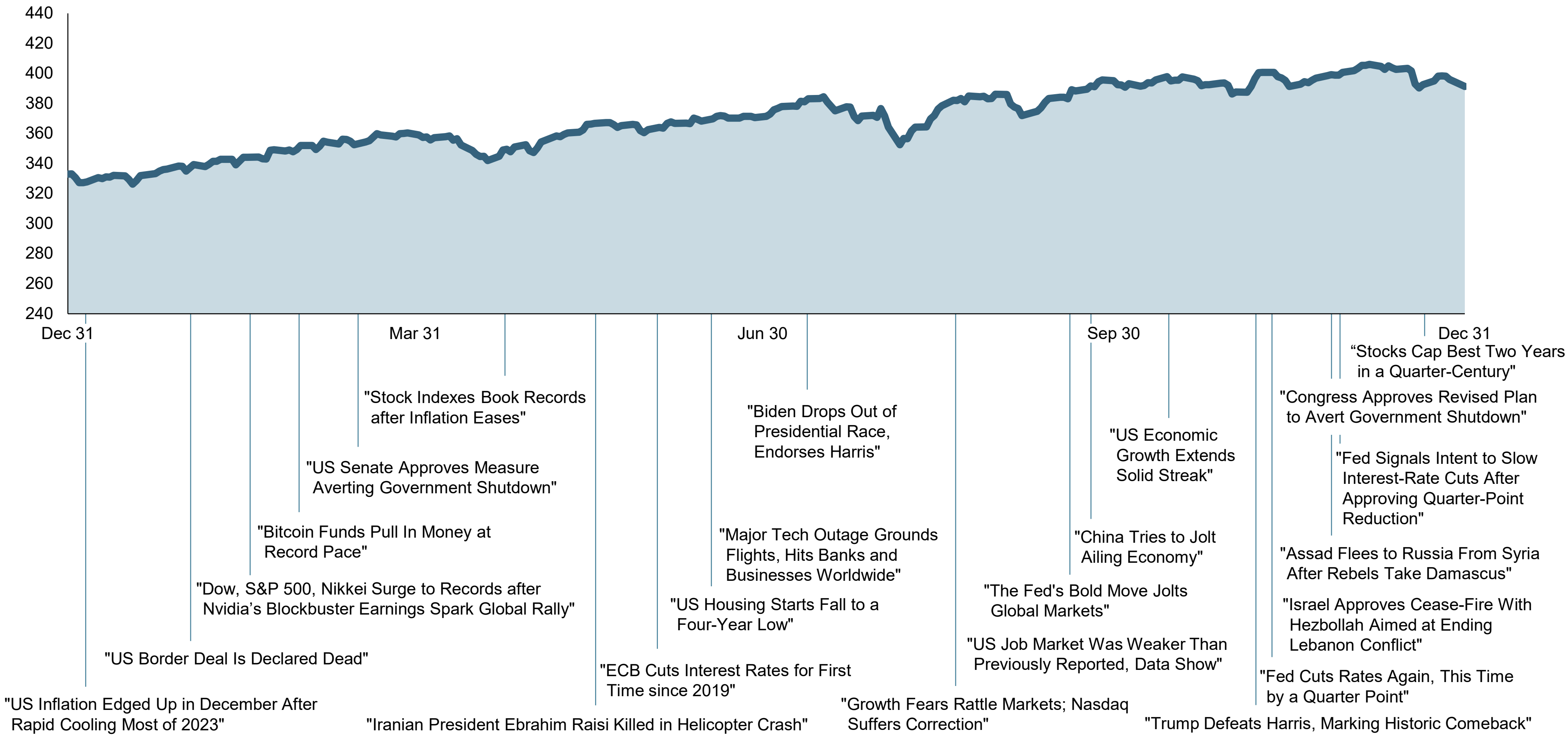
Since Jan. 2001	US Large Cap	US Mid/Small Cap	International Developed	Emerging Markets	US Bond Market	US Dollar
Avg. Quarterly Return	2.4%	2.9%	1.6%	2.4%	0.9%	0.4%
Best Quarter	20.5% **Q2 2020**	30.3% **Q2 2020**	25.8% **Q2 2009**	34.8% **Q2 2009**	6.8% **Q4 2023**	7.1% **Q1 2020**
Worst Quarter	-21.9% **Q4 2008**	-27.9% **Q1 2020**	-22.7% **Q1 2020**	-27.6% **Q4 2008**	-5.9% **Q1 2022**	-5.8% **Q2 2009**

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.
Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net div.]), Emerging Markets (MSCI Emerging Markets Index [net div.]), Global Real Estate (S&P Global REIT Index [net div.]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2025, all rights reserved. Bloomberg data provided by Bloomberg.

World Stock Market Performance

MSCI All Country World Index with selected headlines from the past 12 months

Gould Asset Management

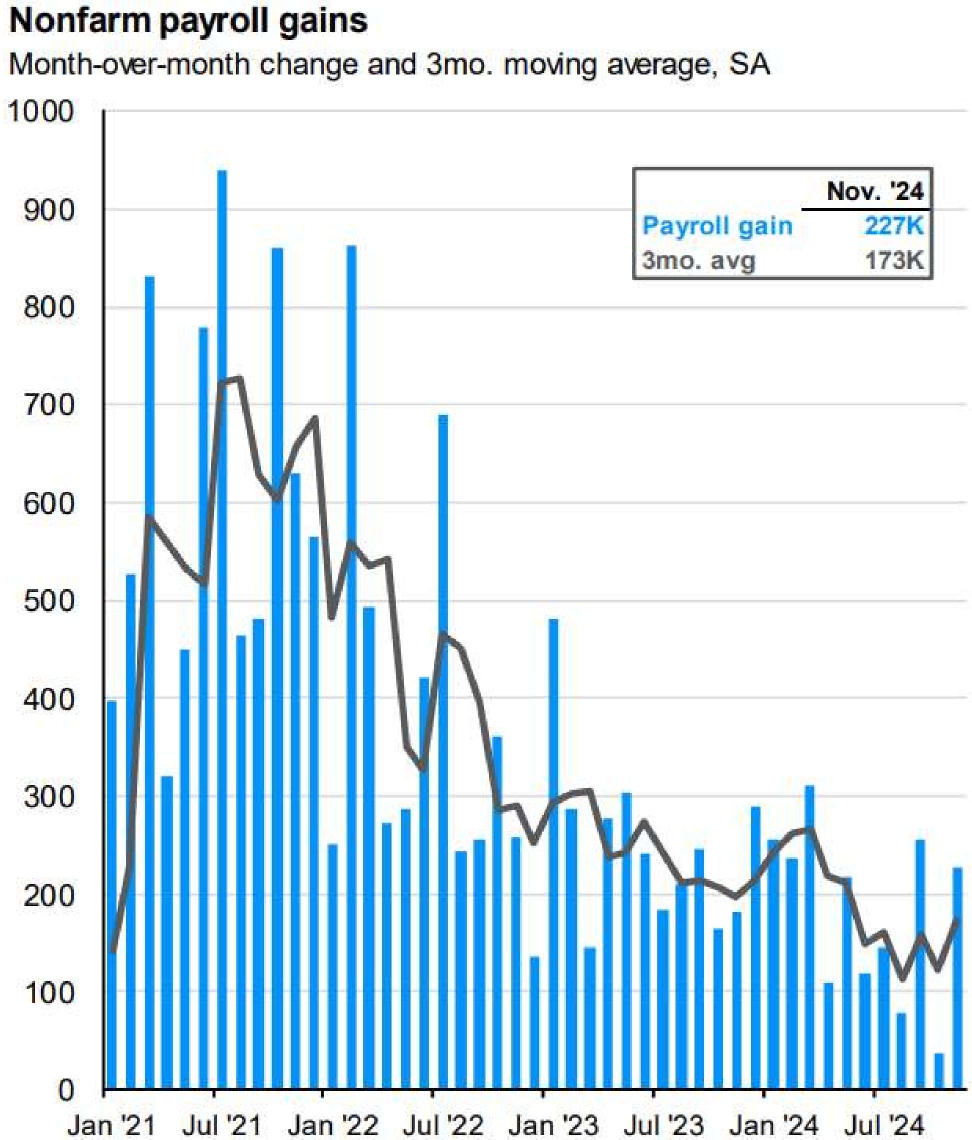


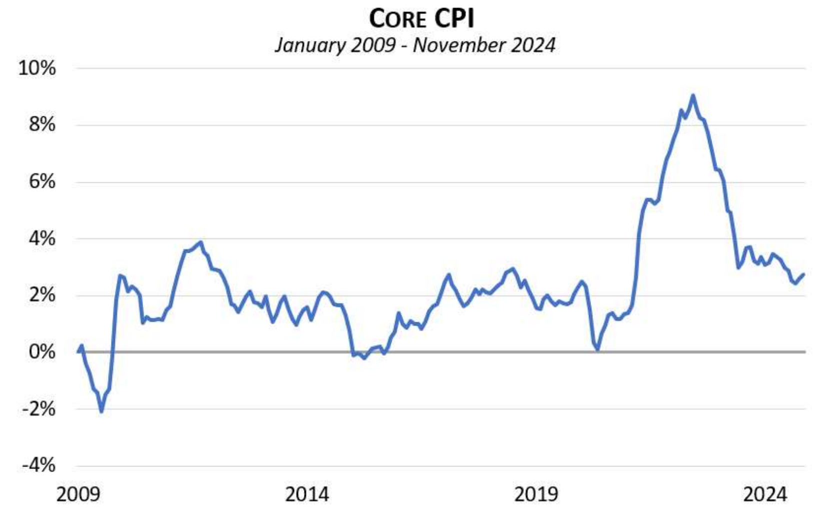
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2025, all rights reserved. Index level based at 100 starting January 2000.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. **Past performance is not a guarantee of future results.**

The Fed's Competing Interests

Fourth Quarter 2024





In deciding the course of short-term interest rates, the Federal Reserve finds itself caught between two opposing forces.

Slowing job growth contributed to the Fed embarking on a series of rate cuts in 2024. The left chart illustrates this. Monthly additions to nonfarm payrolls (about 80% of US workers) have dropped steadily over the past three years.

In the chart above, we see that while inflation has dropped markedly from its pandemic-induced 2022 peak, it remains stubbornly above the Fed's historical 2% target.

Meeting its twin objectives of economic growth and price stability means a tricky balancing act for the Fed in 2025.

Source: BLS, CBO, FactSet, J.P. Morgan Asset Management. *Guide to the Markets – US* Data are as of December 31, 2024 (Left). Federal Reserve Economic Data (Right).

Global Equity Markets

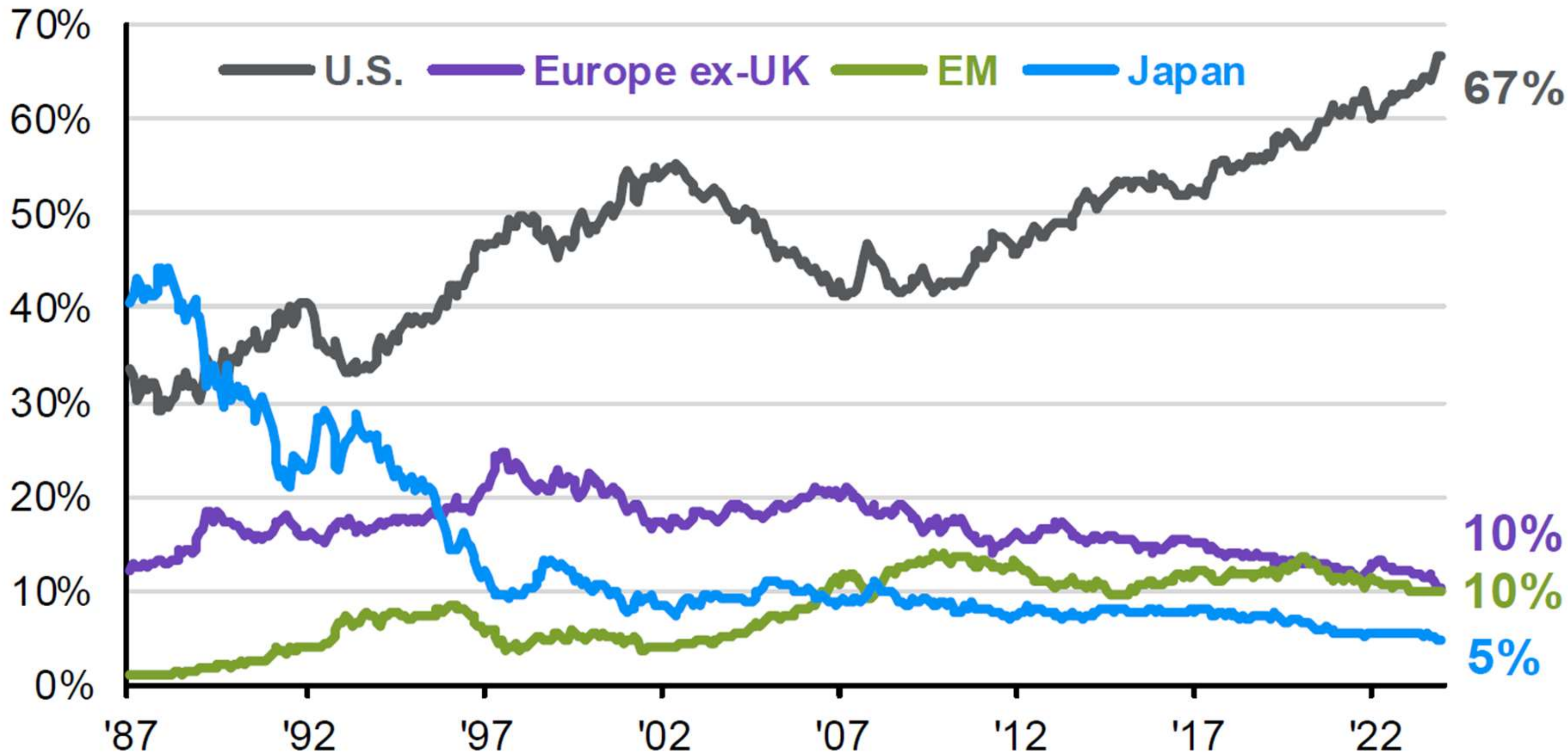
Fourth Quarter 2024

Gould Asset Management

The chart below shows the change in the relative sizes of leading equity markets around the world since 1987. How fortunes can change! Japan's share has almost disappeared, shrinking from 40% to 5%, while the US share has more than doubled, surging from about 30% to 67% and highlighting a sustained period of US stock market outperformance since the financial crisis of 2007-09 that has been fueled by a handful of massive US-based technology-oriented companies. Many of us still recall Japan's seemingly permanent rise to preeminence in the 1980s, a cautionary lesson in the pitfalls of extrapolation and overconfidence.

Share of global market capitalization

% weight in the MSCI All Country World Index, USD, monthly



Source: FactSet, MSCI, Standard & Poor's, J.P Morgan Asset Management. *Guide to the Markets – U.S.* Data are as of December 31, 2024.

Periodic Table of Returns

Fourth Quarter 2024

GOULD ASSET MANAGEMENT®

The Periodic Table of Returns shows annual returns over the last 20 years for various asset classes, ranked best to worst (top to bottom). Notice how different asset classes take turns in the spotlight. The balanced portfolio (in white) represents a diversified portfolio, which gives the long-term investor steadier relative performance. Never at the extremes, instead it sits reliably in the middle over time.

Annual Total Returns % of Selected Indices (2005-2024) In Order of Performance

Performance	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Best	EMERG MKTS 34.54%	REIT 35.92%	EMERG MKTS 39.82%	US BONDS 5.24%	EMERG MKTS 79.02%	REIT 28.48%	GOLD 8.93%	EMERG MKTS 18.63%	US MD/SM CAP 38.39%	US LG CAP 13.69%	REIT 2.52%	US MD/SM CAP 18.54%	EMERG MKTS 37.75%	US BONDS 0.01%	US LG CAP 31.49%	US MD/SM CAP 31.99%	REIT 43.06%	GOLD -0.43%	US LG CAP 26.69%	GOLD 26.59%
	GOLD 17.77%	EMERG MKTS 32.55%	GOLD 31.92%	INTL BONDS 4.40%	US MD/SM CAP 36.99%	US MD/SM CAP 28.43%	REIT 8.69%	US MD/SM CAP 17.99%	US LG CAP 32.39%	REIT 30.38%	US LG CAP 1.38%	US LG CAP 11.96%	INTL STKS 25.62%	GOLD -1.15%	US MD/SM CAP 28.06%	GOLD 24.17%	US LG CAP 28.71%	US BONDS -13.01%	US MD/SM CAP 24.87%	US LG CAP 25.02%
	INTL STKS 14.02%	INTL STKS 28.86%	INTL STKS 11.63%	GOLD 4.32%	INTL STKS 32.46%	GOLD 29.24%	US BONDS 7.84%	INTL STKS 17.90%	INTL STKS 23.29%	US MD/SM CAP 7.97%	US BONDS 0.55%	EMERG MKTS 11.60%	US LG CAP 21.83%	INTL BONDS -2.15%	REIT 25.84%	EMERG MKTS 18.69%	US MD/SM CAP 16.03%	INTL STKS -14.01%	INTL STKS 18.85%	US MD/SM CAP 16.93%
	REIT 12.13%	GOLD 23.20%	INTL BONDS 11.03%	BALANCED -23.07%	REIT 28.61%	EMERG MKTS 19.20%	INTL BONDS 4.36%	REIT 17.77%	BALANCED 15.52%	BALANCED 6.83%	INTL STKS -0.39%	GOLD 9.35%	US MD/SM CAP 17.84%	US LG CAP -4.38%	INTL STKS 22.66%	US LG CAP 18.40%	BALANCED 12.42%	BALANCED -16.50%	BALANCED 16.62%	BALANCED 11.75%
	US MD/SM CAP 10.03%	US LG CAP 15.80%	BALANCED 9.86%	US LG CAP -37.00%	US LG CAP 26.46%	US LG CAP 15.06%	US LG CAP 2.11%	US LG CAP 16.00%	REIT 2.47%	US BONDS 5.97%	BALANCED -1.10%	REIT 8.60%	BALANCED 16.30%	REIT -4.57%	BALANCED 20.73%	BALANCED 14.15%	INTL STKS 11.78%	US LG CAP -18.11%	GOLD 13.80%	REIT 8.75%
	BALANCED 6.95%	US MD/SM CAP 15.28%	US BONDS 6.97%	REIT -37.97%	GOLD 25.04%	BALANCED 13.14%	BALANCED 0.85%	BALANCED 12.26%	US BONDS -2.02%	GOLD 0.12%	US MD/SM CAP -2.65%	BALANCED 7.69%	GOLD 11.85%	BALANCED -5.02%	EMERG MKTS 18.90%	INTL BONDS 10.11%	US BONDS -1.54%	INTL BONDS -18.70%	REIT 13.74%	EMERG MKTS 8.05%
	US LG CAP 4.91%	BALANCED 15.00%	US LG CAP 5.49%	US MD/SM CAP -39.03%	BALANCED 23.88%	INTL STKS 8.21%	US MD/SM CAP -4.10%	GOLD 8.26%	EMERG MKTS -2.27%	EMERG MKTS -1.82%	INTL BONDS -6.02%	US BONDS 2.65%	INTL BONDS 10.51%	US MD/SM CAP -9.53%	GOLD 18.83%	INTL STKS 8.28%	EMERG MKTS -2.22%	EMERG MKTS -19.74%	EMERG MKTS 10.27%	INTL STKS 4.35%
	US BONDS 2.43%	INTL BONDS 8.16%	US MD/SM CAP 5.39%	INTL STKS -43.06%	INTL BONDS 7.53%	US BONDS 6.54%	INTL STKS -11.73%	US BONDS 4.21%	INTL BONDS -3.08%	INTL BONDS -3.08%	GOLD -12.11%	INTL STKS 1.51%	REIT 5.07%	INTL STKS -13.36%	US BONDS 8.72%	US BONDS 7.51%	GOLD -3.75%	US MD/SM CAP -23.86%	INTL BONDS 5.72%	US BONDS 1.25%
Worst	INTL BONDS -8.65%	US BONDS 4.33%	REIT -16.82%	EMERG MKTS -53.18%	US BONDS 5.93%	INTL BONDS 4.95%	EMERG MKTS -18.17%	INTL BONDS 4.09%	GOLD -27.33%	INTL STKS -4.48%	EMERG MKTS -14.60%	INTL BONDS 1.49%	US BONDS 3.54%	EMERG MKTS -14.25%	INTL BONDS 5.09%	REIT -7.57%	INTL BONDS -7.05%	REIT -24.51%	US BONDS 5.53%	INTL BONDS -4.22%

- S&P 500 TR USD Index (US LG CAP)
- Wilshire 4500 Completion TR Index (US MD/SM CAP)
- Barclays US Aggregate Bond TR Index (US BONDS)
- Barclays Global Aggregate Ex USD TR Bond Index (INTL BONDS)
- Balanced Portfolio Index (BALANCED)
- MSCI EAFE GR USD Index (INTL STKS)
- MSCI Emerging Markets GR USD Index (EMERG MKTS)
- LBMA Closing PM Gold Price (GOLD)
- MSCI REIT GR USD Index (REIT)