



January 8, 2025

Dear Valued Investor,

Stocks had another very strong year in 2024. In fact, 2024 marked the first time the S&P 500 has enjoyed a +20% gain in back-to-back years since 1997–98. Last year didn't start out so optimistically though. The list of worries among stock-market bears included high valuations, narrow leadership by the largest technology stocks, rising long-term interest rates, election uncertainty, deficit spending, and more. Stocks rallied through all of that without so much as one 10% correction.

The stock market's surprising ascent in 2024 offers some important lessons for investors:

- The herd is often wrong. Wall Street underestimated the S&P 500's price at year-end by about 15%. Remember, positive years for stocks are about three times more likely than declines.
- The trend is your friend. Employing technical analysis can help investors avoid mistakes. In an upward-trending market, don't take a detour because of some bearish narrative the market may not care about.
- Bull markets typically run for a while. They last more than five years on average and rarely end when the U.S. economy is growing, especially when the Federal Reserve (Fed) is cutting interest rates. The current bull market is about 27 months old.
- Earnings drive stock prices. The fundamental value of stocks comes from a company's earnings. S&P 500 companies will likely grow earnings 10% in aggregate in 2024 and may do so again in 2025.
- Focus on the long term. Don't get scared out of the market by the headlines if you're a long-term investor. "Time in the market" beats "timing the market." Waiting it out through down periods is the best approach for nearly all investors. Since 1980, the annualized return for the S&P 500 is 12.1%.

The U.S. economy also offered investors another lesson — that betting against the U.S. consumer is often a losing bet — especially an employed U.S. consumer. Mortgage refinances during the pandemic and the wealth created by higher stock prices added fuel for more spending, particularly from upper-income consumers.

These are good lessons to tuck away as 2025 gets underway. The coming year may not bring quite as much joy to your portfolio as 2024, given how much good news is being priced into the stock market currently. Inflation pressures may re-emerge, and geopolitical threats could upend rallies. But, with steady economic growth, a healthy job market, growing corporate profits, and continued investment in artificial intelligence, the ingredients for another profitable year are in place.

As always, please reach out to me with questions.

Warmest Regards,

Rick Fisher, CFP®

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All data is provided as of January 7, 2025.

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All index data from FactSet.

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