

December 2024 Recap

Joe Nitting, Director of Research, Retirement & Investment Solutions

PRELUDE

Santa Claus is a figure that Christian culture has associated with the month of December since the third century. Early representations of the gift-giver from church history and folklore, including St. Nicholas, ultimately merged with the English character Father Christmas to form the legend now known as Santa Claus. However, his depiction as a jolly bearded fellow donning a red and white suit is comparatively young, tracing back to 1862 with Civil War cartoonist Thomas Nast. While many people associate Santa Claus with holiday cheer, the kids in my immediate and extended family most certainly do not. They cry hysterically at the first sight of him and often seek protection in the arms of their respective parents. Markets displayed a similar sense of fear in December as U.S. stocks and bonds moved lower during the month. International markets also fell for a third consecutive month but outperformed their U.S. counterparts.

GLOBAL EQUITY

On the back of an exceptionally positive November, U.S. stocks retreated in December as most major U.S. equity market indexes fell between -2.4% and -8.3%, cumulatively. While the Federal Reserve again cut interest rates by 0.25% during the month, the central bank pulled back its prior communication of four rate cuts in 2025 to just two. Markets generated a strongly negative reaction to the development, as the S&P 500 experienced its biggest Fed decision-day loss since 2001 (the index fell -3.0% on December 18th).

TABLE 1: GLOBAL EQUITY	DEC	QTD	YTD	1 YR
Dow Jones Industrial Average	-5.13	0.93	14.99	14.99
S&P 500 Index	-2.38	2.41	25.02	25.02
Russell 2000	-8.26	0.33	11.54	11.54
Russell 1000 Growth	0.88	7.07	33.36	33.36
Russell 1000 Value	-6.84	-1.98	14.37	14.37
MSCI ACWI USD	-2.37	-0.99	17.49	17.49
MSCI EAFE USD	-2.27	-8.11	3.82	3.82
MSCI EM USD	-0.14	-8.01	7.50	7.50
MSCI ACWI ex US USD	-1.94	-7.60	5.53	5.53

Source: Bloomberg, as of 12/31/2024. Past performance does not guarantee future returns.



However, the Magnificent Seven remained a relative bright spot during December, as five of the seven companies generated positive returns amid optimism surrounding their underlying business fundamentals and growth prospects. The Russell 2000 produced its worst monthly return of 2024 in December, falling -8.3%. Compared to their large cap counterparts, small cap companies often carry more floating rate debt on their balance sheets, which caused the Fed's more hawkish commentary and an outlook for higher-than-expected short-term interest rates to disproportionately hurt small cap stocks during the month.

International markets generated negative returns in December as the U.S. Dollar continued to strengthen versus other major currencies. Developed international markets, as represented by the MSCI EAFE Index, returned -2.4% for the month. Danish equities were among the leading detractors from performance as Novo Nordisk, the manufacturer of diabetes and weight-loss drug Ozempic and the largest position in the MSCI EAFE Index, fell -19.2% during December. Shares declined following weaker-than-expected trial results for one of the company's new obesity drugs. Emerging markets outperformed their developed market counterparts in December, but the MSCI EM Index still moved marginally lower, returning -0.1%. South Korean equities led the index lower following the unexpected imposition and withdrawal of martial law within the country. South Korean equities finished 2024 as one of the worst performers in emerging markets, as the MSCI Korea Index fell -23.4% amid economic sluggishness and political uncertainty.

TABLE 2: FIXED INCOME	DEC	QTD	YTD	1 YR
Bloomberg US Aggregate	-1.64	-3.06	1.25	1.25
Bloomberg 1-3 Yr Gov/Credit	0.21	-0.02	4.36	4.36
Bloomberg Treasury 5-7 Yr	-1.44	-3.38	0.95	0.95
Bloomberg Investment Grade Corp	-1.89	-3.04	2.03	2.03
Bloomberg High Yield Corp	-0.43	0.17	8.19	8.19
JPMorgan EMBI Global Diversified	1.19	-0.55	8.05	13.16

Source: Bloomberg, as of 12/31/2024. Past performance does not guarantee future returns.

FIXED INCOME

The U.S. Treasury yield curve reversed course during December and shifted upward, weighing on fixed income returns as the Bloomberg U.S. Aggregate fell -1.6%. While the Federal Reserve's 0.25% rate cut during the month kept shorter-term rates in check, the belly and long end of the curve rose more meaningfully following the Fed's hawkish 2025 outlook. Corporate credit spreads also widened during December following the Fed decision, leading both investment grade and high yield corporate bonds to generate negative returns. As we enter 2025, markets are pricing in the possibility of approximately two 0.25% rate cuts, one in the first half of the year and perhaps one more in the second half of the year. However, we think it is important to note that market expectations for Fed action can change drastically over the course of a year, as markets expected the Fed to cut rates six times at the beginning of 2024, compared to just three actual cuts the Fed executed. Despite such divergence from early expectations, fixed income returns finished broadly higher in 2024.

POSTLUDE

Every year, I listen to hundreds of hours of music and podcasts on

Spotify. Every December, I look forward to reviewing my "Spotify Wrapped," the company's analysis of my activity on its platform over the past year. If at the beginning of the year, you told me I would listen to Post Malone more than any other artist this year, I would not have believed you. I also would not have believed you if you said I would become a big fan of his debut country album, F-1 Trillion, released this past August. Now, below are a few notable events that happened in 2024, my extremely abbreviated version of Spotify's Wrapped for global financial markets.

- At the beginning of 2024, the market expected the Federal Reserve to cut interest rates six times during the year, but the Federal Reserve only cut interest rates three times.
- Roughly half the global population lived in a country that held a national election in 2024, including the U.S., where the presidency and senate experienced a change in political party control.
- The incumbent U.S. president did not run for re-election, while high-ranking political leaders in the U.K., Japan, France, Canada, South Korea, and other countries either resigned or were deposed.
- Geopolitical conflict between Russia and Ukraine persisted, while Hamas carried out an unprecedented attack on Israel on October 7th, 2024.
- The Magnificent Seven companies drove roughly 40% of the S&P 500 Index's total return for 2024, while roughly one out of every three companies in the index generated negative returns for the full year.

If I told you all of that at the start of the year, would you have predicted global stocks and bonds to be broadly positive? Would you have expected the S&P 500 Index to return +25.0% and hit 57 new all-time highs along the way? If yes, good for you! Perhaps a prosperous career in investment management is in your future. However, if you would not have predicted such positive results based on that information, no problem! We know that we cannot reasonably predict such a wide range of events and market reactions, but we believe long-term perspectives and prudent approaches to strategic asset allocation help keep our clients on track toward meeting their investment goals, despite what may be happening in the world around us. 2025 is here and as usual, we do not know exactly how the year will unfold, but we look forward to adapting with the environment, executing our processes, and keeping you informed of our perspectives along the way.



Joe Nitting serves as the Director of Research for the Retirement & Investment Solutions practice of CBIZ, Inc. Joe leads the firm's research in both traditional and alternative asset classes, and he oversees the portfolio construction process for the firm's defined contribution, institutional advisory and wealth management businesses. Joe has a B.S. in Finance and Accounting from the University of Dayton. He began his career in investments at a boutique registered investment advisory firm in the greater Chicago area, focusing on traditional investments. He also served as an analyst for a registered investment advisory firm in the Cleveland area, where he specialized in alternative investments. Joe plays an important role in fostering a culture of collaboration and creativity within CBIZ while offering unique insights based on his experience across a wide spectrum of investment types.

The information included in this update is provided for informational purposes only and should not be construed as investment advice. The views expressed are those of the author based on the data available when this update was written and are subject to change based on market conditions or other factors. CBIZ Investment Advisory Services disclaims any liability for any direct or incidental loss incurred by applying information supplied in this update.

Investment advisory services provided through CBIZ Investment Advisory Services, LLC, a registered investment adviser and a wholly owned subsidiary of CBIZ, Inc.

