December 2024

Here are selected year-to-date return numbers through the end of November.

**Stock Indexes**

**(As of 11/30/24)\***

Dow Jones Industrials 19.16%

S&P 500 Index 26.47%

NASDAQ Composite 28.02%

MSCI World ex U.S. Index 4.93%

(**As of 11/30/24)\***

Russell 1000 Growth Index 32.19%

Russell 1000 Value Index 22.76%

**(As of 11/30/24)\***

Russell 2000 Index 21.58%

Russell 2000 Growth Index 25.42%

Russell 2000 Value Index 17.88%

**Bond Index (As of 11/30/24)\***

Bloomberg U.S. Aggregate Bond Index 2.93%

**(Source: Raymond James & Russell Investments websites)**

\*Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot

invest directly in any index, and index performance does not include transaction costs or other fees,

which will affect actual investment performance. Individual investor’s results will vary. Past

performance does not guarantee future results.

**FINANCIAL AND INVESTMENT PLANNING**

This is the last monthly letter of 2024. And this is a good time to reflect on what has occurred in the financial markets in the last several years.

Let’s start with equities. Here are the last six year’s returns for the S&P 500 and the NASDAQ. I am using two exchange-traded funds (ETFs) that all investors could have owned during this period. And I am writing this letter on December 8, 2024.

|  |  |  |
| --- | --- | --- |
|  | **S&P 500/ SPY** | **NASDAQ – ONEQ** |
| 2019 | 31.22% | 37.15% |
| 2020 | 18.37% | 44.89% |
| 2021 | 28.75% | 22.11% |
| 2022 | -18.17% | -32.12% |
| 2023 | 26.19% | 45.74% |
| 2024 YTD | 29.09% | 32.87% |

**Source Morningstar**

Just take a look at these numbers. They are amazing!

Throughout my 46-year career, I have read that long-term stock market returns were in the 7% - 9% range.

Do you see any 7% -9% numbers? No, you do not.

Even with the 2022 experience, equity investors have enjoyed terrific returns.

And this has all occurred during a period we often read is described as polarized and uncertain.

Now let’s review what has occurred in the bond market during the same period. Again, I am using an ETF available to all investors.

**U.S. Aggregate Bond/AGG**

|  |  |
| --- | --- |
| 2019 | 8.46% |
| 2020 | 7.48% |
| 2021 | -1.77% |
| 2022 | -13.02% |
| 2023 | 5.65% |
| 2024 YTD | 3.51% |

**Source: Morningstar**

These lower returns are as you would expect for bonds. And you can see what happened to bonds when the Federal Reserve began to raise short-term interest rates in 2022.

There are no doubt many lessons and conclusions we can draw from these numbers.

However, in our opinion two stand out.

U.S. stocks have rewarded investors with substantially higher than historic returns.

Bonds had a historically bad year in 2022.

While experts can argue over the 2025 outlook for U.S. equities, we believe no one can argue the asset class is cheap.

A common measure used to analyze if stocks are cheap or expensive is the price-to-earnings (P/E) ratio, which measures a stock’s current share price relative to its earnings per share. The S&P 500 currently has a P/E of **31.15** (as of December 11, 2024), nearly double the average P/E ratio (16.1) over the last 10 years. (Source: Robert J. Shiller.)

This leads us to recommend to investors that we all should have modest stock market return expectations for 2025. Of course, part performance is no guarantee of future returns. Let’s first be prudent in our investment and financial planning expectations.

And finally, here are the returns during the same period for international equities, once again using an ETF as a proxy.

**Total International Stock Market/VXUS**

|  |  |
| --- | --- |
| 2019 | 21.75% |
| 2020 | 10.69% |
| 2021 | 9.00% |
| 2022 | -16.09% |
| 2023 | 15.88% |
| 2024 YTD | 9.35% |
| **Source: Morningstar** |  |

If you only looked at these numbers, you would say these are attractive investment returns.

They just look disappointing when compared to U.S. stock market returns.

We believe there are at least two takeaways.

U.S. stocks have substantially outperformed international stocks. And at current levels, foreign equities are priced at lower valuations.

Since it’s anyone’s guess when and if this disparity leads to a reversion in performance, we think stock investors should consider at least a modest allocation to foreign equities.

We love the quote attributed to the so-called Oracle of Omaha, Warren Buffet: “Be fearful when others are greedy, and be greedy when others are fearful.”

Thank you for taking the time to read the newsletter and for listening to Money Talk.

Happy Holidays.

Warm regards,

A close-up of a signature

Description automatically generated

Carl W. Stuart Lindsey Stuart

Investment Advisor Investment Advisor

* **Past performance is not indicative of future results.**
* The Dow Jones Industrials is an index of 30 stocks that is considered representative of the overall market.
* The S&P 500 is an unmanaged index of 500 widely held stocks that’s generally considered representative

of the U.S. stock market.

* The NASDAQ composite is an unmanaged index of securities traded on the NASDAQ system.
* The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
* The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
* The Russell 2000 Index is an unmanaged index of small cap securities which generally involve greater risks.
* The Russell 2000 Growth Index measures the performance of the small-cap growth segment of the U.S. equities.
* The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equities.
* The Bloomberg U.S. Aggregate Bond Index is an unmanaged market value weighted performance benchmark for investment-grade fixed rate debt issues, including government, corporate, asset backed, mortgage backed securities with a maturity of at least 1 year.
* All investing involves some degree of risk, investors may incur a profit or loss regardless of the strategy or strategies employed.

Investments mentioned may not be suitable for all investors.