MARKET MINUTE

With McGAREL

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The Thanksgiving holiday celebrates all the blessings in our lives and includes a bountiful harvest on many dining room tables. It's a wonderful day.

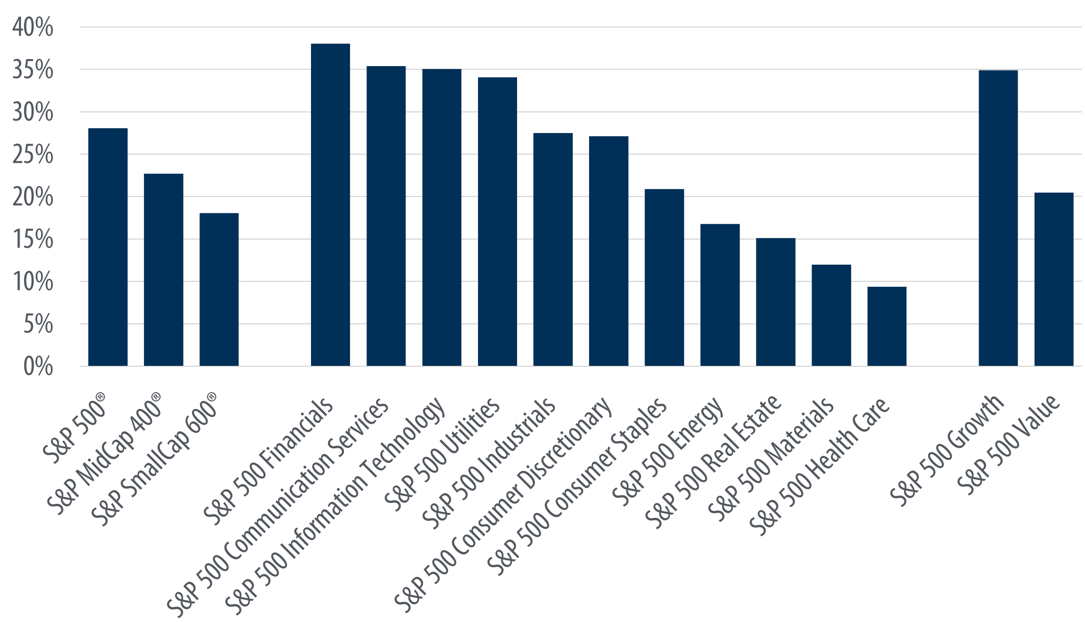
For equity holders of all stripes, it has been a year of bountiful returns. You could hardly go wrong. Even the worst performing size, style or sector index was still rewarded with excellent returns. Large cap stocks, as measured by the S&P 500 Index, have done the best, up 28% year to date ("YTD"), but mid cap (S&P MidCap 400 Index) and small cap (S&P SmallCap 600 Index) stocks have delivered 23% and 18%, respectively, over the last 11 months. The S&P 500 Growth Index is up 35% but the S&P 500 Value Index is still up 20%. At the sector level, every sector is positive for the year with financials leading the way, up 38% and health care at the bottom, still positive 9%. Seven sectors are up 20% or more.

You didn't have to be positioned correctly to get outsized returns this year ....you just needed to be in the market. In the last 23 months in fact , the S&P 500 Index is up an amazing 62%. There is much to be thankful for.

However, there is reason for caution. If forecasts hold for the rest of 2024, earnings for the S&P 500 Index this year will only be 5% above their level in 2022. But stocks are up 62% since the end of 2022. If we look at expectations for 2025, earnings are forecasted to be up 20% from 2022 levels. We have put a lot of valuation into the market...there is little room left, in our view, for any further expansion of price to earnings (P/E) multiples. Additionally, there is quite a bit of speculation in the market. Earnings need to beat high expectations for 2025 or the market will struggle to advance further, in our opinion.

We also remember well what happened in 2022. All size indexes, large, mid and small, were down double digits. All sectors except energy and utilities were negative. And growth stocks (-29%) and value stocks (-5%) were both negative. Less than 2 years ago! Today, in our view, we have a market that is fully priced along with a healthy dose of speculation that is reliant on expected rate cuts, outsized earnings growth and moderating inflation to move higher. It's a reminder that equities are still risk assets and the sunshine today can turn into clouds tomorrow. Stay focused on valuation and fundamentals and mindful of risk in your portfolio.

2024 YTD Index Returns



Source: Bloomberg. Data as of 11/30/24.

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The **S&P 500 Index** is an unmanaged index of 500 companies used to measure large-cap U.S. stock market performance. The **S&P SmallCap 600 Index** is an unmanaged index of 600 companies used to measure small-cap U.S. stock market performance. The **S&P MidCap 400 Index** is an unmanaged index of 400 companies used to measure mid-cap U.S. stock market performance. The **S&P 500 Value Index** contains those securities with value characteristics from the S&P 500 Index. The **S&P 500 Growth Index** contains those securities with growth characteristics from the S&P 500 Index. The **S&P 500 Sector Indices** measure segments of the U.S. stock market as defined by GICS®.

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