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Market Update
(all values as of 12.31.2024)

Stock Indices:

Dow Jones	42,544
S&P 500	5,881
Nasdaq	19,310

Bond Sector Yields:

2 Yr Treasury	4.25%
10 Yr Treasury	4.58%
10 Yr Municipal	3.13%
High Yield	7.27%

YTD Market Returns:

Dow Jones	12.88%
S&P 500	23.31%
Nasdaq	28.64%
MSCI-EAFE	4.10%
MSCI-Europe	2.10%
MSCI-Pacific	6.60%
MSCI-Emg Mkt	7.60%
US Agg Bond	1.25%
US Corp Bond	2.13%
US Gov't Bond	1.18%

Commodity Prices:

Gold	2,638
Silver	29.28
Oil (WTI)	71.80

Currencies:

Dollar / Euro	1.04
Dollar / Pound	1.25
Yen / Dollar	157.46
Canadian /Dollar	0.69

Macro Overview

Presidential campaigning and expectations about the Fed's direction with rates enthralled the markets in 2024. Equity indices finished the year positively, yet demonstrated hesitation throughout the year. Expectations surrounding the depth of interest rate decreases by the Fed differed as inflation data continued to hinder the trajectory of reductions.

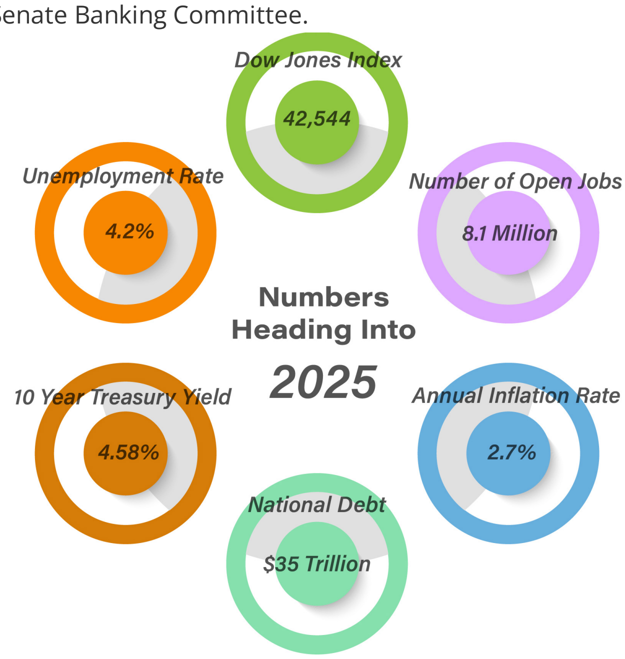
Cryptocurrency and AI were all the rage in 2024, as enthusiasm and speculation surrounding the future of both garnered investor attention. Cryptocurrency has surged on speculation that perhaps digital money might become a form of legitimate global currency in the future and even replacing currencies from certain countries.

Among the focal factors for the incoming presidential administration are deregulation, lower corporate and individual taxes, immigration, reduced government spending and expanding U.S. manufacturing. Markets are anxiously awaiting final confirmation of cabinet appointments, whose influence can affect the direction of companies and industries.

Lingering inflation worries weighed on markets as data revealed that prices remained stubbornly elevated, particularly with food and housing expenses. Consumers became more selective in 2024 as the costs for essential goods and services rose, leaving less to spend on discretionary items.

The Treasury Department confirmed reports that it was hacked by a China backed hacker in late December. Several Treasury employee workstations and unspecified documents were accessed after a key from a third-party software service provider was stolen. The agency disclosed the breach in a letter to the Senate Banking Committee.

Social Security and Supplemental Security Income (SSI) benefits for more than 72.5 million Americans will increase 2.5 percent in 2025. The 2.5 percent cost-of-living adjustment (COLA) will begin with benefits payable to nearly 68 million Social Security beneficiaries in January 2025. Increased payments to nearly 7.5 million SSI recipients began on December 31, 2024.



Escalating federal deficits and expanding government debt issuance rattled the U.S. Treasury debt market, sending Treasury yields higher towards the end of 2024. Weakening demand for newly issued Treasury bonds also placed pressure on bond prices, with the yield on the benchmark 10-year Treasury bond ending 2024 at 4.58%, up from 3.95% at the beginning of 2024. (Sources: Fed, Treasury Dept., SS Admin., Labor Dept.)

Rates End Year With Uncertainty – Fixed Income Overview

Tensions rose surrounding the Treasury market as the weighted average interest rate on outstanding Treasury debt is currently around 3.3%, a 15-year high. Additional Treasury debt issuance has become a contention as weakened demand for new bonds became more apparent.

Bond yields were challenged throughout 2024 as uncertainty surrounding the Fed's decision to reduce rates lingered. The Fed's initial rate reduction in September 2024 was the commencement of additional rate cuts over the next couple of years. Inflation data will be the primary driver of the Fed's trajectory for rate cuts in 2025. (Sources: Treasury Dept., Federal Reserve)

Equity Indices Enter 2025 With Hesitation – Domestic Equity Update

Equity indices finished 2024 with gains across all eleven sectors of the S&P 500 Index. The communication services, financials, consumer discretionary, and the utilities sector saw the largest gains in 2024.

Equity indices hesitated their upward trend in December as inflation data hindered the Fed from reducing rates more aggressively. Analysts will be focused on earnings and cabinet appointments whose influence on company directives and initiatives can be critical. (Sources: S&P, Bloomberg, Dow Jones, Nasdaq)

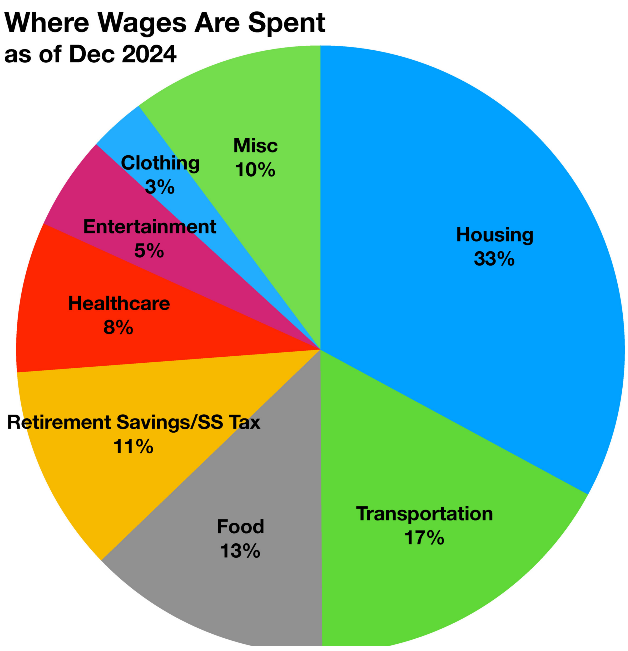
Percentage of Average Wage Going Towards Housing Highest Since 2007 – Housing Market Update

A persistent shortage of housing along with elevating mortgage rates and rising insurance costs have made the cost of home ownership and renting excessive for many. The percentage of income spent on housing has increased significantly in recent years, making affordability a major concern for many households.

The average American household spends about 32.9% of their total earnings on housing costs. However, this figure can vary widely depending on location and whether someone rents or owns their home. Some parts of the country command much higher housing and rental costs than other parts of the country, thus encompassing varied percentages on how much is spent on housing relative to income. Additionally, incomes also vary among various states and cities contingent on demographics.

It has been generally recommended spending no more than 30% of gross income on housing costs, a guideline known as the "30% rule". The guideline has been a standard benchmark for decades, however, it may now be considered outdated and overly simplistic today.

Sources: Department of Labor



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What Is Driving Cryptocurrency – Digital Currency Market Update

The cryptocurrency market has seen significant developments and price movements following the election in anticipation of potential regulatory changes and proactive support for its broad use. The nomination of Paul Atkins as the Chair of the Securities and Exchange Commission (SEC) is seen as a positive catalyst for the crypto industry.

A number of large companies have started integrating cryptocurrency into their operations and balance sheets, identifying it as an asset and financial instrument. The U.S. government currently holds approximately 210,000 bitcoins worth more than $13 billion, a portion of which was seized due to criminal activity.

The Securities and Exchange Commission regulates assets it determines to be securities; however, it doesn't yet regulate digital currencies, but it is regulating investments or derivatives related to cryptocurrency.

As a form of virtual currency, Bitcoin exists solely online, functioning through a transparent ledger known as Bitcoin blockchain. Each transaction is recorded on the distributed ledger, ensuring all the transactions remain secure and visible.

The most broadly held and popular cryptocurrency is Bitcoin, which is essentially virtual money that is traded digitally by exchanges. Bitcoins can only be purchased and sold with legitimate currency, such as dollars or euros, making it available worldwide. The total estimated value of Bitcoins worldwide as of the beginning of December 2024 is over 73 billion dollars.

Bitcoins exist as software, not physical currency, and are not regulated by any country or banking authority. Even though U.S. Senate hearings disclosed that Bitcoin could be a means of exchange, it gave no assurance that it would actually become an accepted medium of exchange. Government regulations would need to be created and then enforced in order for Bitcoin to become accepted by other government entities.

Bitcoins are mined by powerful computers that calculate complex, mathematical functions. Total Bitcoin quantity is capped at 21 million and currently there are about 19.5 million that exist worldwide. Circulating physical coins only represent Bitcoin and are not a store of value as is legitimate currency.

Bitcoins emerged in 2008 designed by a programmer or group of programmers under the name of Nakamoto, whose real identity remains unknown. New Bitcoins can only be created by solving complex math problems embedded in the currency, keeping total growth limited.

Sources: U.S. Marshalls Service, Bloomberg, Reuters

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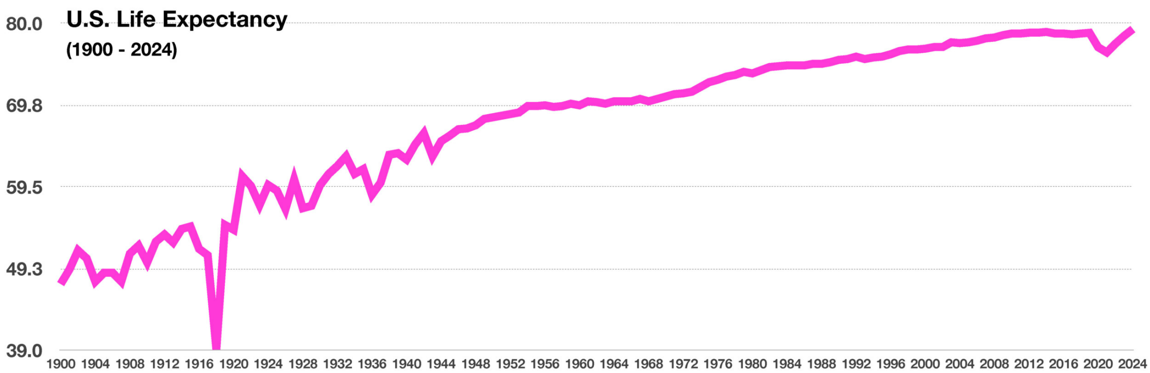
U.S. Life Expectancy Rates Increased To Highest Level Since Pandemic – Health & Well Being

Recently released data by the Center of Disease Control and Prevention reveal that life expectancy in the U.S. increased to 79.3 years in 2024. During the pandemic, life expectancy fell as the three leading causes of death in 2020 were heart disease, cancer and Covid-19. Life expectancy for all Americans in 2019 was 78.8 years, falling to 77 years in 2020. Those aged 85 and older saw the most deaths, many experiencing medical complications from Covid-19. In 2020, Covid related deaths exceeded deaths caused by strokes, Alzheimers, diabetes, and kidney disease.

The U.S. Department of Health & Human Services tracks factors contributing to life expectancy including age, gender and race. The most recent data revealed that females are estimated to live to age 83.8 while males are expected to live to 76.1, a seven year difference.



Medical advancements and safer living conditions over the decades have led to a gradual increase in life expectancy. In 1860, life expectancy in the United States was 39, increasing to 69 in 1960, representing a 30 year life span increase in 100 years. (Sources: U.S. Department of Health & Human Services, CDC)

Imports & Tariffs – Domestic Trade Policy

As the president-elect prepares to enter the White House, foreign imports into the U.S. have become a leading agenda item. According to the Commerce Department, the top imports into the U.S. include electronic devices such as mobile phones, computers and TVs, followed by machinery and automobiles. The onset of additional tariffs and import duties might change the makeup of imports dramatically, as consumers tackle higher prices along with some manufacturing possibly shifting to the U.S.

The biggest question everyone has is, how will higher tariffs affect U.S. consumers and the economy. The most dominant imports currently tend to be high margin products such as mobile phones, laptops, and computers. Any additional tariffs might either be partially absorbed by the exporters or passed along to consumers in the form of higher prices. What's interesting is that the onset of cheap Chinese made products have actually altered consumer behavior in the U.S. over the past twenty years. Before inexpensive TVs made their way into electronic superstores, a typical TV would last years. Today, TVs are considered disposable and are easily replaceable. Should import prices rise, consumers might reconsider replacing products regularly, and instead maintain existing products for longer periods. (Source: Department of Commerce)