

# Market Update

JANUARY 2025

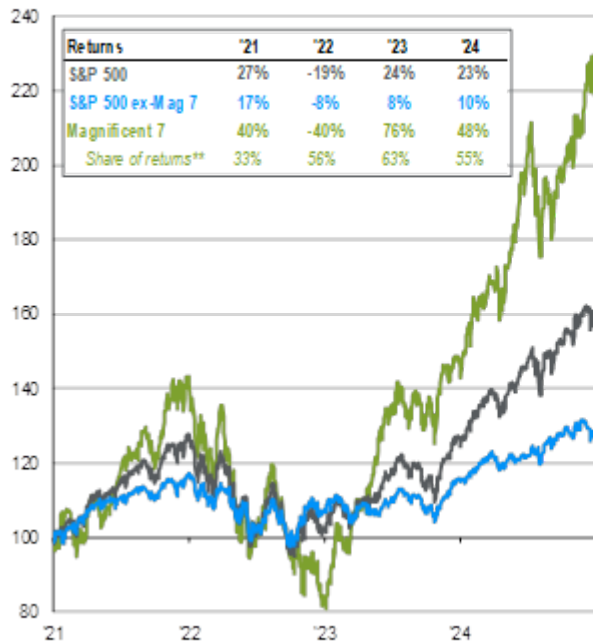
## Scenes from Wall Street

Index	Dec. 2024*	2024*
S&P 500	-2.4%	25.0%
Russell 2000	-8.3%	11.5%
Bloomberg AGG Bond	-1.7%	1.3%
MSCI World, Ex-US	-2.7%	5.3%

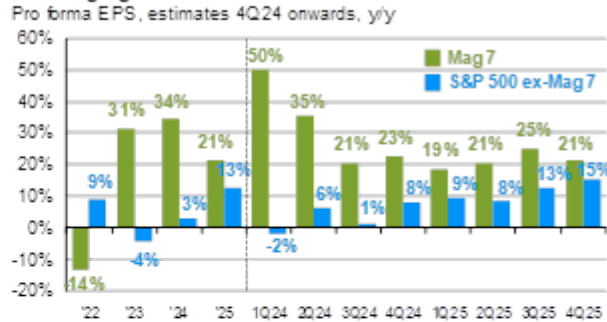
\*Total Returns Source: Factset Data

While the typical “Santa” rally did not show up in late December, overall equity market returns were robust for all of 2024. And to paraphrase Billy Joel, artificial intelligence (AI) and crypto were the king and the queen of the 2024 stock market prom for sure. Bitcoin appreciated 122% while AI darlings NVIDIA and Broadcom climbed 170% and 110%, respectively. It’s also notable that in the face of its first year-over-year global decline in auto unit deliveries, Tesla shares rallied 62% in the last two months of the year. Yes, elections do impact markets.

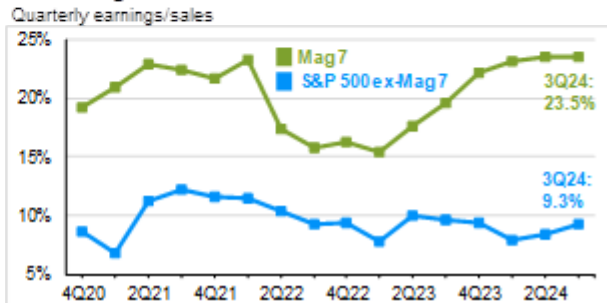
**Performance of “Magnificent 7” stocks in S&P 500\***  
Indexed to 100 on 1/1/2021, price return



**Earnings growth**



**Profit margins**



SOURCE: FactSet, Standard & Poor’s, J.P. Morgan Asset Management.\*Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2024 and 2025 are forecasts based on consensus analyst expectations. \*\*Share of returns represent how much each group contributed to the overall return. Numbers are always positive despite negative performance in 2022.

As the charts above illustrate, the dominance of the so-called Magnificent 7 stocks continued in 2024 while the returns of the rest of the large cap S&P 500 index were much closer to long-term historical norms. To be fair, both the earnings growth and profitability of these companies have been significantly more robust than broader corporate America. The caveat remains those superior profit pools always attract competitive attention, and we already see a myriad of new AI entrants backed by massive amounts of seed funding for better/faster AI models, new semiconductor chip designs, and cybersecurity software developers.

Seacoast Wealth's core strategic holdings in companies like Eaton, Corning, Amazon, Applied Materials, Oracle, Microsoft, Broadcom, Google and Southern Companies are all poised to continue benefiting greatly from the \$billions of investments going into building not only the underlying core technologies supporting AI, but also the physical infrastructure required to run it. Turning to fixed income markets, it was Ed Yardeni who coined the term "Bond Market Vigilantes" 40 years ago to describe how investors in fixed income determine most longer-term interest rates regardless of Federal Reserve actions on Fed Funds. 2024 was a year in which those vigilantes reared their heads, for despite 100 basis points of cuts in the Fed Funds rate since September, 10 and 30-year Treasury yields are up at least 90 basis points as are 30-year mortgage interest rates.

Inflation remains the fly in the ointment for bond investors as the US economy has remained robust, employment trends have stabilized, and core rates of price appreciation remain stubbornly above Federal Reserve targets. We'd also highlight potential inflationary impacts of tariffs and trillion dollar federal government budget deficits as worrisome. As a rule of thumb, the longer the time to maturity, the more sensitive a bond's price is to changing interest rates. Seacoast Wealth's focus on shorter maturity investment grade corporate bonds benefited portfolios in 2024 and our positioning remains unchanged.

2025 starts with no shortage of questions. From potential new policies on taxes, tariffs, immigration and deregulation to the direction and shape of interest rates, inflation, and corporate earnings, we stay focused on how they may impact the long-term prospects of our investments and act deliberately.

As always, we appreciate the opportunity to work with you, and if you have any questions, please do not hesitate to reach out to your Seacoast Wealth Management Associate.

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Sources: JP Morgan Asset Management; NASDAQ; FactSet; Bloomberg; Broadridge. *Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); [www.goldprice.org](http://www.goldprice.org) (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful. The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks.*