

A Stellar 2024 and Optimism for 2025

JANUARY 2025



Daniel Wildermuth
Portfolio Manager, Asteria
Strategies

The S&P 500 closed out 2024 with impressive gains of over 23%, while the Nasdaq, heavily weighted with tech stocks, soared nearly 29%. The Dow Jones Industrial Average delivered a more moderate return of just under 13%, reflecting its lower exposure to technology. By year-end, all major indices were approaching record highs, with the S&P 500 notching 57

record closes. Coupled with a strong 2023, the last two years have marked the best combined market performance in a quarter-century.

Driving much of this growth were the "Magnificent Seven" stocks—Alphabet (Google), Amazon, Apple, Meta Platforms (Facebook), Microsoft, Nvidia, and Tesla—

summer. Gross domestic product (GDP) expanded at an annualized rate of 2.8% in the third quarter, slightly below the second quarter's 3.0%, maintaining a two-year streak of steady economic growth despite persistently high interest rates.

Corporate earnings, which have been rising rapidly, are projected to accelerate further, with analysts forecasting a 15% increase in 2025. Although current valuations are high compared to historical norms, many analysts argue that strong earnings and unexpectedly robust productivity growth provide a solid foundation for these elevated levels.

Looking ahead, the U.S. may be on the brink of a productivity boom reminiscent of the 1990s Internet boom. Rising productivity could help offset the challenges posed by surging national debt while benefiting various sectors of the economy. Worker productivity grew by 2.0% or more throughout 2024,

Many also argue that the current era of U.S. economic strength warrants a "U.S. premium," as geopolitical tensions, tariffs, and state intervention continue to suppress growth prospects in other regions.

which expanded their collective share of the S&P 500 to nearly one-third from a quarter at the start of the year.

Sustained Momentum as 2025 Begins

Optimism and high expectations have continued to define the economic outlook. The U.S. economy remains strong, with robust earnings growth fueled by significant consumer and government spending over the

compared to the pre-pandemic average of 1.6%. This improvement is attributed to factors such as better job matching in the post-COVID labor market and the growing impact of artificial intelligence.

Additionally, a significant increase in new business formation hints at further advancements, as entrepreneurs drive innovation and improve operational efficiency. In contrast, the European Union and much of the rest of the world lag behind, generating

fewer startups that also tend to scale at a slower pace.

Forecasts for the Next Decade are Less Positive

Despite near-term enthusiasm, not all forecasts are rosy. Goldman Sachs anticipates that the S&P 500 will deliver average annual returns of just 3% over the next decade, citing potential challenges to Big Tech's dominance. Bank of America is even more bearish, predicting returns of only 0%-1% annually.

Yet both firms recommend remaining invested in equities. Historical data shows little correlation between high valuations and short-term performance. Many also argue that the current era of U.S. economic strength warrants a "U.S. premium," as geopolitical tensions, tariffs, and state intervention continue to suppress growth prospects in other regions.

Balancing Optimism and Risk

Heading into the new year, market sentiment remains highly optimistic, which is expected to sustain short-

term gains. However, the longer-term outlook is more uncertain, and the risk of a correction looms if unforeseen challenges arise. While the near-term outlook is bright, there is less room for error should sentiments change.

IMPORTANT DISCLOSURES

This material is distributed or presented for informational or educational purposes only and should not be considered a recommendation of any particular security, strategy or investment product, or as investing advice of any kind. This material is not provided in a fiduciary capacity, may not be relied upon for or in connection with the making of investment decisions, and does not constitute a solicitation of an offer to buy or sell securities. The content contained herein is not intended to be and should not be construed as legal or tax advice and/or a legal opinion. Always consult a financial, tax and/or legal professional regarding your specific situation.

This material contains opinions of the author or speaker, but not necessarily those of Quartz Partners, LLC. The opinions contained herein are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable but are not assured as to accuracy. There is neither representation nor warranty as to the current accuracy of nor liability for, decisions based on such information. Past performance is not indicative of future results. No part of this material may be reproduced or referred to in any form, without express written permission of Quartz Partners, LLC.

Investment Advisory Services offered through Quartz Partners, LLC, an SEC-Registered Investment Advisor. Use of the term "registered investment adviser" or being "registered" with the SEC, or any state securities authority does not imply a certain level of skill or training.