

Equities

Stocks ended a stellar year in sour fashion, declining in three of the final four weeks. Still, the S&P 500 posted a second straight 25% annual gain for the first time since the late 1990s. The Mag 7 gained nearly 50% and drove half of the index return after powering 60% of S&P 500 performance in 2023. The U.S. again lapped the global field in 2024, with the rest of global equities rising just 5.53% in USD terms, and Growth stocks dominated Value stocks. The S&P 500 begins 2025 with a forward P/E ratio of 21.6x, a historically high valuation predicated in part on expectations for healthy double-digit EPS growth in each of the next two years.

Fixed income

Interest rates remained volatile in 2024, but the general trend was toward a more normal yield curve. The 10-year Treasury yield fell as low as 3.62% midyear before finishing at 4.56%, near the top of its annual range. The 2-year yield finished the year roughly where it began at 4.24% as the Fed reduced its policy rate by 100 bps but rate cut expectations for 2025 were pared back. Ultimately, the 2-10 yield curve spread ended the year at +33 bps, the steepest since early 2022. Bonds returned just 1.25%, while credit markets delivered yield-like returns of 8%-9%.

Commodities

Oil prices rose to end the year in the low \$70s, about where they started 2024. Even with OPEC+ delaying its planned production increases, the IEA expects the world to be “comfortably supplied” with oil in 2025, as demand growth outside the U.S. remains sluggish. Commodity performance was broadly mediocre last year except for precious metals, as gold prices increased 27.5%. Energy, industrial metals, and agricultural commodities were close to flat.

Economic overview

The U.S. economy outperformed expectations for a second consecutive year, with GDP growth likely to be around 3% for full-year 2024 compared to an initial consensus estimate of 1.3%. The labor market came into better balance as the unemployment rate rose modestly, wage growth declined slightly, and layoffs remained uncommon. Progress on inflation slowed as core PCE rose 2.8% y/y; that number should fall in early 2025 due to base effects. The U.S. economy enters 2025 with solid momentum, though sluggish global growth and policy uncertainty are risks worthy of consideration.

Equities (price index)		MTD	QTD	YTD	2024
S&P 500	5,942.47	1.03%	1.03%	1.03%	23.31%
DJIA	42,732.13	0.44%	0.44%	0.44%	12.88%
NASDAQ	19,621.68	1.61%	1.61%	1.61%	28.64%
Russell 2000	2,268.47	1.72%	1.72%	1.72%	10.02%
MSCI World	3,737.50	0.80%	0.80%	0.80%	17.00%
MSCI Europe	1,992.58	-0.52%	-0.52%	-0.52%	-0.87%
MSCI EAFE	2,254.82	-0.31%	-0.31%	-0.31%	1.15%
MSCI Asia	181.37	-0.14%	-0.14%	-0.14%	7.23%
MSCI EM	1,073.21	-0.21%	-0.21%	-0.21%	5.05%
VIX	16.13	-1.22	-1.22	-1.22	4.90

Fixed income (total return index)		MTD	QTD	YTD	2024
Barclays U.S. Agg	2,186.15	-0.13%	-0.13%	-0.13%	1.25%
Inv. grade bonds	3,284.82	-0.14%	-0.14%	-0.14%	2.13%
High yield bonds	2,691.58	0.31%	0.31%	0.31%	8.19%
Leveraged Loans	4,066.14	0.10%	0.10%	0.10%	8.95%

Alternatives (total return index)		MTD	QTD	YTD	2024
FTSE NAREIT	25,191.87	0.36%	0.36%	0.36%	4.92%
REIT Index					
GS Commodity Index	553.64	0.73%	0.73%	0.73%	2.61%
Alerian MLP Index	2,389.97	1.83%	1.83%	1.83%	24.41%

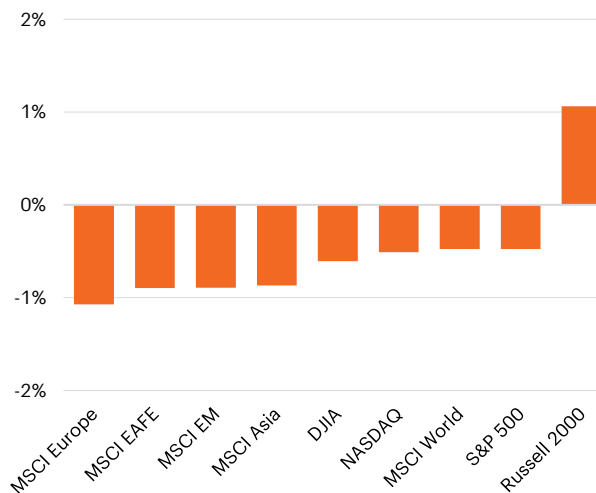
Commodities		MTD	QTD	YTD	2024
WTI Crude	\$73.96	3.12%	3.12%	3.12%	0.10%
Brent Crude	\$76.51	2.51%	2.51%	2.51%	-3.12%
Natural Gas	\$3.35	-7.68%	-7.68%	-7.68%	44.51%
Gold	\$2,655	0.52%	0.52%	0.52%	27.47%

Currency		MTD	QTD	YTD	2024
Dollar Index (DXY)	108.95	0.43%	0.43%	0.43%	7.06%
USDCNY	7.32	0.30%	0.30%	0.30%	2.81%
Bitcoin	98,243	4.83%	4.83%	4.83%	120.46%

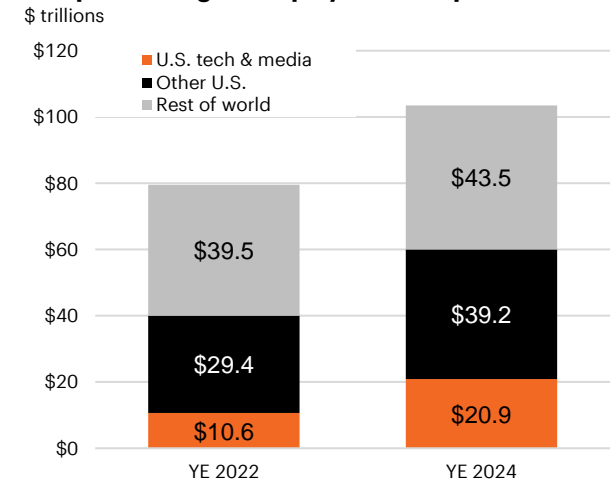
Spreads		MTD	QTD	YTD	2024
Inv. grade bonds	80 bps	0 bps	0 bps	0 bps	-19 bps
High yield bonds	274 bps	-13 bps	-13 bps	-13 bps	-36 bps
Leveraged loans	396 bps	-2 bps	-2 bps	-2 bps	-61 bps
Emerging markets	216 bps	-4 bps	-4 bps	-4 bps	-77 bps

Interest rates		MTD	QTD	YTD	2024
Fed Funds Target	4.375%	4.375%	4.375%	4.375%	5.38%
SOFR	4.40%	-9 bps	-9 bps	-9 bps	-89 bps
2-year Treasury	4.28%	4 bps	4 bps	4 bps	-1 bps
10-year Treasury	4.60%	3 bps	3 bps	3 bps	69 bps
30-year Treasury	4.81%	3 bps	3 bps	3 bps	75 bps
Barclays U.S. Agg	4.93%	3 bps	3 bps	3 bps	23 bps
Inv. grade bonds	5.36%	3 bps	3 bps	3 bps	27 bps
High yield bonds	7.39%	-10 bps	-10 bps	-10 bps	-10 bps

Last week's equity returns



Composition of global equity market cap



Source: Federal Reserve Bank of Atlanta, as of December 18, 2024.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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