

# 2024 YEAR END REVIEW

## JANUARY 2025

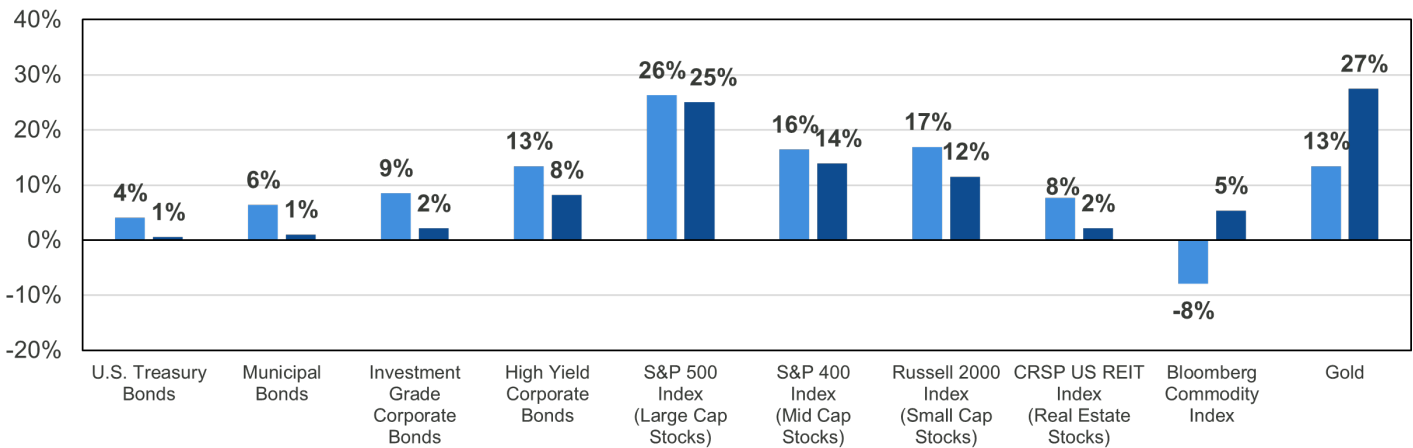


### US MARKETS

The year 2024 was marked with the Federal Reserve continuing its fight to lower inflation, the uncertainty of a U.S. election and multiple international conflicts. Through it all, the belief in lowering inflation, stable to falling interest rates and a growing economy caused the markets to prosper in 2024. U.S. Large Cap stocks led the way, while all categories were up for the year.

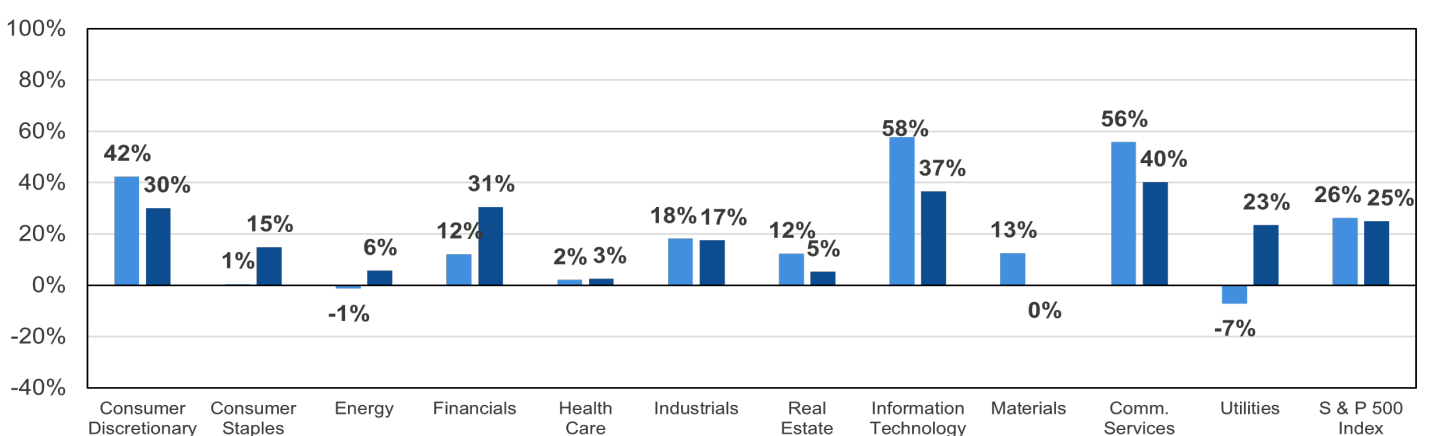
The following is a look at the past two years in the U.S. markets:

U. S. Indexes - 2023 - 2024 Returns



The economy benefited most sectors, with Consumer Discretionary, Financials, Information Technology and Communication Services leading the way.

U.S. Industry Sectors - 2023 - 2024 Returns

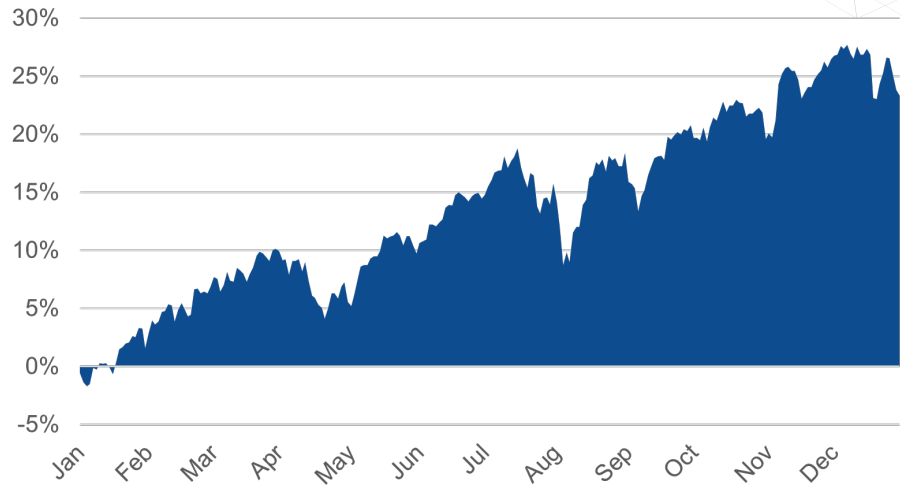




## S&P 500

S&P 500 Price Return: 2024

The S&P 500 price only index (excluding dividends) showed some volatility during the year, with three separate drawdowns of 5% or more.

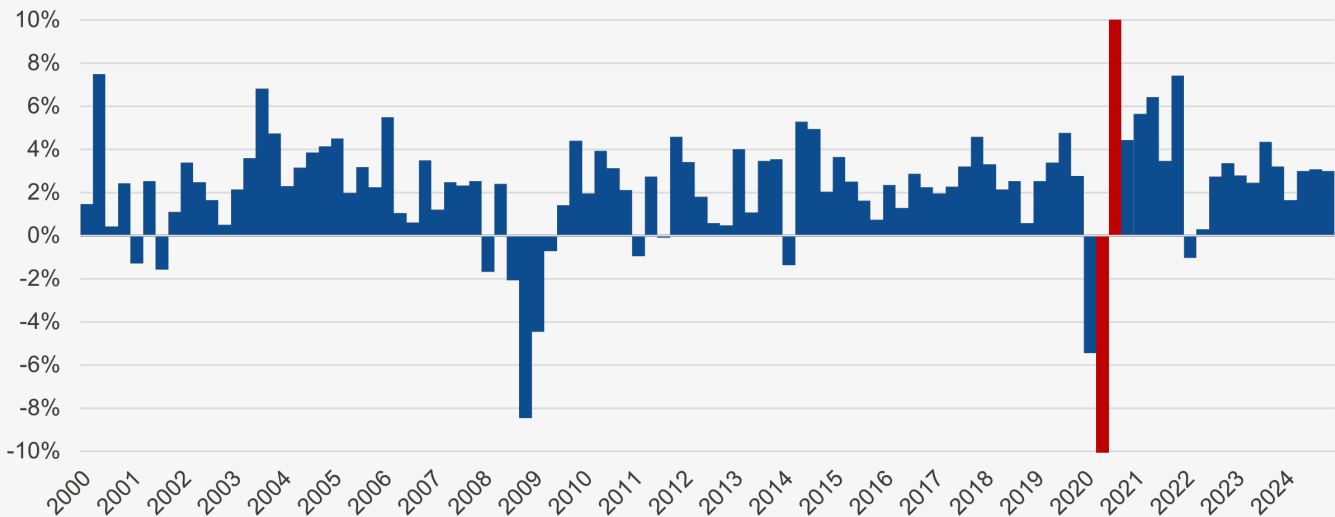


THE ECONOMY HAS **INCREASED** FOR THE PAST **TEN** **QUARTERS**.

## GDP

The U.S. economy continued its steady growth. The economy, as measured by the Gross Domestic Product (GDP), has increased for the past ten quarters. Economists are mixed in their projections for 2025 but most are in the camp of continued growth. The biggest question mark is how the new administration's policies will affect the economy.

Quarterly Real GDP Growth: 2000-2024

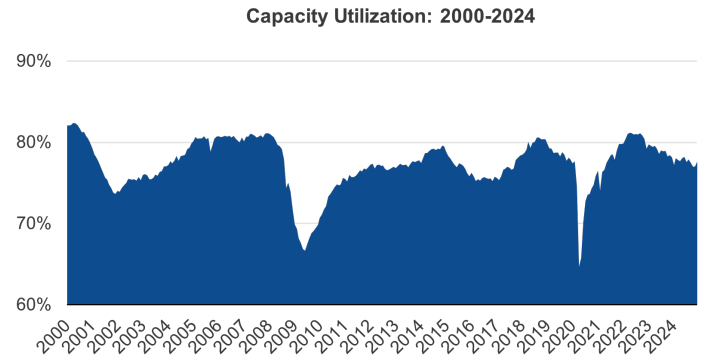
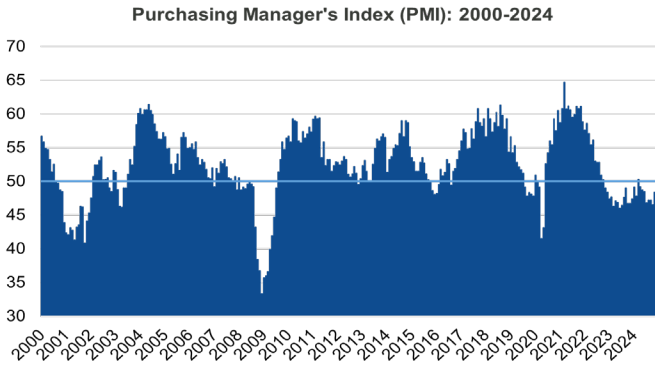


\* Data extends beyond range shown

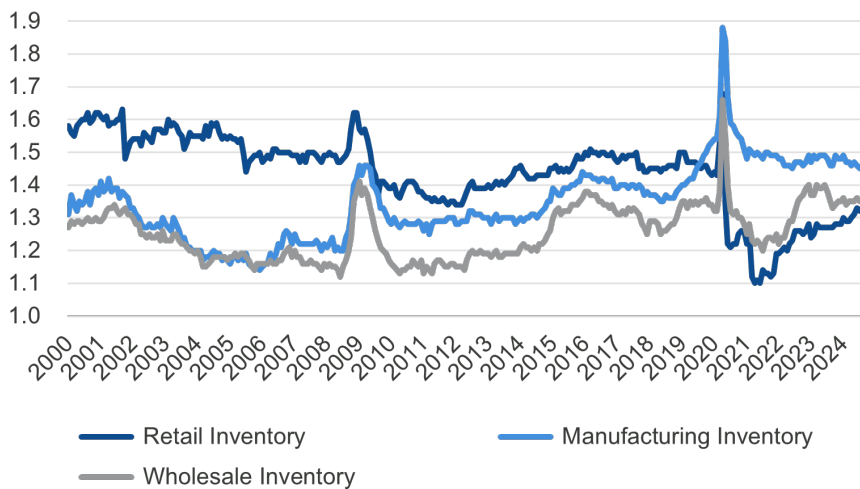
## MANUFACTURING

We continue to keep an eye on the PMI reading (Purchasing Managers Index) which has been below 50 for 25 of the past 26 months. When the index is above 50 it signals an expansion in the manufacturing sector, while a reading below 50 indicates a contraction.

The capacity utilization rate stayed above 75% for the entire year. This signals that factories have not yet experienced the upcoming slow down projected by the slowing PMI.



**Trade Inventories to Sales Ratios: 2000-2024**



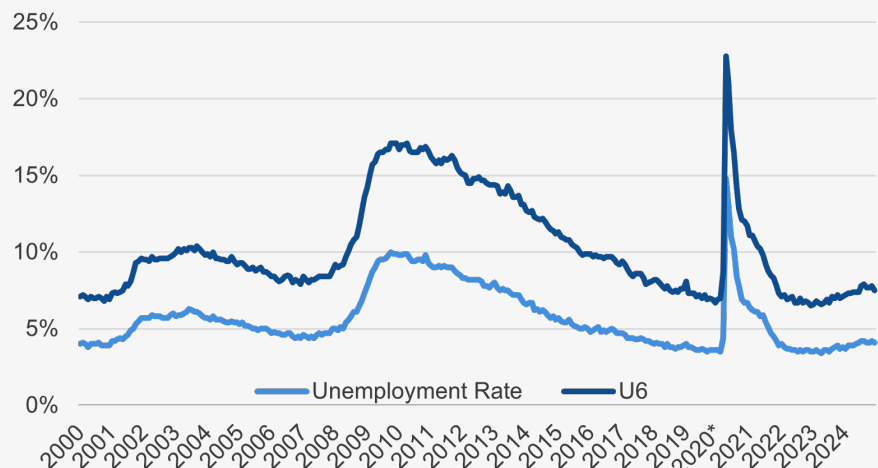
Manufacturing and wholesale inventories remained in line with their 10-year average, meaning companies have sufficient product on hand relative to their sales. Retail inventories have come back from their large drop during Covid in 2020, but remain under 2019 levels. Inventories, at these levels, are a positive indicator for future production.

## EMPLOYMENT

Employment continued to be a bright spot in 2024. The U.S. economy added 2.2 million jobs during the year.

The official unemployment rate rose slightly to 4.1% during the year. The U6 rate, which is the broadest measure of those unemployed, ended the year at 7.5%.

**Unemployment Rate & U6 Unemployment: 2000-2024**

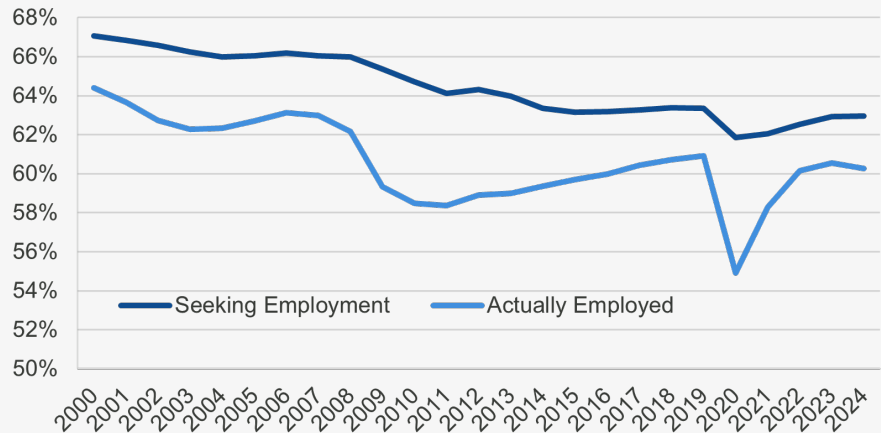


## EMPLOYMENT

Another way to analyze the employment situation is to look at the raw data. There are 268 million people in the U.S. of working age. Of those, 169 million “want to work”. Of those 169 million persons wanting to work, 162 million are currently employed, leaving 7 million unemployed. Another way to look at the data is that there are 99 million people of working age who do not “want to work” – which is 500,000 more than last year - (age, in school, stay at home parent, etc.) plus another 7 million people who want to work but are not employed.

We can also look at the data to view the percentage of individuals wanting to work with the percentage actually employed. Currently, 62.9% of the U.S. eligible population wants to work and 60.2% are working. With 8.1 million job openings and only 7 million unemployed, hiring continues to be a concern for employers.

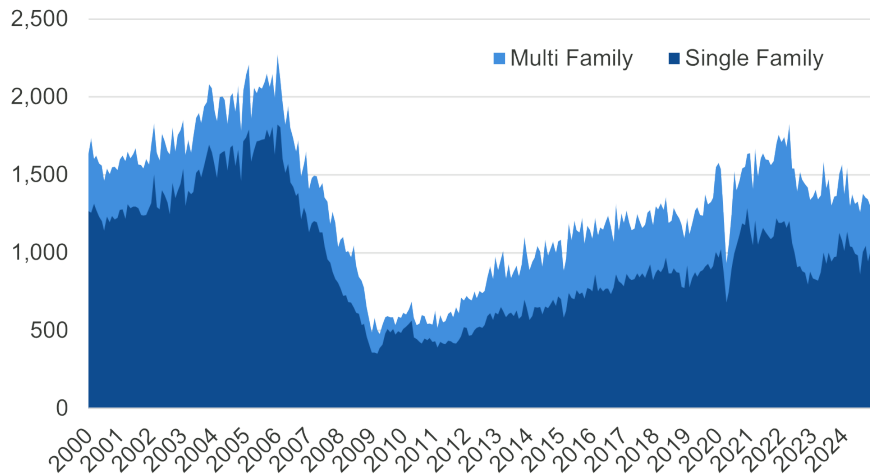
**% of Population age 16 and over Seeking Employment vs Actually Employed: 2000-2024**



## HOUSING

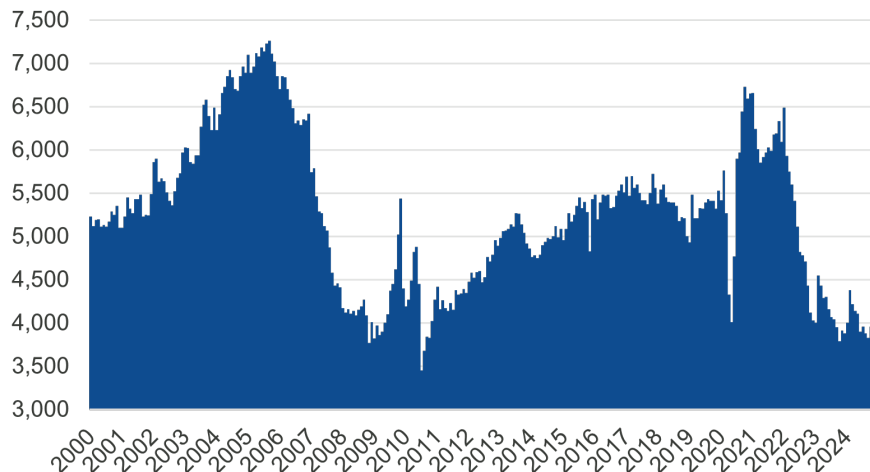
Monthly new home starts slowed for the third straight year, dropping 4% from 2023.

**New Private Housing Starts (thousands): 2000-2024**



Monthly sales of existing homes followed the same pattern, averaging just 4 million per year which is down from a pace of 6.1 million in 2021.

**Existing Home Sales (thousands): 2000-2024**



# HOUSING

### 30 Year Fixed Rate Mortgage: 2000-2024

The interest rate on a 30-year fixed rate mortgage started the year at 6.61%, hit a high of 7.22% in May and finished the year at 6.85%. Mortgage rates continue to be the biggest headwind to the housing market.



### Case-Shiller Home Price Index Year over Year Change: 2000-2024

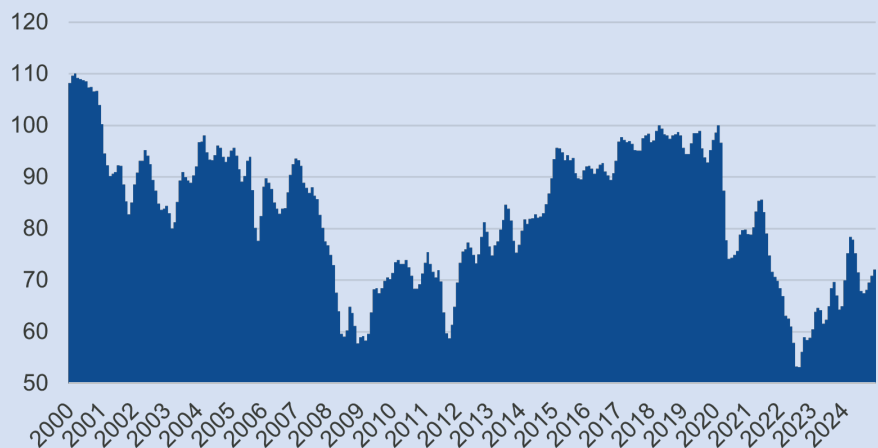


With demand for housing outpacing supply, the average home price increased 5% during 2024. This chart tracks the year over year percentage change in home prices.

# CONSUMER SENTIMENT

### University of Michigan Index of Consumer Sentiment: 2000-2024

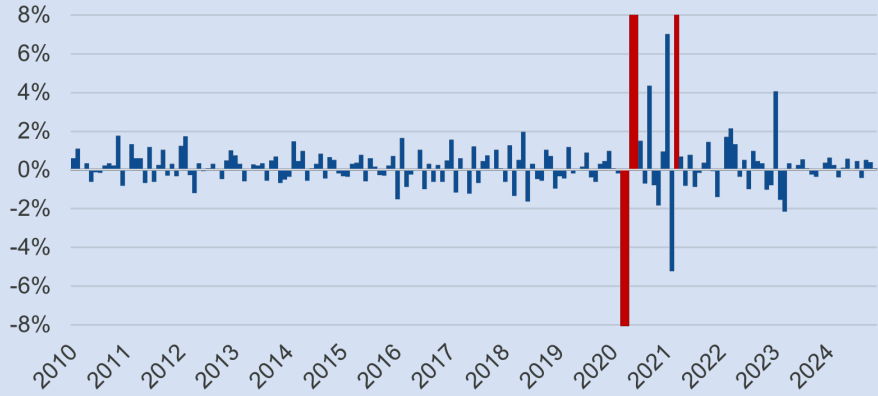
As one might expect, consumer sentiment, as measured by the University of Michigan monthly survey, continued to fluctuate, starting the year at 65, rising to a high of 78 before ending the year at 73. Readings in the 60's are low by historical standards.



## CONSUMERS SALES

Retail sales grew by 2.7% during the year which was slightly above the 10-year and 15-year average.

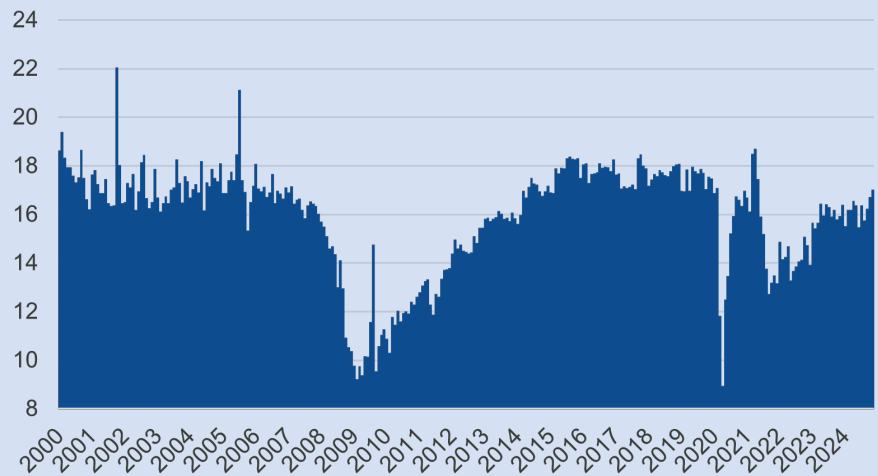
Month over Month Change in Sales: 2010-2024  
General Merchandise, Apparel, Furniture, & Other



\* Data extends beyond range shown

Sales of new vehicles remained steady during the year. New vehicles sold at an annualized pace of 16 million vehicles during the year which is the highest total since 2019.

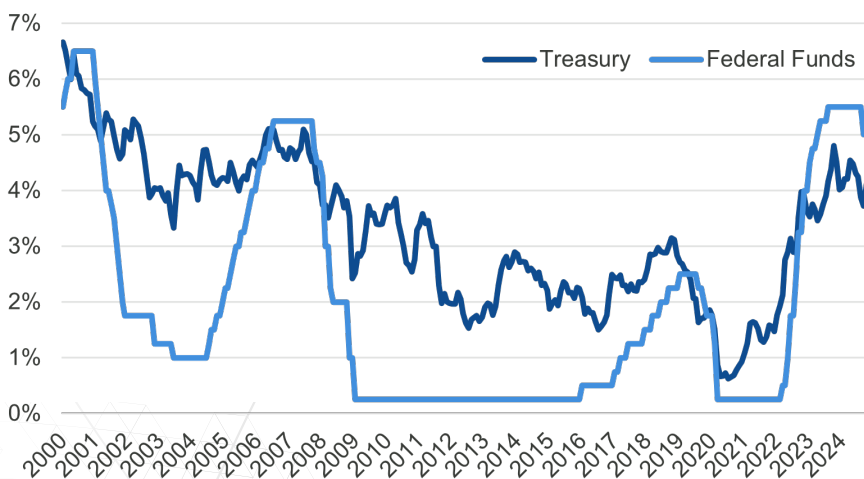
Total Vehicle Sales (millions): 2000-2024



## INTEREST RATES

The Federal Reserve lowered the Fed Funds rate three times in 2024 decreasing it from 5.5% to 4.5%. Future Fed Fund rate cuts will be dependent on softening inflation data. Longer term rates (10-year Treasury rates) are determined by market forces and started the year at 3.88%, hit a low of 3.66%, a high of 4.79% before ending the year at 4.58%.

10 Year Treasury Rate and Federal Funds Rate: 2000-2024

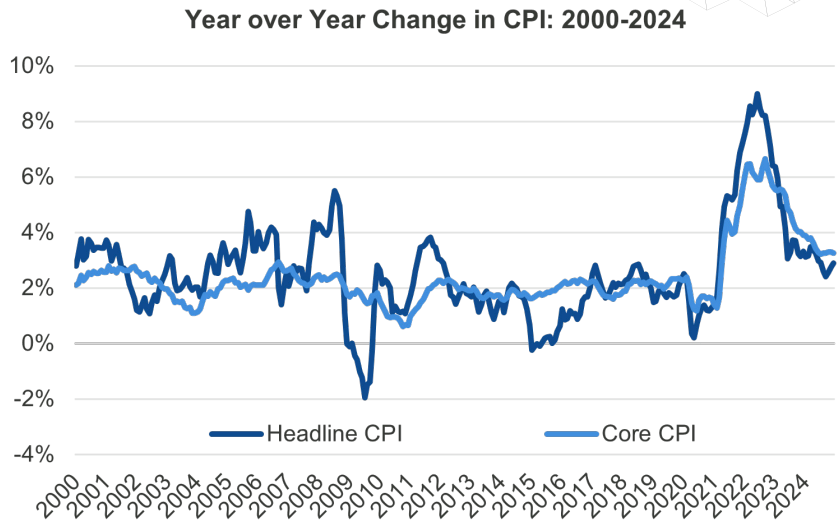


THE FEDERAL RESERVE  
**LOWERED RATES**  
THREE TIMES IN  
2024 AFTER IT RAISED  
FOUR TIMES IN 2023.

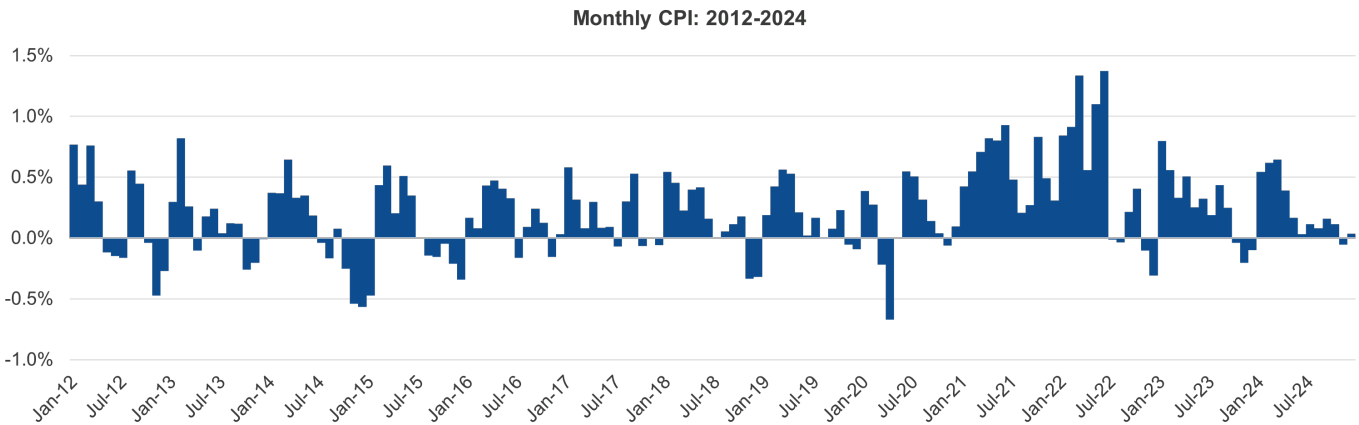


# INFLATION

The major economic story of 2024 continued to be inflation. While the rate of increase in inflation is falling, prices are still rising. Both headline inflation (which includes food and energy) and core inflation (which excludes food and energy) have been under 4% since 2023 but remain above the Fed's target rate of 2%. Headline inflation started the year at 3.3% and dropped to 2.9% by the end of the year. The long-term impact of inflation remains a headwind to the consumer as overall prices are up 20% over the past four years (December, 2024 vs January, 2020).

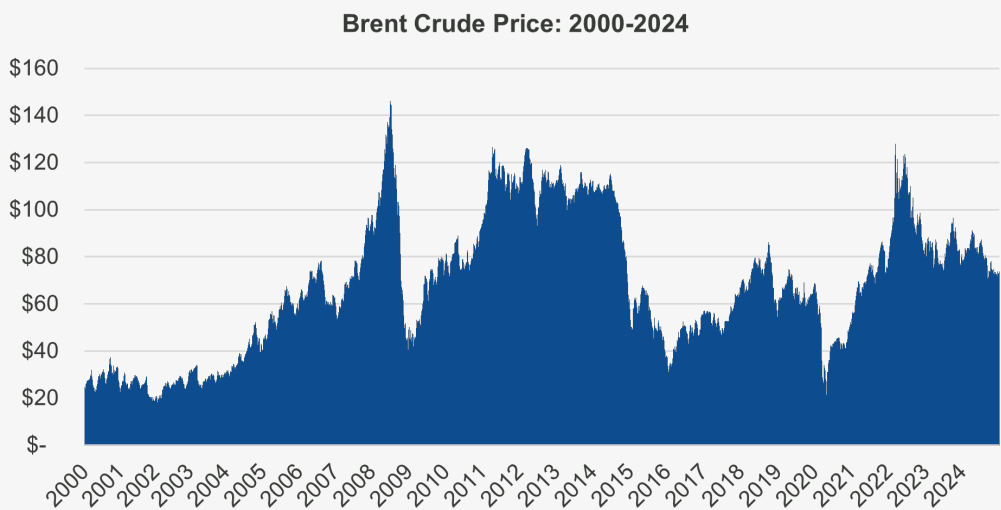


The inflation data above is computed on a year over year basis (ie. December, 2024 to December, 2023) Another way to look at inflation is on a month over month basis which computes how much inflation is continuing to rise (rather than comparing to one year ago). On this measure, inflation data may indicate the worst of inflation is behind us.



# OIL

The price of a barrel of oil started the year at \$77, rose to a high of \$91, and ended the year at \$74.





## US DOLLAR

The U.S. dollar gained 9% against other world currencies during the year. A stronger U.S. dollar makes imported items less expensive to U.S. consumers and our exports more expensive to foreign markets.

Trade Weighted U.S. Dollar Index: 2006-2024

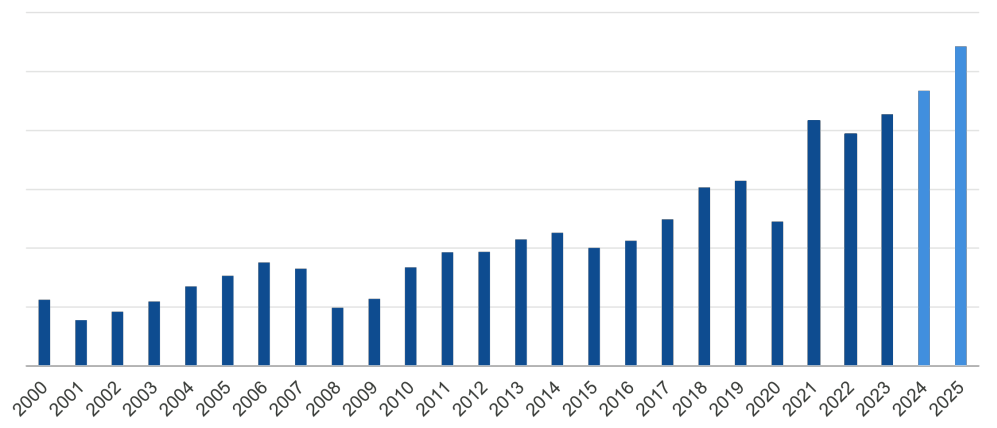


## STOCKS

Returns on stocks are a function of corporate earnings, expansion/contraction in the Price to Earnings (PE) ratio and dividends. As the stock market rises, attention needs to be paid to “why”?

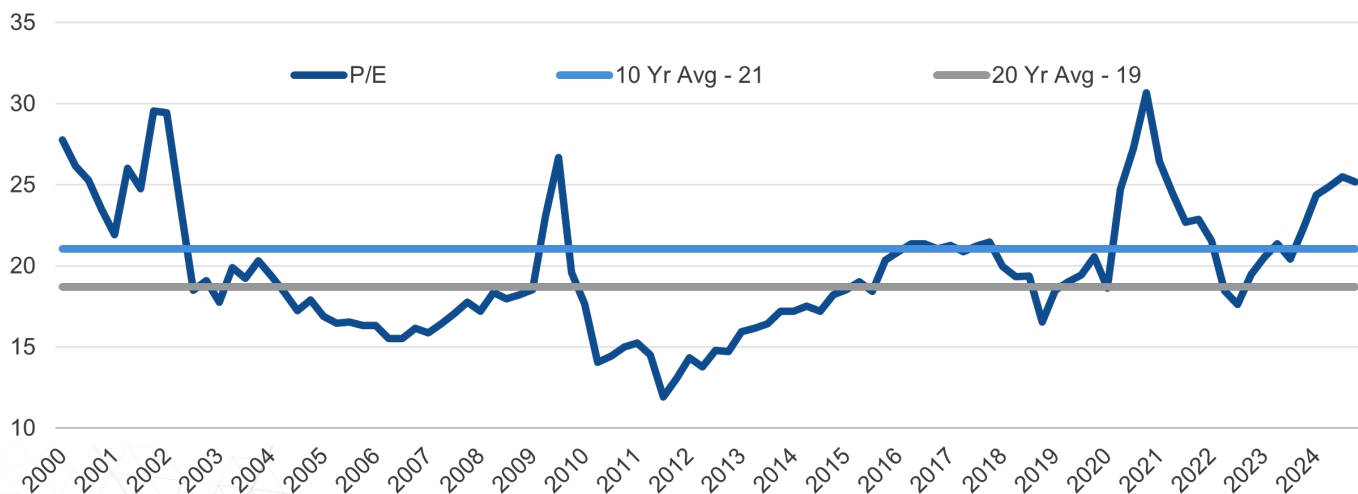
Corporate profits have been a big tailwind to the stock market. The S&P 500 Companies’ earnings are projected to increase 9% in 2024 over 2023 earnings. Current estimates call for 2025 earnings to increase 16% over 2024. The market views the new administration as more business friendly than its predecessor.

12 Month Operating Earnings: 2000-2025E



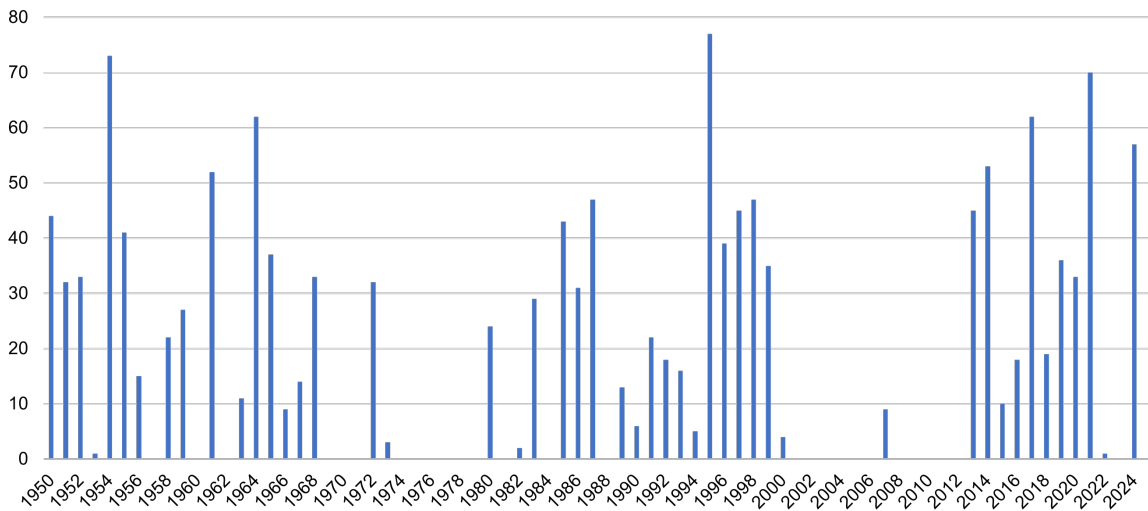
Along with the rise in corporate profits, the S&P 500 Price to Earnings (PE) ratio increased from 22 to 25 during the year. That puts current levels 14% and 31% above the 10-year and 20-year averages, respectively. This leads us to believe that further expansion in the PE ratio may be muted.

S&P 500 P/E Ratio to Historical Averages: 2000-2024



With the PE ratio elevated, one has to wonder how high can the stock market go? During 2024 the S&P 500 hit 57 new record highs after hitting only 1 during all of 2022 and 2023. For comparison purposes, the markets hit record highs for 9 straight years from 2013 to 2021.

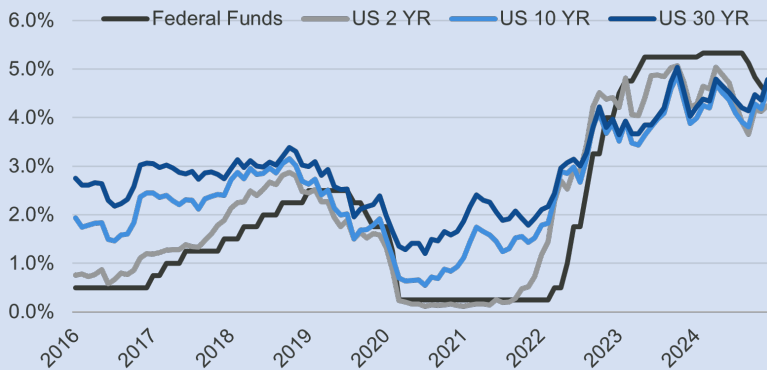
Number of All-Time Highs for the S&P 500 Each Year



## BONDS

The bond market is a totally different market. Interest rates are high across the board. With the drops in the Fed Funds rate, the yield curve is no longer inverted for the first time in 2 years. This has usually been a good sign for the economy, and has dampened talks of a recession.

Interest Rate Comparison: 2016-2024



The yield curve is **No Longer Inverted** for the first time in 2 years.

## RECAP

The markets rewarded investors in 2024. The U.S. stock market provided double digit returns for the 5th time out of the past 6 years. Interest rates rewarded investors as rates remained elevated. We believe in our investment strategies for the long term and stayed on course in spite of the worrisome headline news, and were rewarded for doing so. The year brought wealth transfer opportunities for our clients which we capitalized on as the situation warranted.

At JVL Wealth Strategies, our mission is to create a financial strategy that helps our clients withstand the ups and downs of the markets. Our role is to prepare our clients for all economic and market conditions. Our planning and strategies are built to withstand market uncertainties. While we cannot control the news or the events and actions that affect the markets around the world, we can control the strategies and the planning to prepare our clients for the uncertainties the world has to offer. We are planners not predictors.

We deeply value the trust our clients place in us. If you know of someone who could benefit from our experience, please let us know. You can learn more about us at [www.jvlwealth.com](http://www.jvlwealth.com). Feel free to pass the link along.

## REFERENCES

- [1] Information obtained from YCharts.com
- [2] Information obtained from YCharts.com
- [3] Information obtained from YCharts.com
- [4] Information obtained from Morningstar Direct: S&P 500 Price Return
- [5] Information obtained from YCharts.com: <https://ycharts.com/indices/%5ESPX>
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- [7] Information obtained from YCharts.com: [https://ycharts.com/indicators/us\\_pmi](https://ycharts.com/indicators/us_pmi)
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- [18] Information obtained from Morningstar Direct: "FRED, Total Vehicle Sales, Seasonally Adjusted Annual Rate , U.S. Bureau of Economic Analysis, Millions of Units"
- [19] Information obtained from Morningstar Direct: "FRED, Federal Funds Effective Rate, Not Seasonally Adjusted , , Percent" & "FRED, Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis, Not Seasonally Adjusted , , Percent"
- [20] Information obtained from Morningstar Direct: "FRED, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy in U.S. City Average, Seasonally Adjusted , , Index 1982-1984=100" & "FRED, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average, Seasonally Adjusted , , Index 1982-1984=100"
- [21] Information obtained from the U.S. Bureau of Labor Statistics website: <https://www.bls.gov>
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- [24] Information obtained from S&P Dow Jones Indices website: <http://us.spindices.com/indices/equity/sp-500>
- [25] Information obtained from S&P Dow Jones Indices website: <http://us.spindices.com/indices/equity/sp-500>
- [26] Information obtained from YCharts.com: <https://ycharts.com/indices/%5ESPX>
- [27] Information obtained from YCharts.com



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