

Independence Asset Advisors

MONTHLY MARKET REVIEW – December 2024

	Dec 2024	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	-2.38%	25.02%	8.94%	14.53%	13.10%
U.S. Small Cap Equities Russell 2000	-8.26%	11.54%	1.24%	7.40%	7.82%
Energy Infrastructure Equities Alerian U.S. Midstream	-6.91%	50.75%	32.52%	20.42%	8.28%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-7.14%	8.10%	-3.02%	3.40%	4.89%
Global Equities MSCI All Country World Index	-2.37%	17.49%	5.44%	10.06%	9.23%
International Developed Equities MSCI EAFE	-2.27%	3.82%	1.65%	4.73%	5.20%
Emerging Market Equities MSCI Emerging Markets	-0.14%	7.50%	-1.92%	1.70%	3.64%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-1.64%	1.25%	-2.41%	-0.33%	1.35%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-1.46%	1.05%	-0.55%	0.99%	2.25%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	-0.43%	8.19%	2.92%	4.21%	5.17%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.57%	8.96%	7.00%	5.86%	5.15%

MARKET UPDATE

- U.S. equity markets declined in December after setting new record highs throughout the year.
- Much of the decline occurred after the Federal Reserve meeting on December 18th, when Fed Chairman Powell projected only two 0.25% interest rate cuts in 2025, citing sticky forward-looking core inflation.
- U.S. large cap stocks fell 2.4%, with “growth” outperforming “value” by 7.7%.
 - The S&P 500 Index ended the year at 5,881 after setting 57 new record highs.
 - Large cap “value” traded sharply lower; discount to “growth” increased to 44% based on Current P/E.
 - U.S. small cap stocks declined the most in December following the Fed’s revised interest rate projection.
- Non-U.S. equity results were slightly better in December, but still negative overall.
 - Emerging markets remained pressured by a strengthening U.S. dollar, but were supported in December by additional stimulus measures enacted to rejuvenate China’s decelerating GDP growth.
- Fixed income category returns were modestly negative in December as yields rose and prices declined.
- Investment grade and high yield bond yields increased to 4.9% and 7.5%, respectively.
- The yield curve steepened between 2-year and 10-year Treasuries to 0.33% (historical spread is 0.86%).

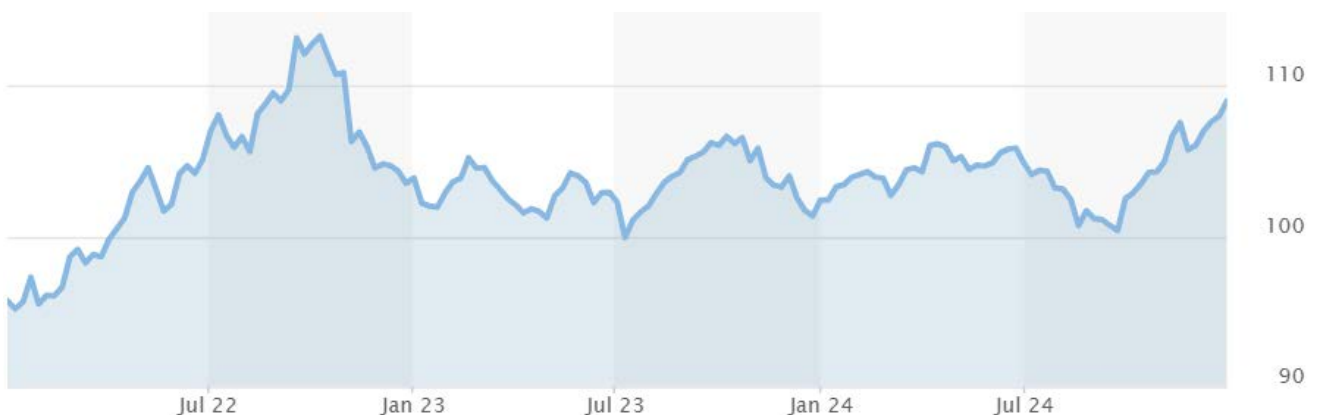
Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters.

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> U.S. economic growth was revised up to a 3.1% seasonally adjusted annual rate. This marked the second consecutive quarter of above trend growth. Consumer spending was the primary driver of growth, rising 3.7% q/q.
Profits	<ul style="list-style-type: none"> The 3Q24 earnings season is complete: <ul style="list-style-type: none"> Earnings Per Share (EPS) of \$61.61; increased 4.6% y/y and 1.8% q/q. Mega cap tech and health care delivered double digit earnings growth.
Jobs	<ul style="list-style-type: none"> The November jobs report showed a rebound in hiring: <ul style="list-style-type: none"> Nonfarm payrolls rose by 227,000, with 56,000 jobs added in Sep/Oct. Wages rose 0.4% m/m and 4.0% y/y; unemployment rose to 4.2%
Inflation	<ul style="list-style-type: none"> November Personal Consumption Expenditures Index (PCE): <ul style="list-style-type: none"> Headline: 2.4% y/y (0.1% increase m/m). Core: 2.8% y/y increase (no change m/m).
Interest Rates	<ul style="list-style-type: none"> The FOMC elected to lower the policy rate by 0.25%; range of 4.25%-4.50%: <ul style="list-style-type: none"> The FOMC 2025 median year-end estimated policy rate is 3.90%. The market expectation has adjusted to meet the Fed's dot plot.

CANADA:

- The U.S. dollar index (DXY) **increased** 2.6% in December and **increased** 7.0% year-to-date (see chart below), while the U.S. dollar **strengthened** 8.8% (YTD) against the Canadian dollar to end the year with an exchange rate of **1.44**.
- The Bank of Canada reduced its policy interest rate from 3.75% to 3.25% on December 11th.
- The central bank lowered its policy rate by 1.75% in 2024.
- The Bank of Canada's next interest rate announcement is scheduled for January 24th.
- Economists do not expect interest rates to move as dramatically in 2025 as they did in 2024.
- The most recent data showed Canada's real GDP increased 0.3% in October, but fell 0.1% in November, with indications from the Bank of Canada for a 0.25% interest rate cut in January.



COMMODITIES:

OIL:

- **The price of crude oil was \$71.87 per barrel (WTI).**
- Oil prices increased \$3.72 per barrel, or 5.5%, in December.
- Crude traded higher in December and is expected to move upwards, supported by forecasts of colder weather in Europe and reduced U.S. crude stockpiles, which adds to price support.
- **Oil is forecasted to trade between \$65 and \$80 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$75.83	\$87.01	\$66.37	1%
2023	\$77.64	\$93.84	\$66.74	-11%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- **The price of copper was \$4.02 USD per pound.**
- Copper prices decreased \$0.12 per pound, or 2.9%, in December.
- Copper prices traded lower in December, again pressured by a strengthening U.S. dollar. Prices may remain muted amid weaker-than-expected manufacturing data from China, which is expected to reduce demand amid high supply.
- **Copper is forecasted to trade between \$3.95 and \$4.30 per pound over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$4.23	\$5.10	\$3.68	3%
2023	\$3.86	\$4.28	\$3.57	2%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

ALUMINUM:

- **The price of aluminum was \$2,556 USD per tonne.**
- Aluminum prices decreased \$44.50 per tonne, or 1.7%, in December.
- Aluminum prices traded lower for the second consecutive month, pressured by the stronger U.S. dollar.
- **Aluminum is forecasted to trade between \$2,550 USD/tonne and \$2,625 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2024	\$2,458	\$2,768	\$2,159	7%
2023	\$2,288	\$2,662	\$2,122	0%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

Disclosures:

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, StatisticsCanada, Bloomberg, Financial Post, bea.gov, U.S. Dept of Labor/Bureau of Labor Statistics, Bank of Canada, Reuters.

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