



## Weekly Focus – Think About It

“We cannot cure the world of sorrows, but we can choose to live in joy.”

—Joseph Campbell, writer

# THE MARKETS

## BUT THAT’S NOT WHAT I WANTED!

Last week, markets were about as happy as a toddler opening a gift they didn’t like.

The first upsetting event followed the Federal Reserve (Fed)’s final policy meeting for 2024. The Fed met expectations by lowering its policy rate one-quarter of a percentage point, as many economists had anticipated. The federal funds rate is now a full percentage point lower than it was at the start of September.

In later remarks, Fed Chair Jerome Powell confirmed the United States economy remained strong, the jobs market remained solid, and progress had been made toward the Fed’s inflation goals. That was all good news. The upset came when Powell pointed out that inflation remained higher than the central bank’s target and the Fed will “be more cautious as we consider further adjustments to our policy rate.”

Powell’s statement was reflected in the “dot plot,” a scatter chart showing projections for the federal funds rate over the next three years. The chart suggested there may be only two rate cuts in 2025, which is fewer than markets had hoped.

“Stocks tumbled 3 [percent] and bonds plunged too, sending yields on benchmark 10-year Treasuries to their highest in seven months...Of course, Powell’s remarks...weren’t a total blindside. Economic data has been hinting at a resilient U.S. economy, while inflation has remained stubbornly above the Fed’s 2 [percent] target. In the \$29 trillion U.S. bond market, traders had pushed yields up some 75 basis points on the 10-year Treasury since the central bank first started cutting rates in mid-September,” reported Liz Capo McCormick, Michael Mackenzie, Jess Menton, and Alexandra Semenova of *Bloomberg*.

The markets’ malaise deepened as the specter of a holiday government shutdown appeared. “The S&P 500 dipped late Wednesday...after [Elon] Musk and [President-elect Donald] Trump derailed the original spending deal,” reported Anita Hamilton, Liz Moyer, Bill Alpert, and Callum Keown of *Barron’s*. A fast-tracked second deal also failed. The chance of a shutdown loomed as markets closed for the week, but policymakers passed a stopgap funding bill just after midnight, reported Christina Wilkie of CNBC.

Markets were concerned because government shutdowns hurt the American economy. “A shutdown at the end of 2018 that ran through the new year was partial because five of the government’s 12 appropriation bills had been funded. Even still, the shutdown...reduced the

U.S. gross domestic product by \$11 billion, according to the Congressional Budget Office,” reported Dan Rosenzweig-Ziff of *The Washington Post*.

Investors’ spirits lifted on Friday after the Fed’s favorite inflation gauge was released. The Personal Consumption Expenditures Index showed that headline inflation was 2.4 percent year over year, slightly higher than the previous month. However, core inflation, which excludes food and energy, cooled significantly month to month.

Last week, major U.S. stock indices finished lower. The yield on the 10-year U.S. Treasury rose last week, steepening the yield curve, reported Liz Capo McCormick of Bloomberg.

Data as of 12-20-24	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.0%	24.3%	26.2%	9.1%	13.0%	11.1%
Dow Jones Global ex-U.S.	-3.4	2.2	4.2	-0.9	1.7	2.3
10-year Treasury Note (Yield Only)	4.5	N/A	3.9	1.4	1.9	2.2
Gold (per ounce)	-1.6	25.9	28.2	13.4	12.1	8.2
Bloomberg Commodity Index	-1.1	-1.1	-1.6	0.8	4.0	-0.9

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

## WHICH COUNTRY HAD THE BEST ECONOMY IN 2024?

Despite high interest rates, stubborn inflation, and wars in Ukraine and the Middle East, there was no stopping the global economy in 2024. In October, the International Monetary Fund forecasted the world economy will grow by 3.2 percent in 2024 with the world’s developed economies growing by 1.8 percent and emerging and developing economies growing by 4.2 percent. The United States was projected to grow by 2.8 percent over the same period.

While the U.S. economy is growing faster than many advanced economies, the United States did not have the best economy in 2024, according to analysis from *The Economist*. The newspaper reviewed economic and financial indicators, including:

- Gross domestic product, or GDP, which is the value of all goods and services produced by a country,
- Stock market performance,
- Core inflation,
- Unemployment, and
- Government deficits, which is the difference between what a government receives and what it spends.

When the analysis of 37 nations was complete, *The Economist* determined that Spain had the “best” economy for 2024.

“While Europe’s other large economies are plunged in gloom, Spain’s is soaring. It is set to grow 3 [percent] this year...almost four times the euro-area average. Hit harder than most by the pandemic, it now boasts 1.8 [million] more jobs than at the end of 2019. Investors have noticed: with faster growth and a lower fiscal deficit than France, Spain has seen its bond yields dip below those of its northern neighbor for the first time since 2007,” reported *The Economist*.

Ireland, Denmark, Greece, and Italy rounded out the top five. The United States landed in 20<sup>th</sup> position. The U.S. had higher inflation than most of the top five, a slightly higher unemployment rate, and a much higher deficit, which offset solid economic growth and extraordinary share price gains. Three of the top five economies had budget surpluses last year.

Best regards,

Andrew Zittell  
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### Sources:

Andrew Zittell, CLU®, ChFC®, AIF®, RFC® is a registered representative with, and securities offered through LPL Financial, Member FINRA/SIPC.

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\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

\* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

\* The Standard & Poor’s 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

\* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

\* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.

\* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

\* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

\* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

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\* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

\* Asset allocation does not ensure a profit or protect against a loss.

\* Consult your financial professional before making any investment decision.

\* To unsubscribe from the Weekly Market Commentary please email us at [info@ybp.com](mailto:info@ybp.com)

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