

# Market Update

*Q1 2025*

A decorative flourish consisting of a light gray, elegant scroll that starts from the left, loops upwards and to the right, then loops back down and to the left, framing the text below.

THE WEALTH GROUP

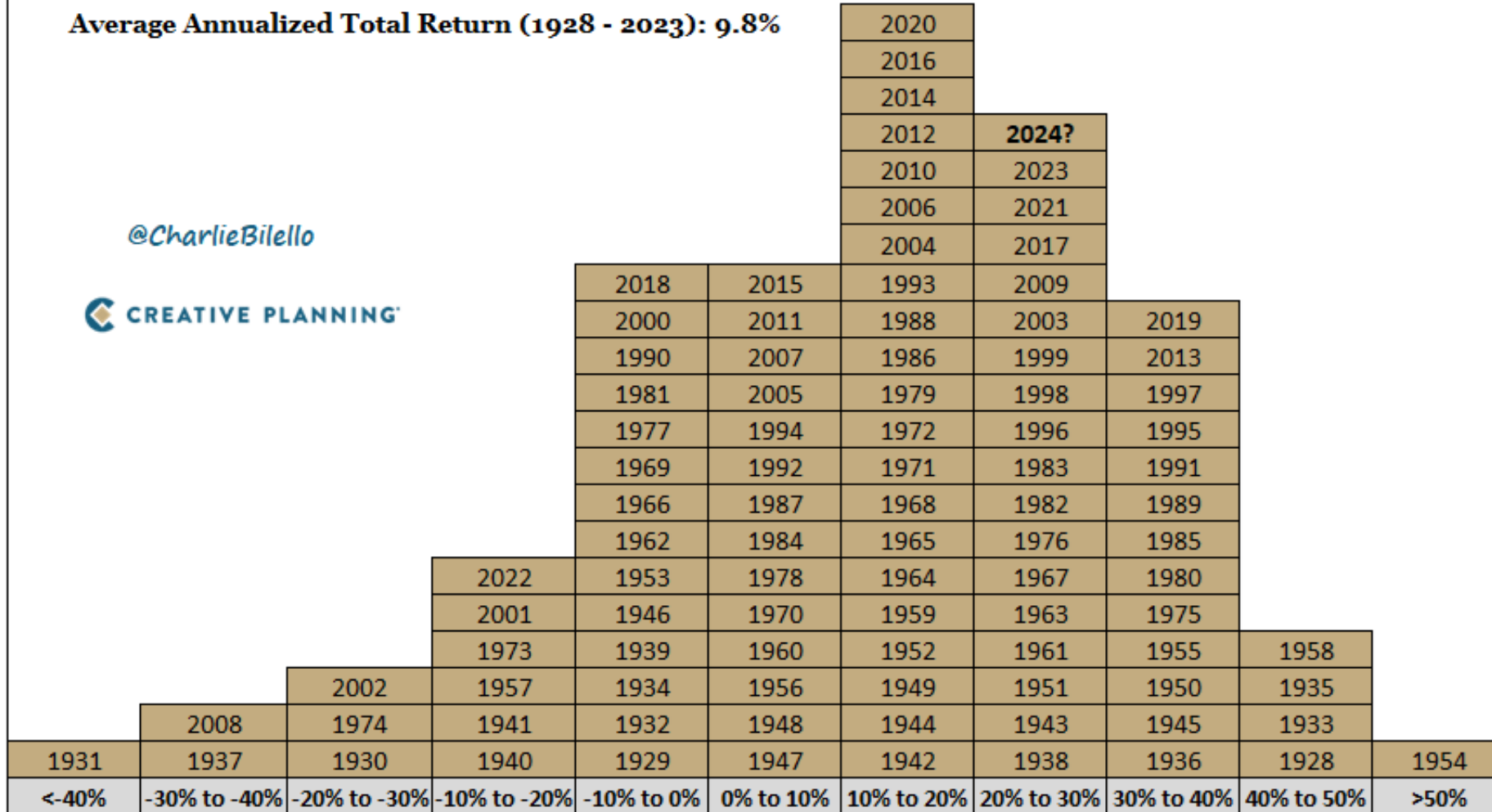
AUSTIN B. COLBY & ASSOCIATES

# another great year logged for US stocks

## S&P 500 Annual Total Returns (1928 - 2024)

Average Annualized Total Return (1928 - 2023): 9.8%

@CharlieBilello



# asset class returns

2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10 Years
REITs 2.4%	Small Cap 26.6%	EM 37.3%	Cash 1.7%	Large Cap 31.2%	Large Cap 18.3%	REITs 40.5%	Comdty 17.5%	Large Cap 26.2%	Large Cap 24.9%	Large Cap 13.0%
Large Cap 1.3%	Mid Cap 20.5%	Int'l Stocks 25.1%	Bonds 0.1%	REITs 28.9%	EM 17.0%	Comdty 31.1%	Cash 1.4%	Int'l Stocks 18.4%	Mid Cap 13.6%	Mid Cap 9.4%
Bonds 0.5%	Comdty 12.9%	Large Cap 21.7%	TIPS -1.4%	Mid Cap 25.8%	Mid Cap 13.5%	Large Cap 28.8%	<b>EW</b> <b>-11.5%</b>	Mid Cap 16.1%	Small Cap 8.6%	Small Cap 8.9%
Cash -0.1%	Large Cap 12.0%	Mid Cap 15.9%	Large Cap -4.6%	Small Cap 22.6%	Small Cap 11.4%	Small Cap 26.8%	TIPS -12.2%	Small Cap 16.1%	<b>EW</b> <b>7.6%</b>	<b>EW</b> <b>5.4%</b>
Int'l Stocks -1.0%	EM 10.9%	Small Cap 13.1%	REITs -6.0%	Int'l Stocks 22.0%	TIPS 10.8%	Mid Cap 24.5%	Bonds -13.0%	REITs 11.8%	EM 6.5%	Int'l Stocks 5.2%
TIPS -1.8%	<b>EW</b> <b>10.0%</b>	<b>EW</b> <b>12.6%</b>	<b>EW</b> <b>-7.2%</b>	EM 18.2%	<b>EW</b> <b>7.8%</b>	<b>EW</b> <b>16.3%</b>	Mid Cap -13.3%	<b>EW</b> <b>10.2%</b>	Comdty 5.6%	REITs 5.1%
Small Cap -1.8%	REITs 8.6%	REITs 4.9%	Small Cap -8.6%	<b>EW</b> <b>17.5%</b>	Int'l Stocks 7.6%	Int'l Stocks 11.5%	Int'l Stocks -14.4%	EM 9.0%	Cash 5.2%	EM 2.9%
Mid Cap -2.5%	TIPS 4.7%	Bonds 3.6%	Mid Cap -11.3%	Bonds 8.5%	Bonds 7.5%	TIPS 5.7%	Small Cap -16.1%	Bonds 5.7%	REITs 4.8%	TIPS 2.1%
<b>EW</b> <b>-4.7%</b>	Bonds 2.4%	TIPS 2.9%	Comdty -13.1%	TIPS 8.4%	Cash 0.4%	Cash -0.1%	Large Cap -18.2%	Cash 4.9%	Int'l Stocks 3.5%	Cash 1.6%
EM -16.2%	Int'l Stocks 1.4%	Comdty 0.7%	Int'l Stocks -13.8%	Comdty 7.6%	Comdty -4.1%	Bonds -1.8%	EM -20.6%	TIPS 3.8%	TIPS 1.7%	Bonds 1.3%
Comdty -28.2%	Cash 0.1%	Cash 0.7%	EM -15.3%	Cash 2.0%	REITs -4.6%	EM -3.6%	REITs -26.2%	Comdty -9.9%	Bonds 1.3%	Comdty 0.7%

Funds: EEM, VNQ, MDY, SPSM SPY, EFA, TIP, AGG, DJP, BIL

# back to all-time highs (57 days of new highs in 2024)

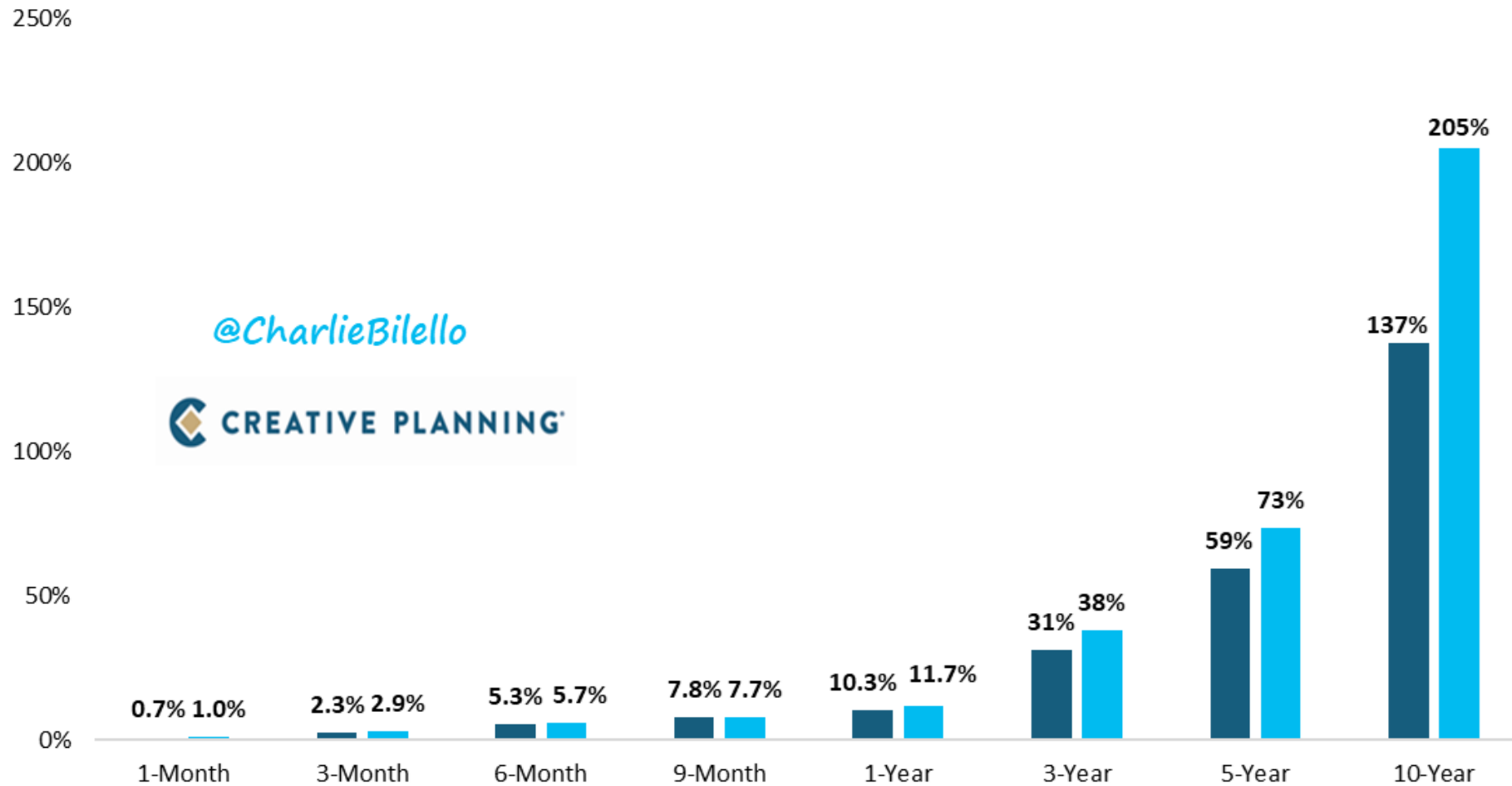
S&P 500 Index: Number of All-Time Highs (1929 - 2024)									
Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH	Year	# ATH
1929	45	1949	0	1969	0	1989	13	2009	0
1930	0	1950	0	1970	0	1990	6	2010	0
1931	0	1951	0	1971	0	1991	22	2011	0
1932	0	1952	0	1972	32	1992	18	2012	0
1933	0	1953	0	1973	3	1993	16	2013	45
1934	0	1954	27	1974	0	1994	5	2014	53
1935	0	1955	49	1975	0	1995	77	2015	10
1936	0	1956	14	1976	0	1996	39	2016	18
1937	0	1957	0	1977	0	1997	45	2017	62
1938	0	1958	24	1978	0	1998	47	2018	19
1939	0	1959	27	1979	0	1999	35	2019	36
1940	0	1960	0	1980	24	2000	4	2020	33
1941	0	1961	53	1981	0	2001	0	2021	70
1942	0	1962	0	1982	2	2002	0	2022	1
1943	0	1963	12	1983	30	2003	0	2023	0
1944	0	1964	65	1984	0	2004	0	<b>2024</b>	<b>57</b>
1945	0	1965	37	1985	43	2005	0		
1946	0	1966	9	1986	31	2006	0		
1947	0	1967	14	1987	47	2007	9		
1948	0	1968	34	1988	0	2008	0		

Feast or famine periods for stocks...make sure you're there for the harvest!

# is it bad to invest at all-time highs?

### S&P 500 Average Forward Total Returns (Jan 1929 - Dec 2024)

■ New All-Time High   ■ All Other Time Periods

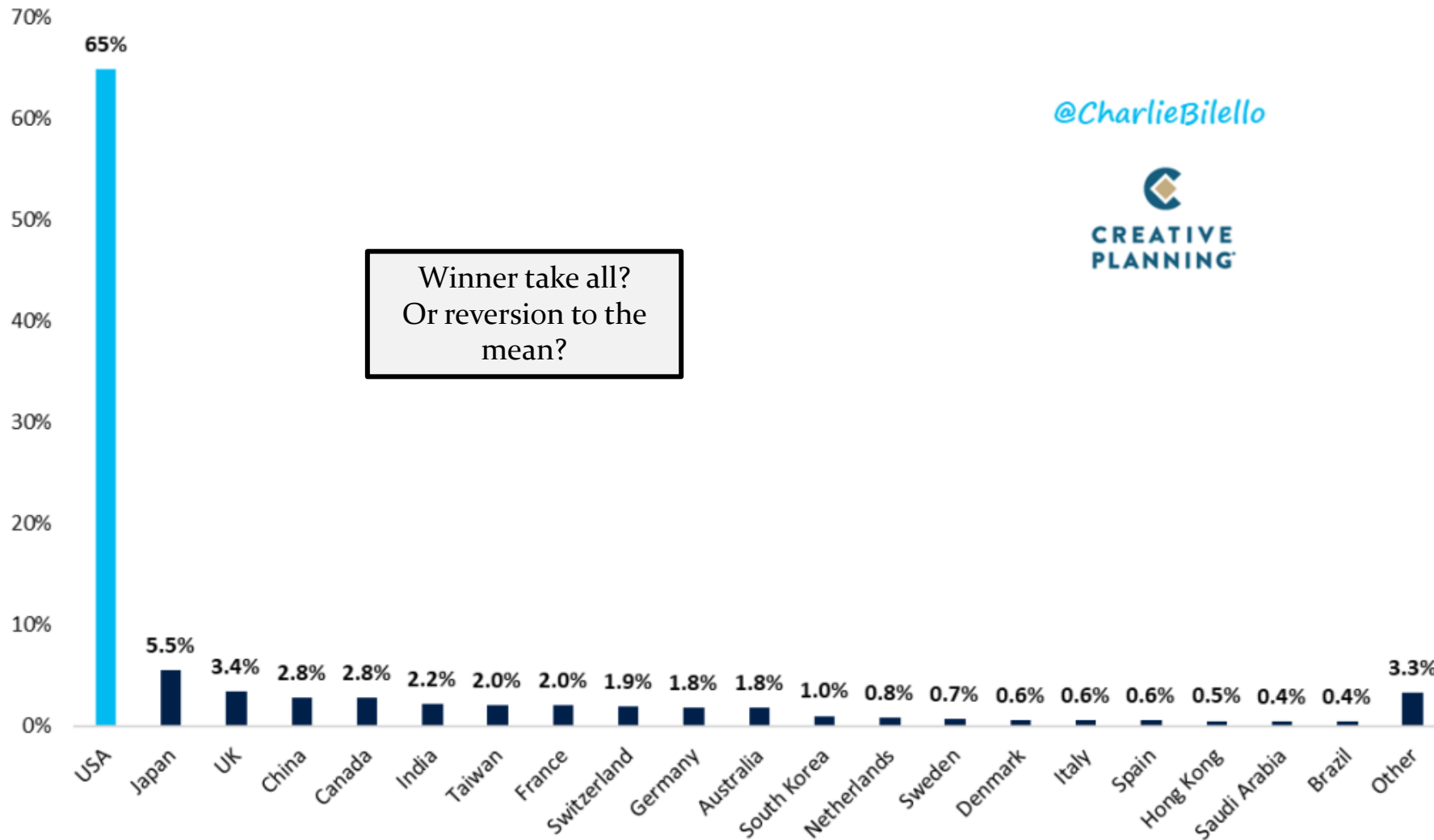


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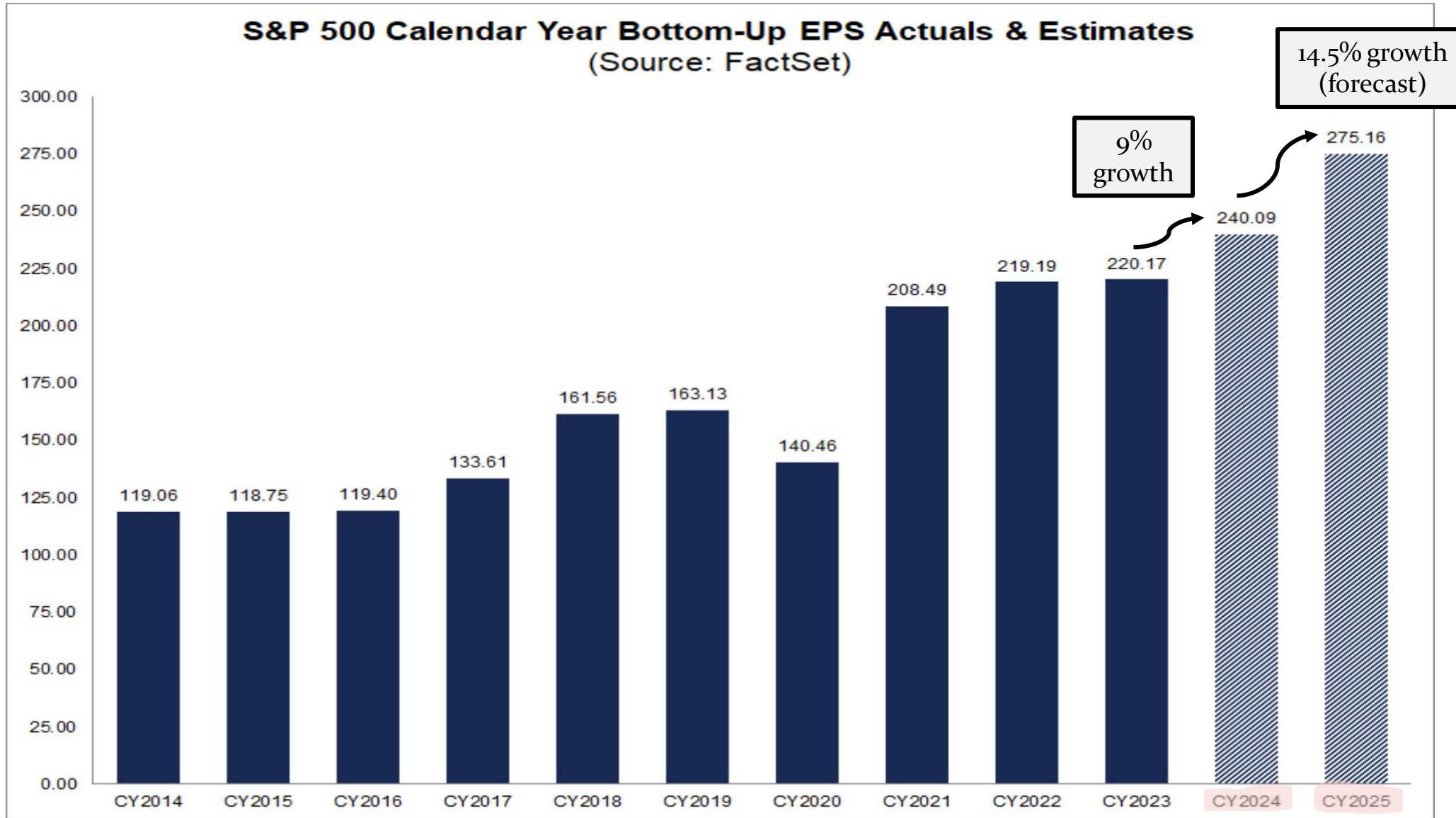


# American dominance continues surging

**Equity Weightings by Country**  
(FTSE Global All Cap Index, as of November 30, 2024)



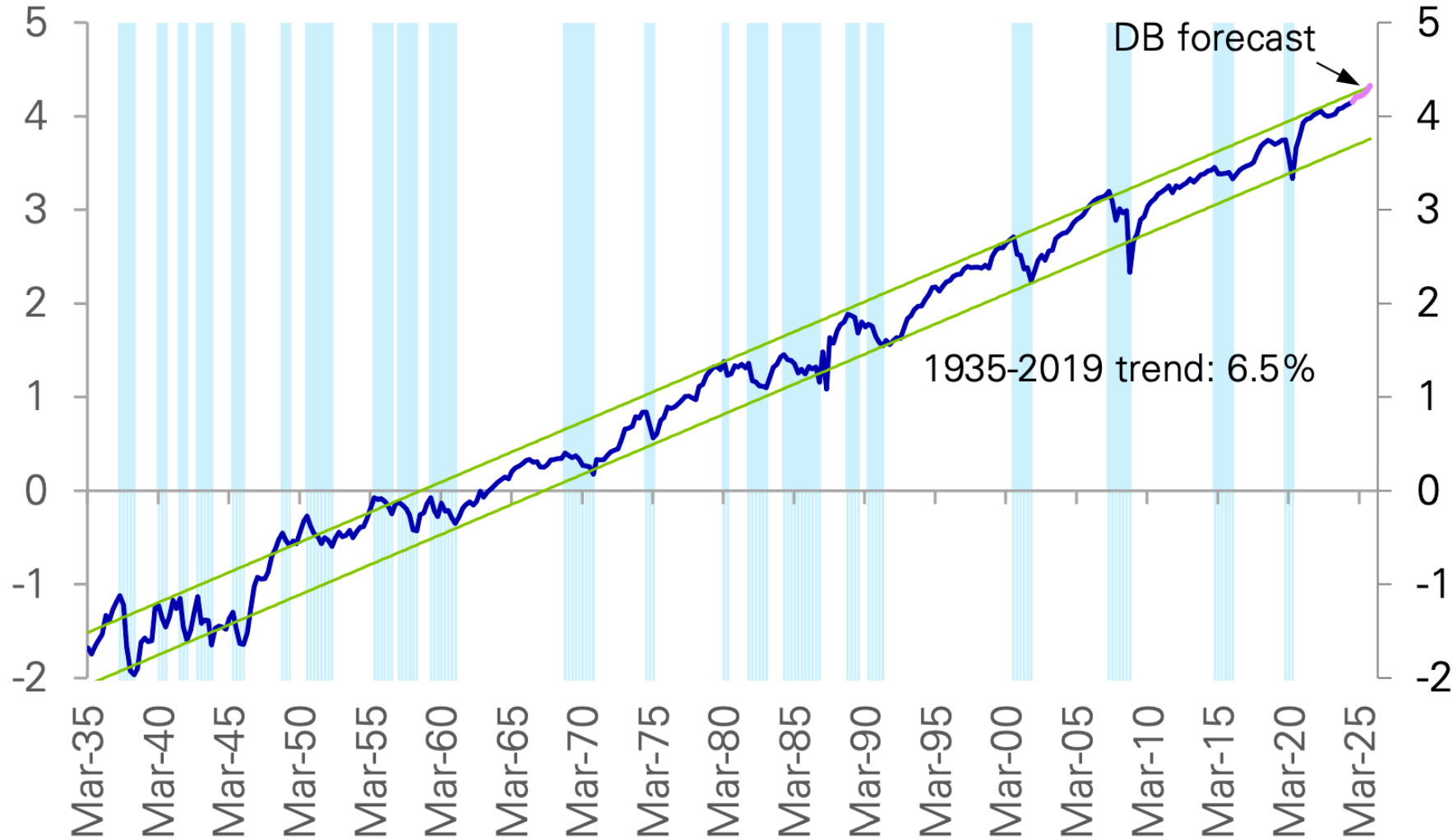
# “earnings are the straw that stirs the drink” - Austin



# the [earnings] trend is your friend

## S&P 500 quarterly EPS seasonally adjusted (log)

Shaded areas denote declines of over 10%

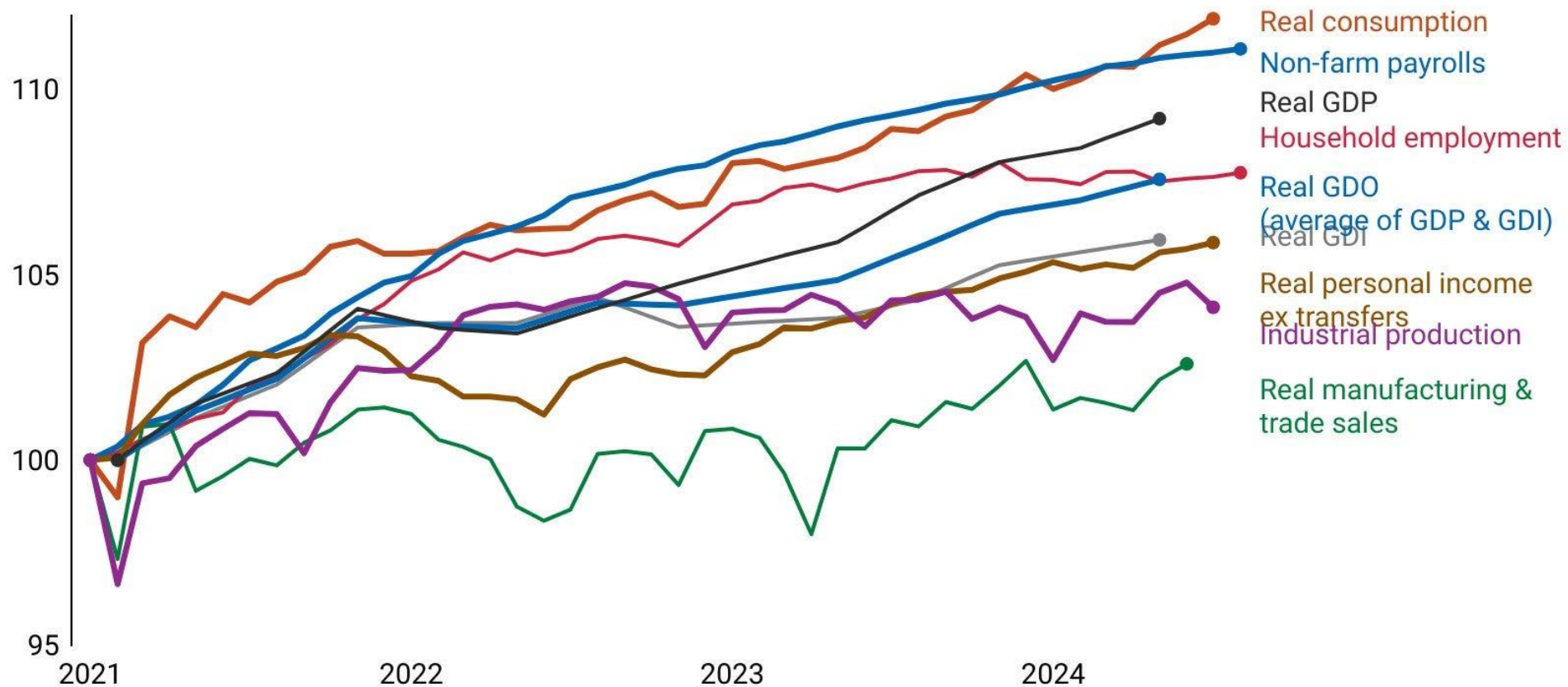




# American economy looking strong to quite strong

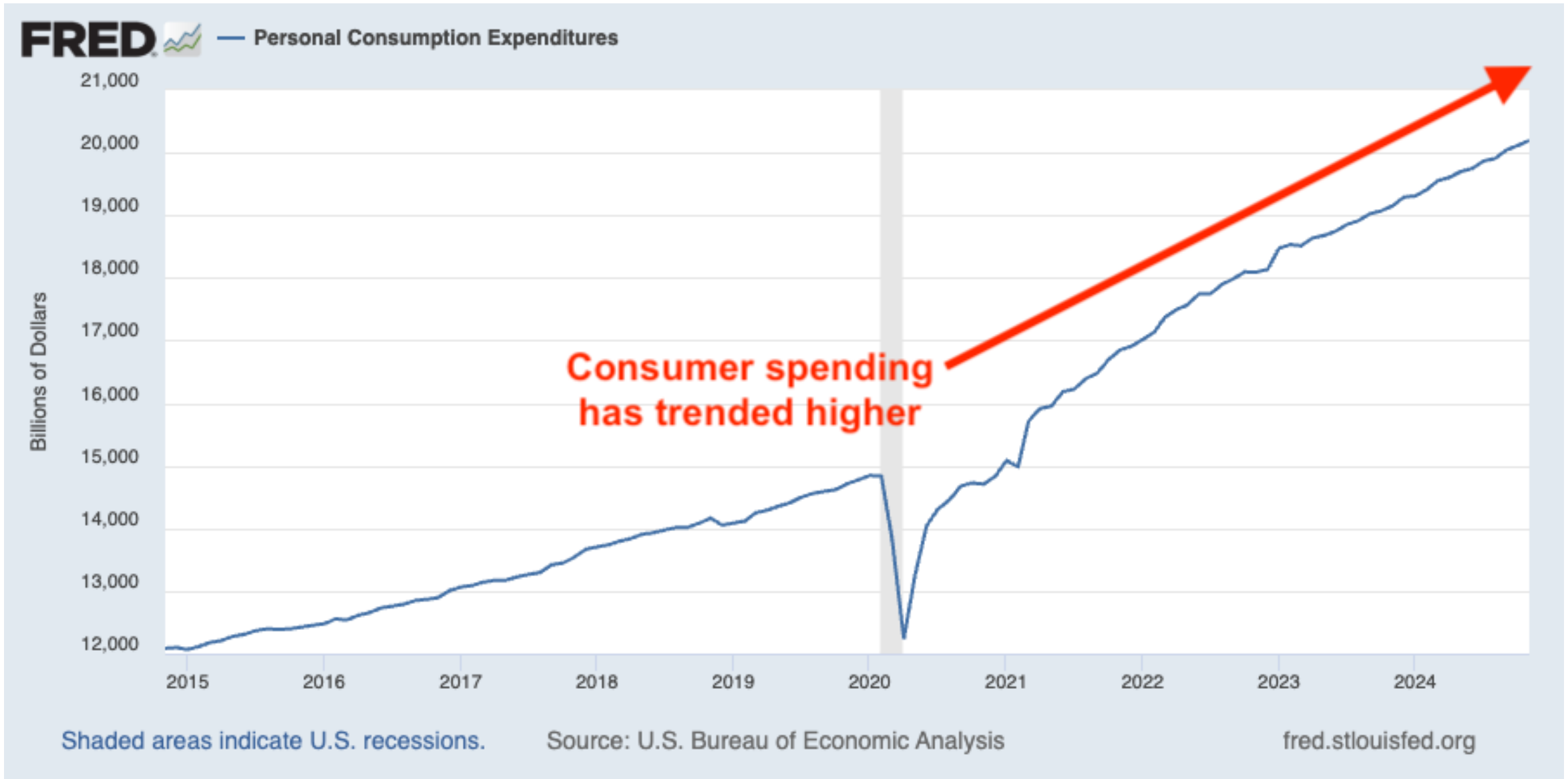
## Indicators used to determine whether the economy is in recession

Index: Jan 2021=100



The NBER defines a recession as: "a significant decline in economic activity that is spread across the economy and that lasts more than a few months."

# American consumers are doing what they do best (consuming)



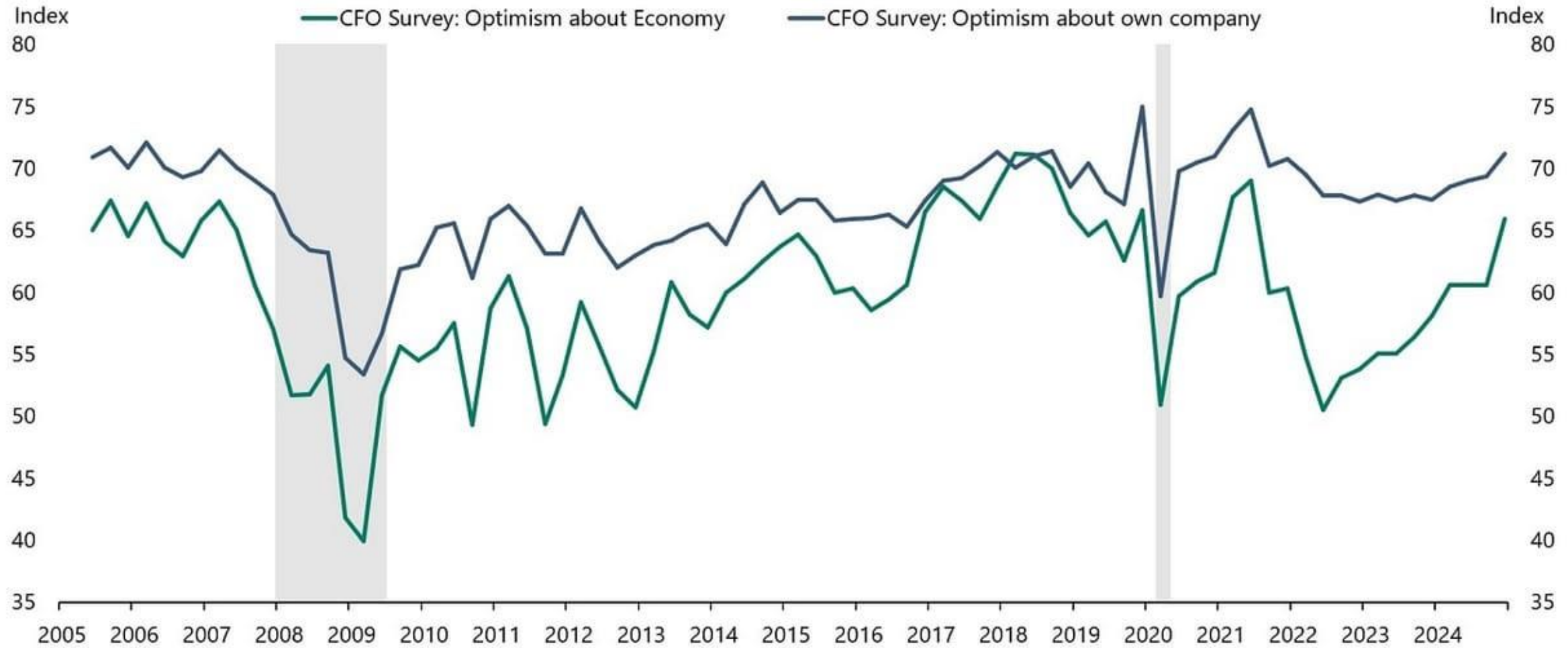
# job market remains robust



# manufacturing trending the right way

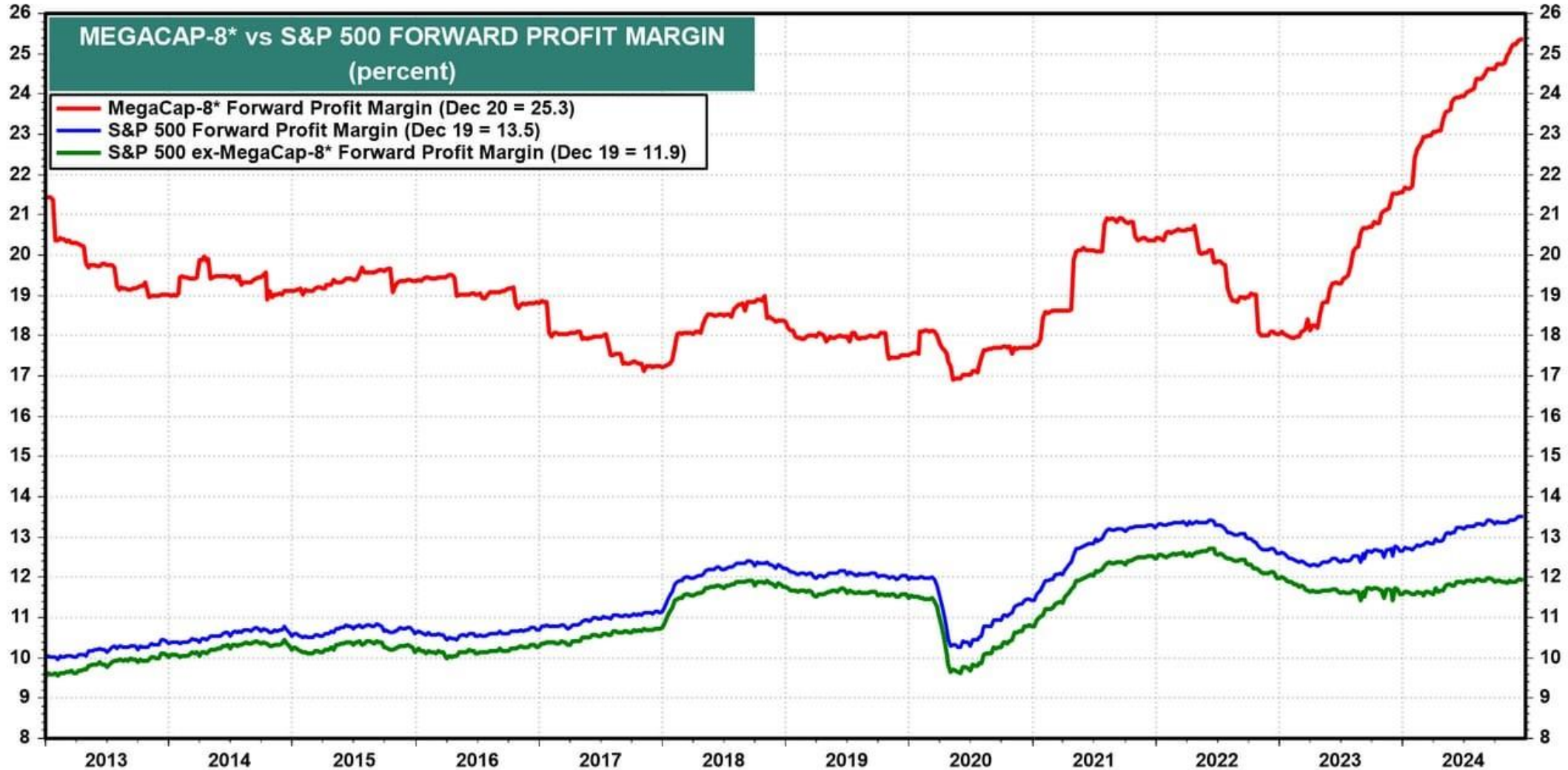


# CFO optimism rising





# the “MegaCap-8” are thriving

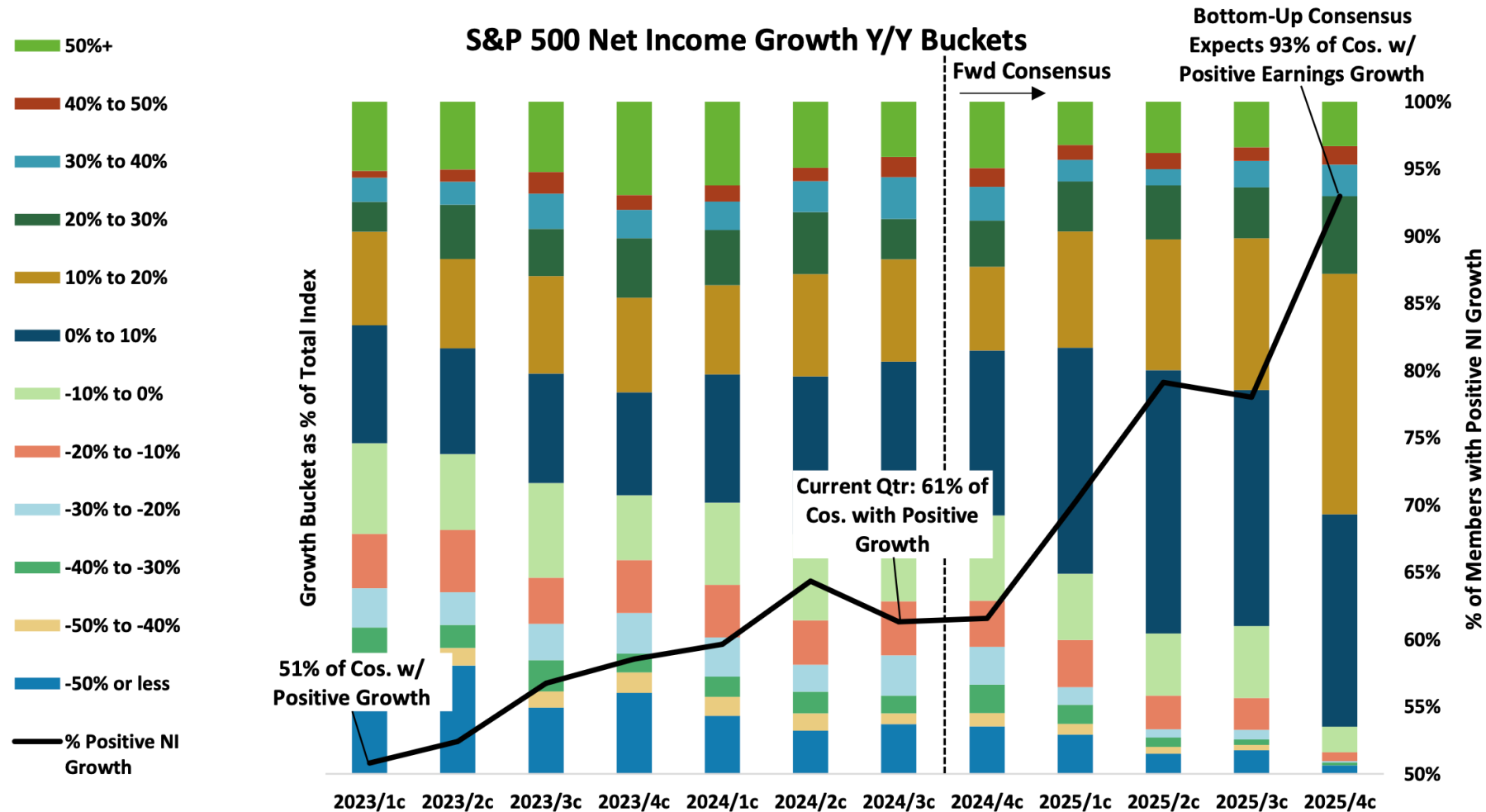


Source: LSEG Datastream and © Yardeni Research. IBES.

\* MegaCap-8 stocks include Alphabet (Google), Amazon, Apple, Meta (Facebook), Microsoft, Netflix, NVIDIA, and Tesla. Both classes of Alphabet are included.

\*\* Aggregate forward consensus expected operating earnings as a percentage of aggregate forward consensus expected revenues.

# Exhibit 16: More Large Caps Are Participating in the Earnings Recovery



Source: FactSet, Morgan Stanley Research. Data after 3Q 2024 is bottom-up consensus

## Foreign Holdings of US Financial Assets: Allocation to Equities



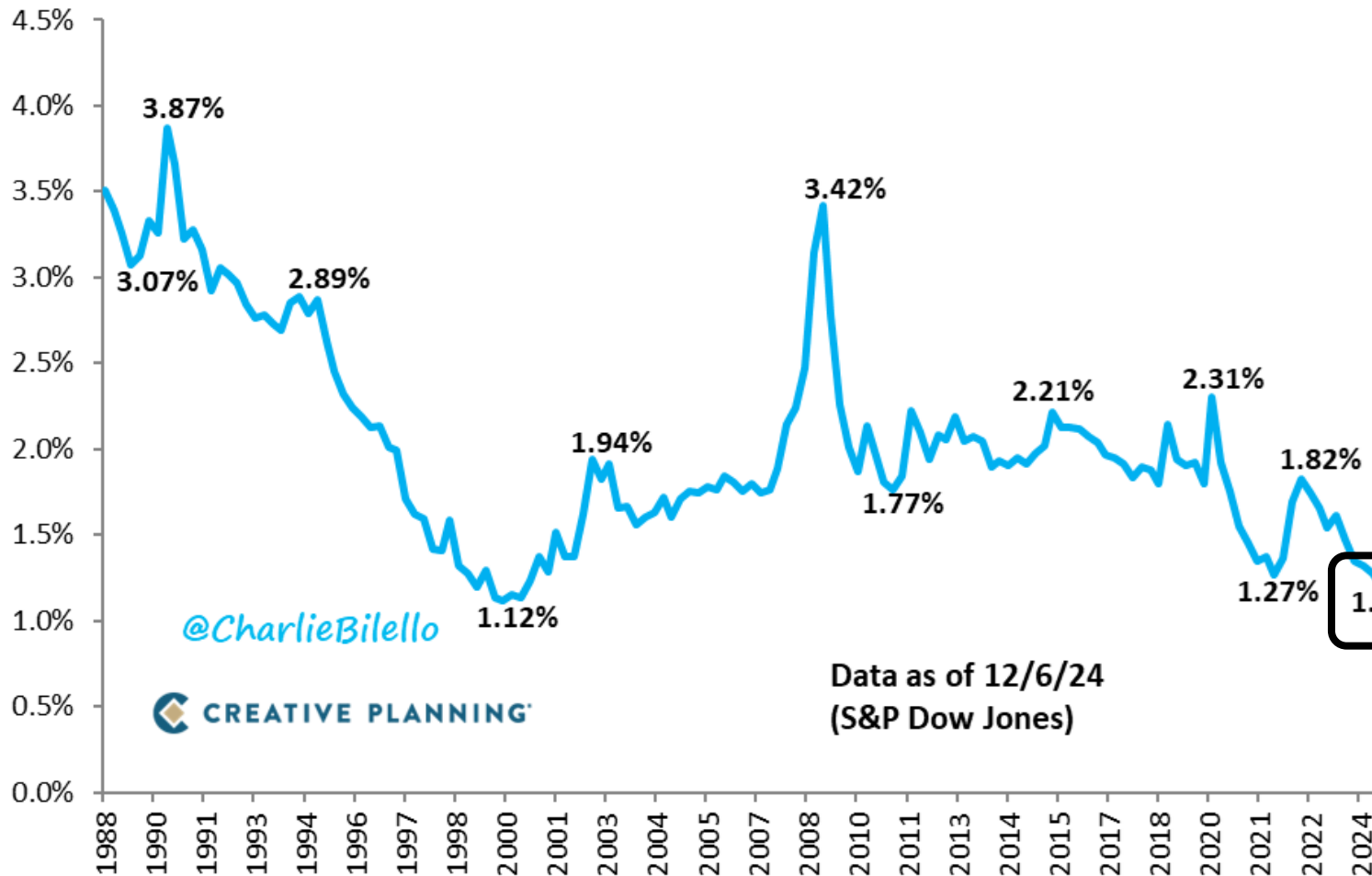
Source: Topdown Charts, LSEG, Federal Reserve FoF data

topdowncharts.com



profits are great; dividends, not so much

### S&P 500 Dividend Yield (TTM Dividends, 1988 - 2024)



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Data as of 12/6/24  
(S&P Dow Jones)

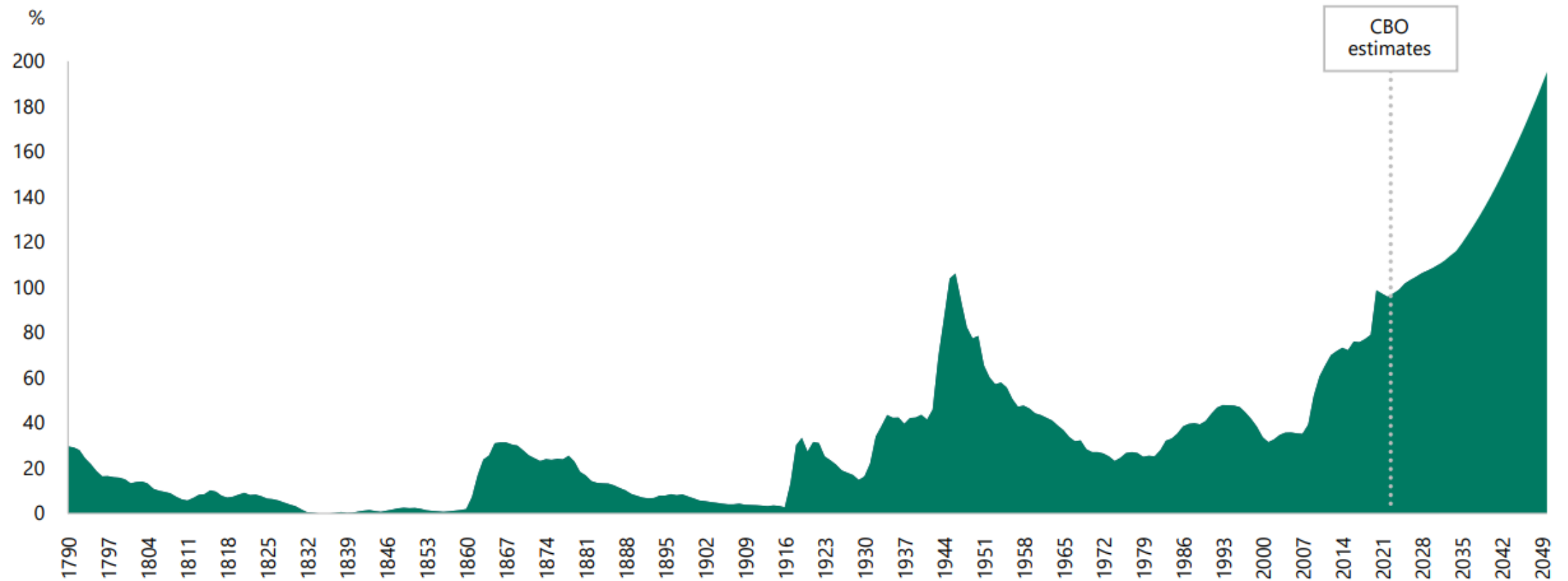
1.21%

Lowest stock dividend yield since late 1990s.

# our ongoing debt issue

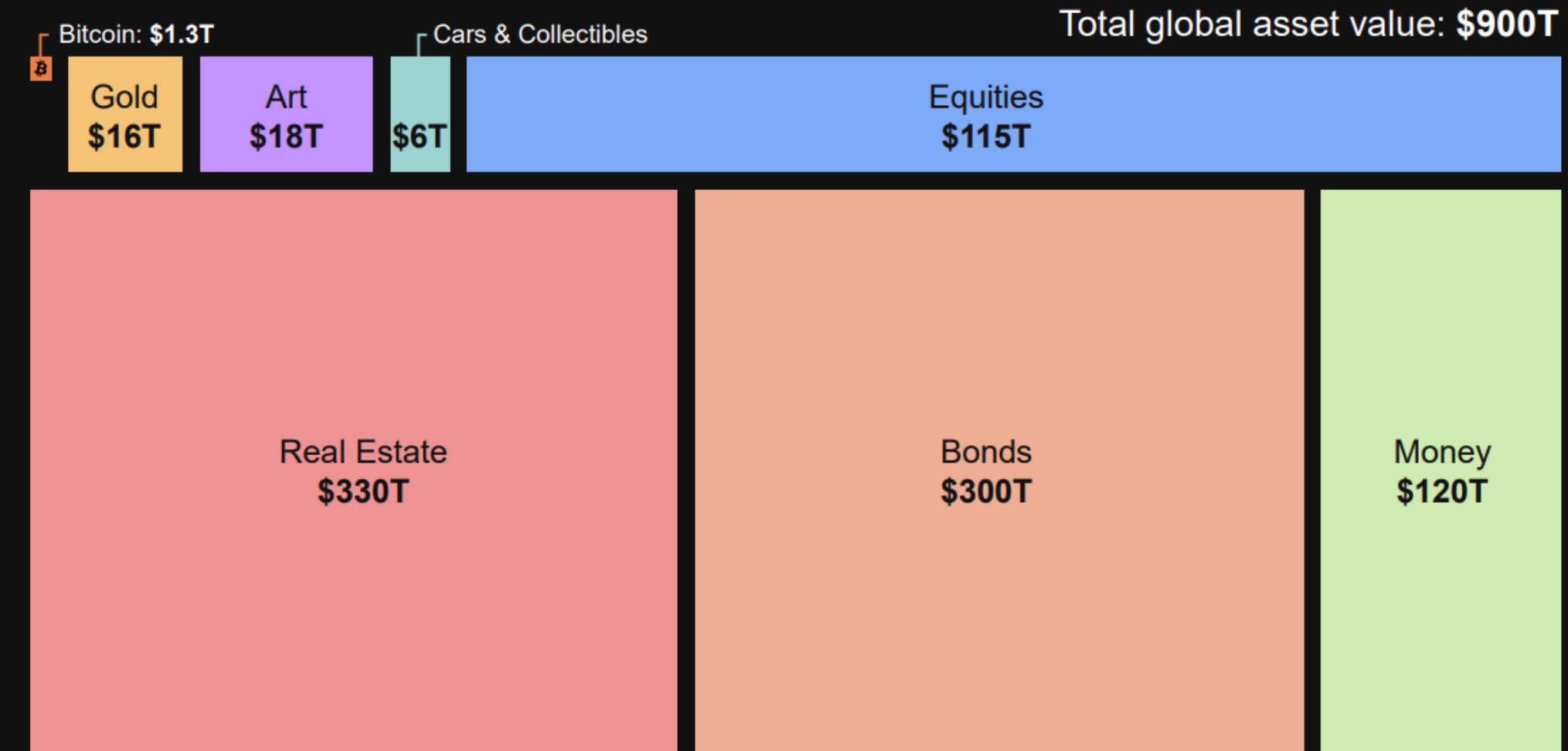
**Exhibit 38: Under current policies, government debt outstanding will likely grow from 100% to 200% of GDP**

US federal debt held by public (% GDP)



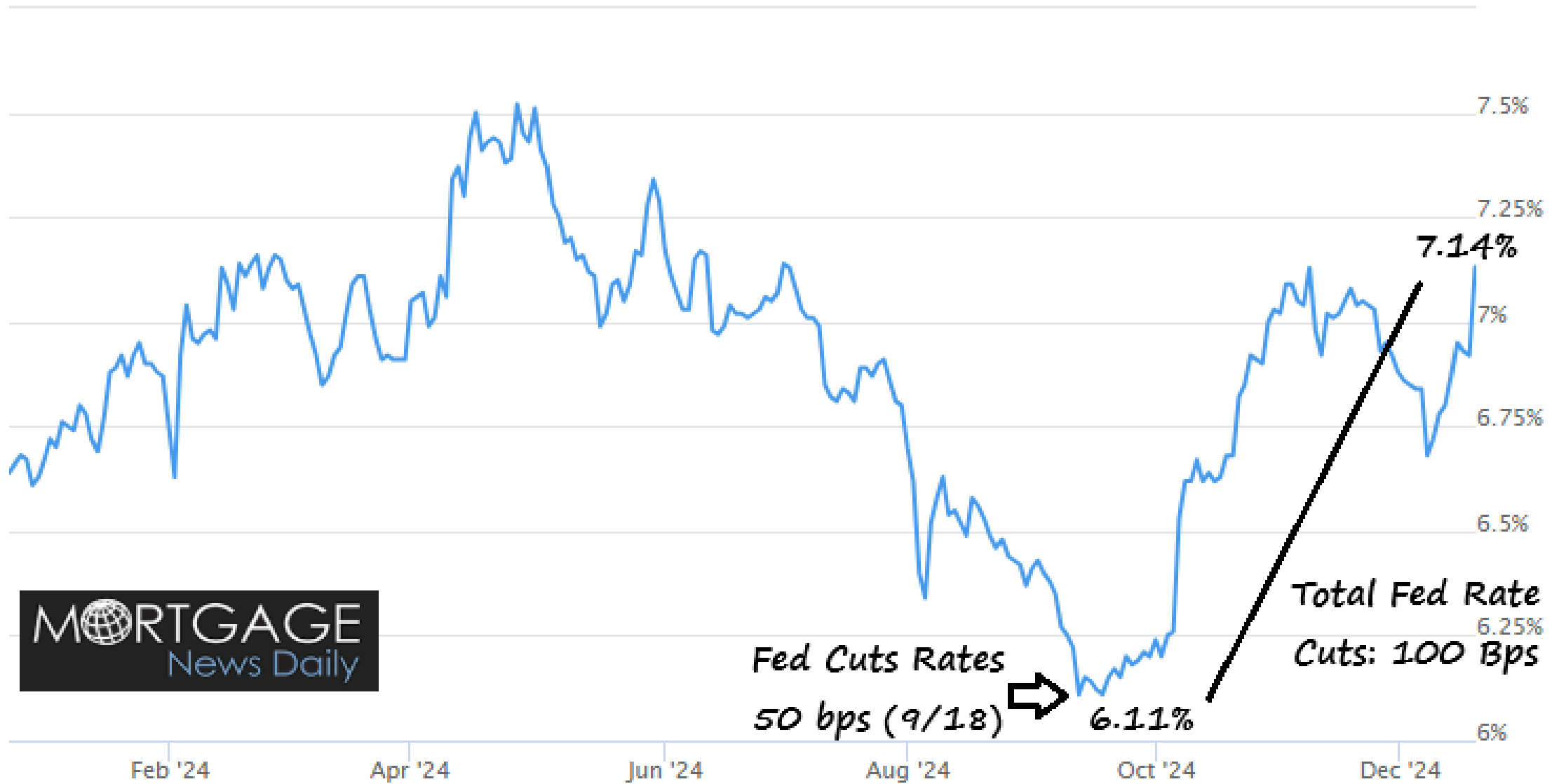
Sources: CBO, Haver Analytics, Apollo Chief Economist

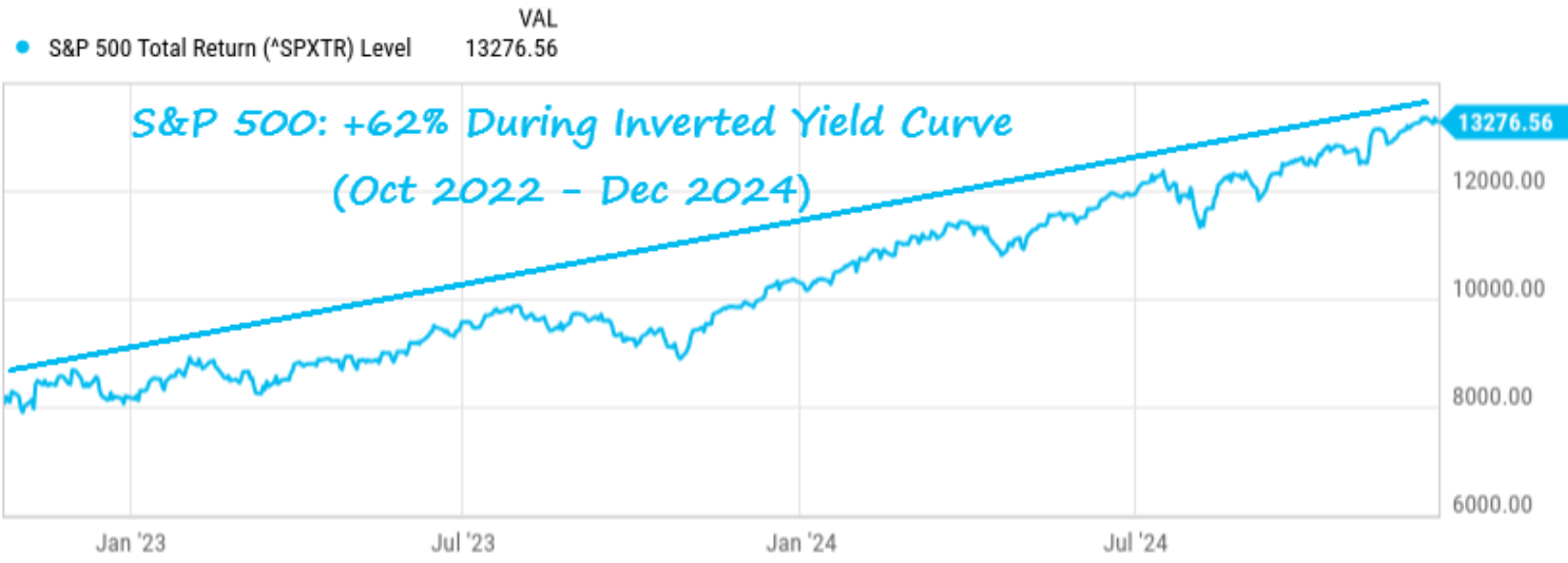
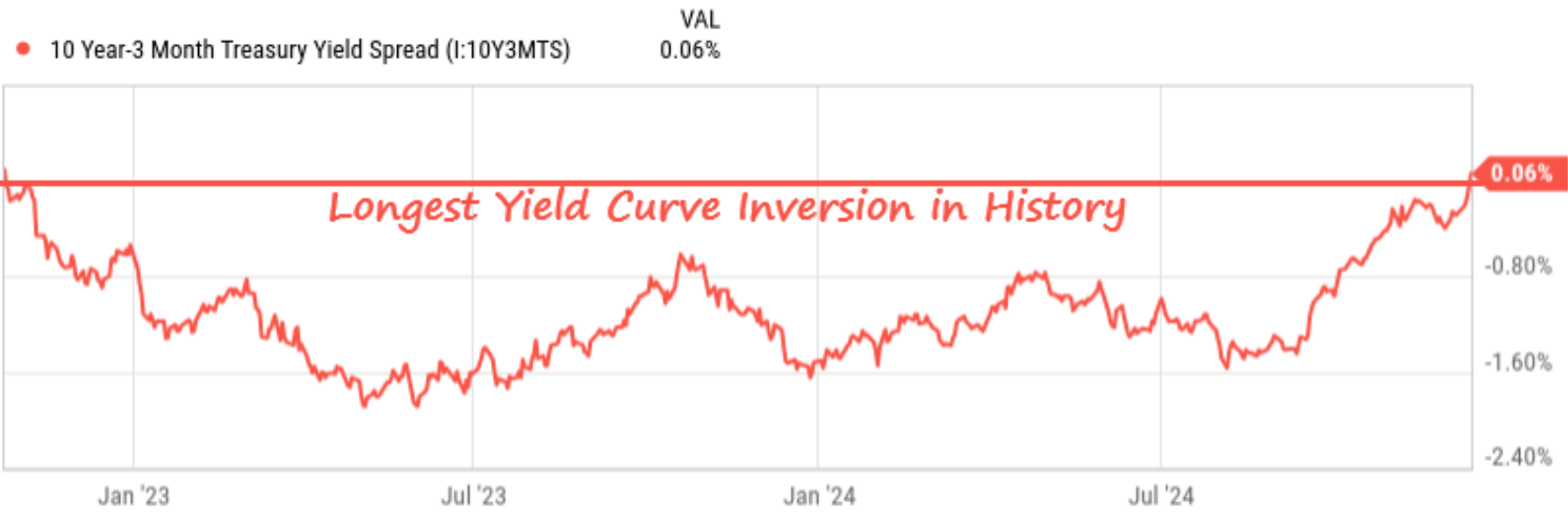
# Global wealth is distributed across a variety of assets.



when truth is stranger than  
fiction...

# 30 Year Fixed Mortgage Rates





- S&P 500 Total Return (^SPXTR) Level % Change VAL 57.60%
- US Total Assets Held by All Federal Reserve Banks (I:USFRTA) % Change -19.56%

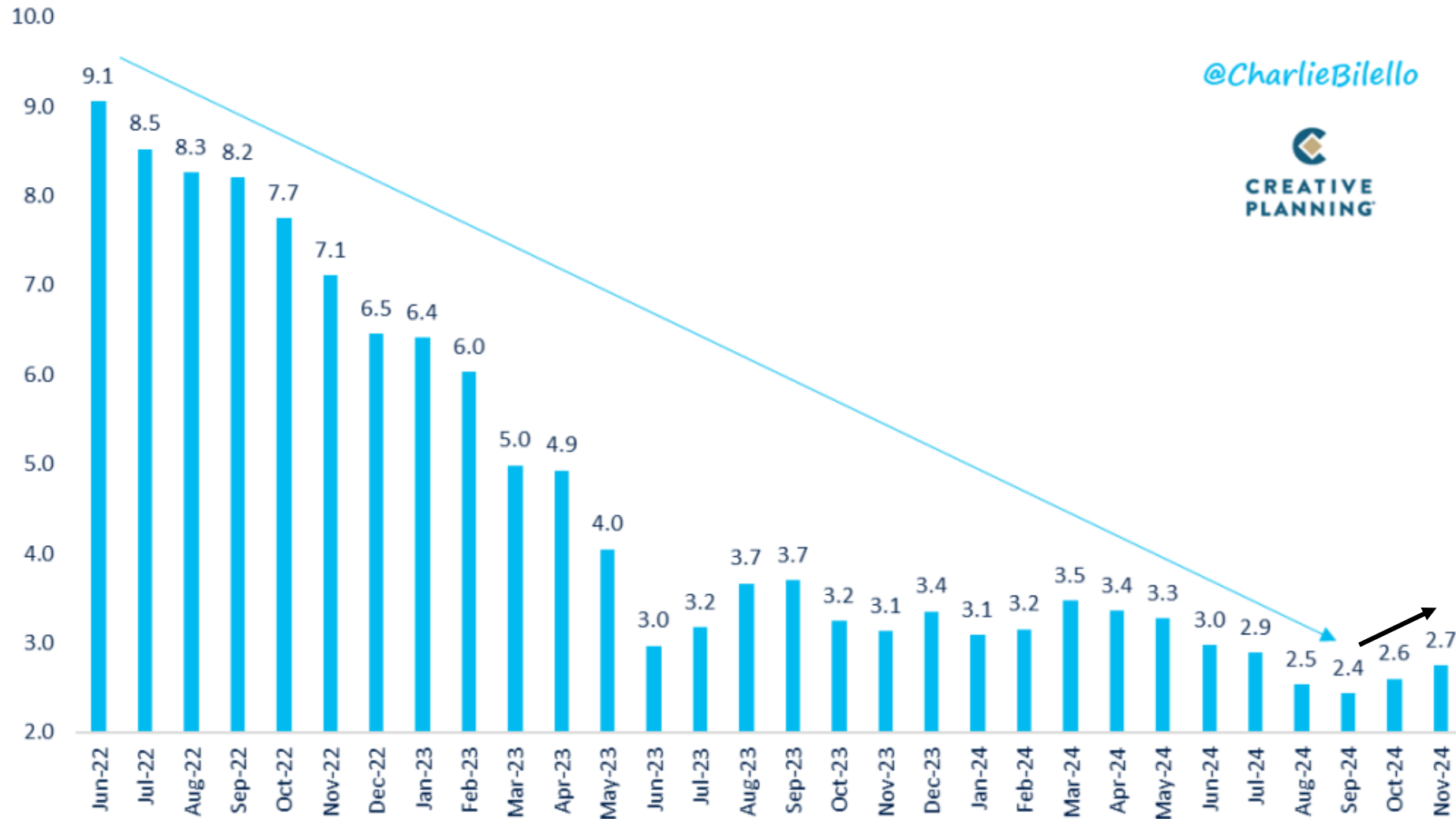


inflation update



# inflation trending the wrong way (albeit slowly)

## U.S. Headline CPI (YoY % Change)

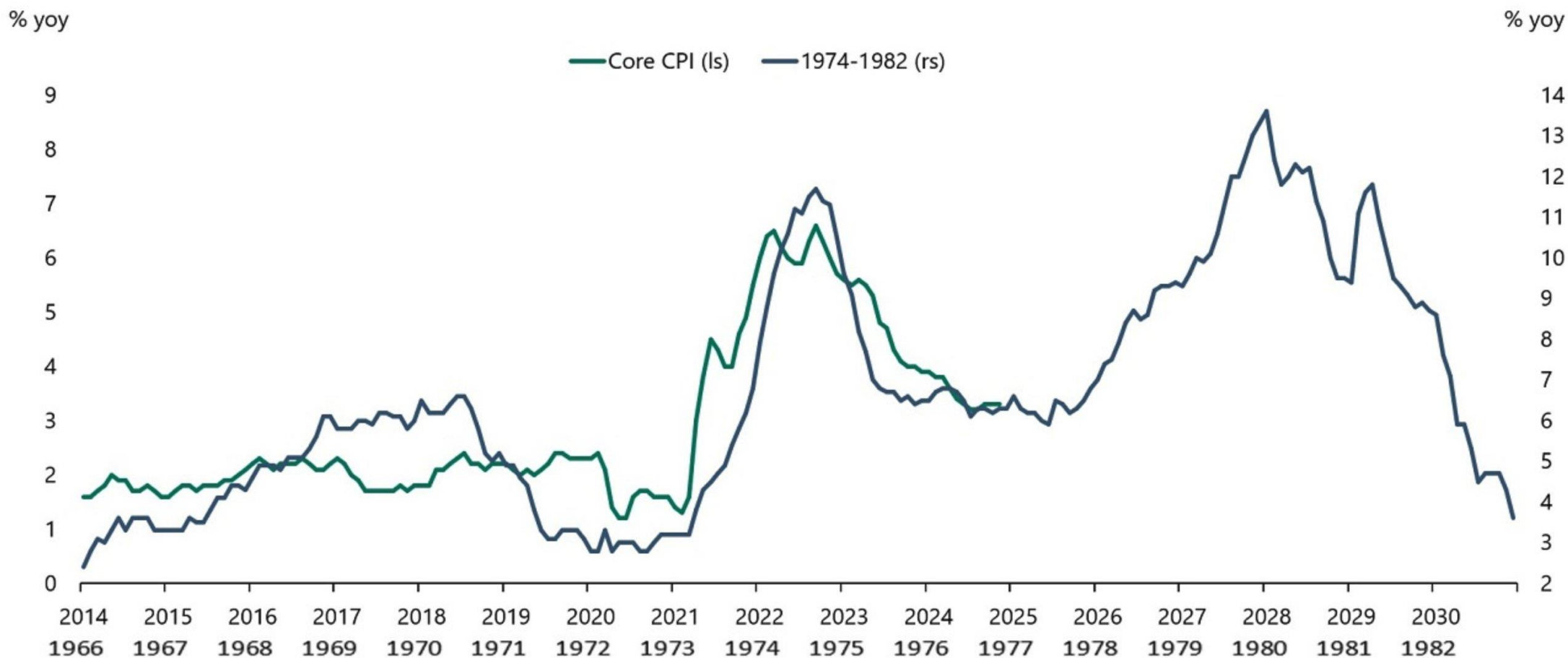


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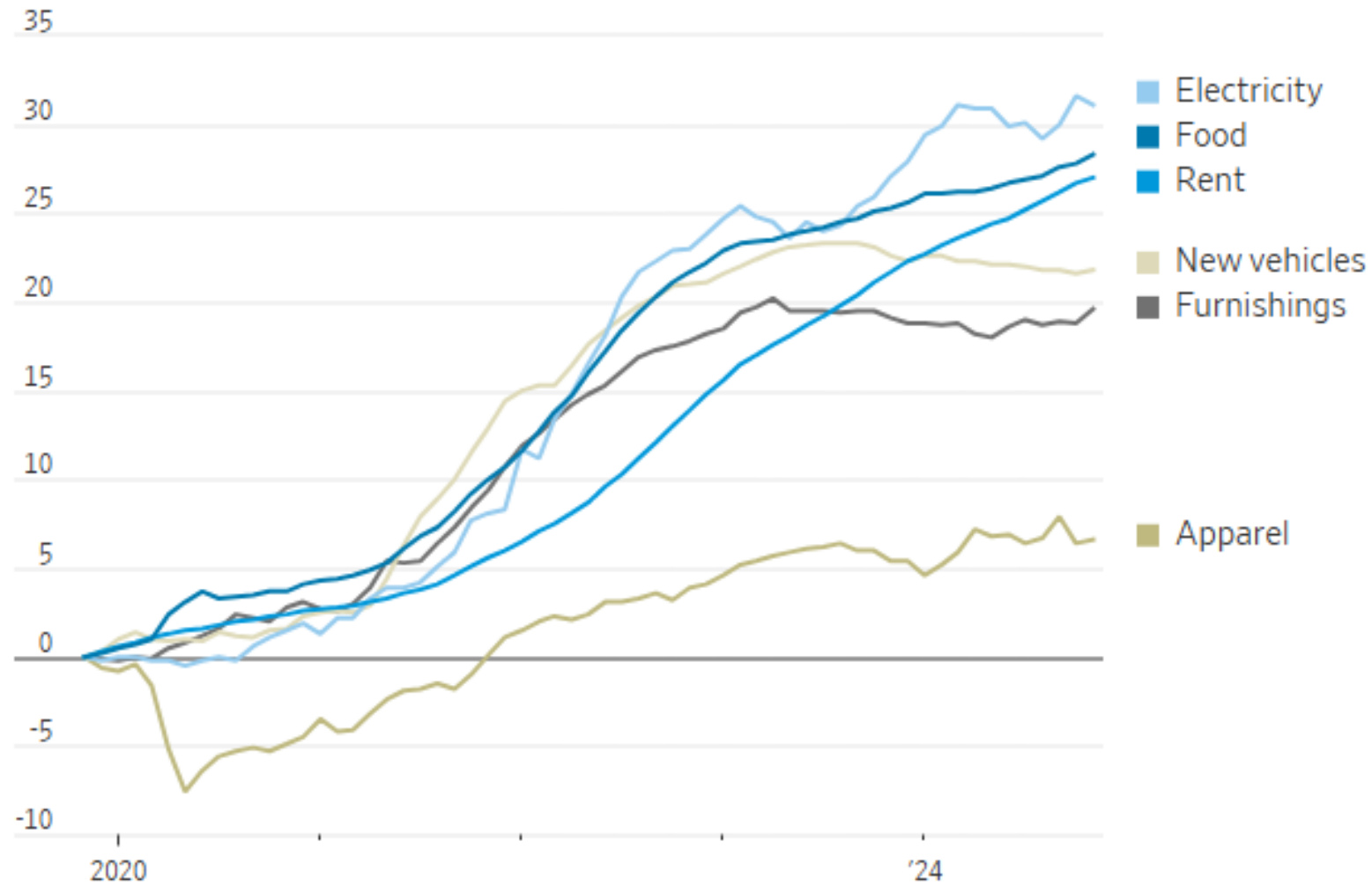
The Federal Reserve wants inflation at 2%.

# Will we see a repeat of the 1970s?



## Inflation has been more persistent for categories more important to low-income households

Change in price since November 2019



Source: U.S. Bureau of Labor Statistics, via St. Louis Fed

# a major reason to invest

