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Highland ReCAP

A Review of Capital Markets

December 2024

Summary

Markets stumbled across the finish line to end 2024. Interest rates rose and stocks tumbled in December. The yield curve continued to steepen, and non-U.S. stocks held up better than domestic equities for the month. Traders shifted to more of a risk-off posture following some less-than-dovish commentary from the Federal Reserve Board early in the month. For the year, however, U.S. stocks were the big winner with large cap equities providing investors with an annual return exceeding 20% for the second straight year. Bonds finished 2024 slightly positive, earning modest returns and lagging other major markets.

Equities

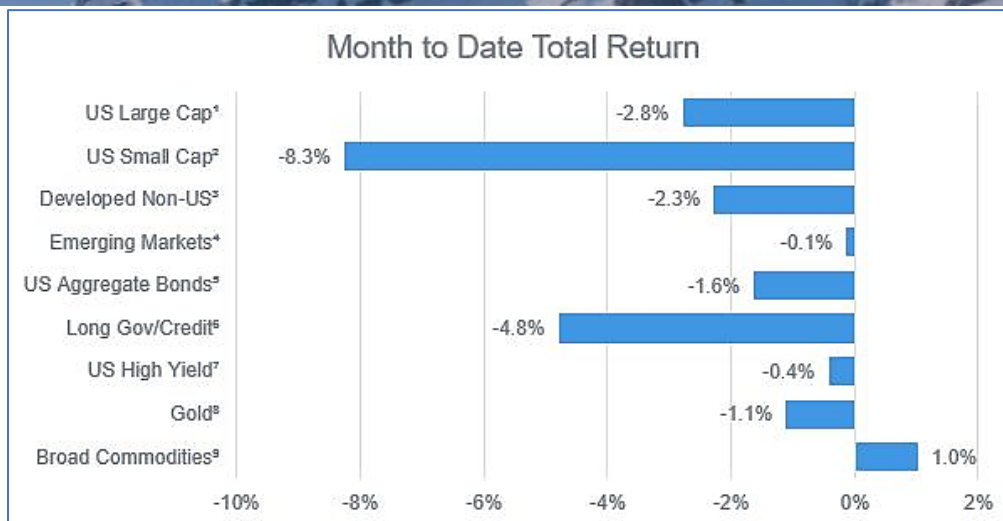
December was harsh for equity investors. Between profit taking and an uncertain economic and regulatory outlook, U.S. stocks were pushed lower for the month with large caps declining by 2.8%. Small caps received a proverbial lump of coal in the stocking, with a loss of 8.3% in December, while developed non-U.S. and emerging markets held up better, but still finished in the red. For the year, EM stocks generated a solid 7.5% return, while developed international equities trailed the both the U.S. and EM with a comparatively muted 3.8% return for 2024.

Fixed Income

Interest rates continued to tick higher in December, buoyed by commentary from the Fed indicating that the pace of future rate cuts and the landing point for the current easing cycle may not match what markets had been expecting. The 10-year Treasury yield topped 4.6%, and finished the year at 4.57%, 40 basis points higher for the month and 70 basis points higher for the year. Credit remained resilient, finishing December off by 0.4% and cementing a gain of 8.2% for 2024.

Market Trends

As of December 31, 2024



	1M	3M	1Y	3Y	5Y	10Y
US Large Cap ¹	-2.8%	2.7%	24.5%	8.4%	14.3%	12.9%
US Small Cap ²	-8.3%	0.3%	11.5%	1.2%	7.4%	7.8%
Developed Non-US ³	-2.3%	-8.1%	3.8%	1.6%	4.7%	5.2%
Emerging Markets ⁴	-0.1%	-8.0%	7.5%	-1.9%	1.7%	3.6%
US Aggregate Bonds ⁵	-1.6%	-3.1%	1.3%	-2.4%	-0.3%	1.3%
Long Gov/Credit ⁶	-4.8%	-7.4%	-4.2%	-9.2%	-3.3%	1.0%
US High Yield ⁷	-0.4%	0.2%	8.2%	2.9%	4.2%	5.2%
Gold ⁸	-1.1%	-0.5%	26.6%	12.3%	10.4%	7.4%
Broad Commodities ⁹	1.0%	-0.4%	5.4%	4.1%	6.8%	1.3%

1 – Russell 1000, 2 – Russell 2000, 3 – MSCI EAFE, 4 – MSCI Emerging Markets, 5 – Bloomberg US Agg, 6 – Bloomberg US Long Gov/Credit
7 – Bloomberg US Corporate High Yield, 8 – Bloomberg Gold Subindex, 9 – Bloomberg Commodity

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Disclosure Statements

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FTSE Russell

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