



## What is the market environment as we enter 2025?

January 9, 2025

**MRA Advisory Investment Committee**

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With significant changes expected in monetary policy and ongoing market developments, it's natural to think about positioning for the year ahead while maintaining a long-term perspective. Here are some key factors to consider:

- The Federal Reserve is expected to continue its rate-cutting cycle into 2025, which has historically been supportive for markets. Core inflation remains somewhat stubborn, which may lead to a more measured pace of Fed rate cuts.
- Current valuations are elevated after two strong market years. While this means investors should carefully construct their portfolios, it might also create opportunities across both stocks and bonds.
- Market history shows that while pullbacks of 5% or more are normal, maintaining broad diversification across different types of investments has helped grow wealth over time despite regular volatility.
- History also shows that market all-time highs do not necessarily mean we are due for an immediate pullback. In fact, bull markets experience many all-time highs through expansionary business cycles.

The included chart helps illustrate the importance of staying invested through market cycles, showing how a diversified portfolio has historically provided more stable returns compared to individual asset classes.

Ultimately, rather than trying to time short-term market moves or pick winning asset classes for any given year, focusing on your long-term financial plan and maintaining appropriate diversification based on your risk tolerance remains the most prudent approach.

## Asset Class Performance

### Total Returns

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
EM 39.8%	Fixed Inc. 5.2%	EM 79.0%	Small Cap 26.9%	Fixed Inc. 7.8%	EM 18.6%	Small Cap 38.8%	S&P 500 11.7%	S&P 500 1.4%	Small Cap 21.3%	EM 37.8%	Fixed Inc. 0.0%	S&P 500 31.5%	Small Cap 20.0%	S&P 500 28.7%	Commod 16.1%	S&P 500 26.3%	S&P 500 25.0%	Commod 3.9%
Commod 10.2%	Balanced 23.4%	EAFE 10.5%	EM 19.2%	S&P 500 2.1%	EAFE 17.8%	S&P 500 12.4%	Balanced 5.4%	Fixed Inc. 0.3%	S&P 500 12.0%	EAFE 25.6%	S&P 500 -4.4%	Small Cap 25.5%	EM 18.7%	Commod 27.1%	Fixed Inc. 13.0%	EAFE 18.9%	Balanced 12.1%	EAFE -0.7%
EAFE 11.6%	Small Cap 33.8%	Small Cap 27.2%	Commod 16.9%	Balanced 0.5%	Small Cap 16.3%	EAFE 23.3%	Fixed Inc. 6.0%	EAFE 9.4%	Commod 11.9%	S&P 500 21.9%	Balanced -4.9%	EAFE 22.7%	S&P 500 18.4%	Small Cap 14.8%	EAFE 14.0%	Small Cap 16.9%	Small Cap 11.5%	Balanced -0.9%
Balanced 8.5%	Commod 35.6%	S&P 500 16.5%	S&P 500 15.1%	Small Cap -4.2%	S&P 500 16.6%	Balanced 15.9%	Small Cap 4.9%	Balanced -1.5%	EM 11.6%	Balanced 15.2%	Small Cap -11.0%	Balanced 20.5%	Balanced 12.6%	Balanced 14.1%	Balanced -14.4%	Balanced 15.3%	EM 8.1%	S&P 500 -0.9%
Fixed Inc. 7.0%	S&P 500 -37.0%	Balanced 22.2%	Balanced 12.3%	EAFE -11.7%	Balanced 11.4%	Fixed Inc. -2.0%	EM -1.8%	Small Cap -4.4%	Balanced 8.1%	Small Cap 14.6%	Commod -11.2%	EM 18.9%	EAFE 8.3%	EAFE 11.8%	S&P 500 -18.1%	Commod 10.3%	Fixed Inc. 5.4%	Fixed Inc. -1.0%
S&P 500 5.5%	EAFE -43.1%	Commod 18.9%	EAFE 8.2%	Commod -13.3%	Fixed Inc. 4.2%	EM -2.3%	EAFE -4.5%	EM -14.6%	Fixed Inc. 2.6%	Fixed Inc. 3.5%	EAFE 13.4%	Fixed Inc. 8.7%	Fixed Inc. 7.5%	Fixed Inc. -1.5%	EM -19.7%	Fixed Inc. 5.5%	EAFE 4.3%	EAFE -1.6%
Small Cap -1.5%	EM -53.2%	Fixed Inc. 5.9%	Fixed Inc. 6.5%	EM -18.2%	Commod 1.5%	Commod 9.5%	Commod 17.0%	Commod -4.7%	EAFE -1.5%	Commod 1.7%	EM -14.2%	Commod 7.7%	Commod 3.1%	EM -2.2%	Small Cap -20.4%	Commod -7.9%	Fixed Inc. 1.3%	Small Cap -1.8%

Latest data point is Jan 10, 2025

The Balanced Portfolio is a 60/40 historical index calculation consisting of 40% U.S. Large Cap, 20% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 15% U.S. Bonds, and 5% Commodities.

Sources: Clearnomics, ISEG  
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