SUMMIT
CAPITAL
Investment Management

CLIENT UPDATE: January 2025

January 9, 2025

Another Strong Year For the Stock Market

The S&P 500 surged 23% in 2024 building on a gain of over 20% from last year and is the best two year gain since 1997 and 1998. Although anything is possible, it seems unlikely that there will be a third straight year of 20% gains.

Analysts are currently forecasting a nearly 15% annual increase in profits for the S&P 500 this year and another 16% in 2026, the stock market looks to have gotten a little ahead of itself. The past two years' returns are clearly above the historical average and there usually is a reversion to the mean, which is just another way of saying that returns average out over time.

There has not been a meaningful pullback in the market over the past two years which is very unusual. Historically the market declines 5% or more about once a year and 10% or more every two to three years. The market is overdue for a correction.

Corrections, however can be healthy and even necessary for bull markets. They help shake out some of the so-called froth in the stock market, where prices run up too dramatically and get ahead of themselves. It's hard to deny that investors may have gotten just a little bit too exuberant in the wake of the Republican sweep.

The markets tend to perform similarly under Democrats and Republicans. From 1926 to 2023, the average return for the S&P 500 under a Republican White House and Congress was 14.5%, while the annual return of the index under a unified Democratic government was 14.0%, according to Retirement Researcher.

Rather than plotting big moves in your portfolio based on tea leaves, make sure your mix of stocks and bonds are still aligned with your goals. After the outsized returns in the stock market over the past two years, it may not be a bad time to throttle back your equity exposure a bit. If you have an asset allocation that you're comfortable with , you'll be much less likely to panic and rush into cash at the first sign of turbulence. However, trying to make major moves in an attempt to time the market almost never works. Staying the course with a balanced portfolio is usually the better approach.

The Securities & Exchange Commission (SEC) that regulates our industry strongly discourages communicating with our clients via texting. We ask that rather than texting us, you either email or call us.

Best regards,

Dave & Jim

Jim Onorato
E: jim@summit-capital.com
C: (440) 725-3864

David Yormick
E: dave@summit-capital.com
C: (216) 849-8753

www.summit-capital.com
Main: (216) 539-8444