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January 13, 2025

Investment Review and Outlook
Fourth Quarter 2024

Stocks gave up some ground in December yet managed to produce a gain of 2.4% (S&P 500) in the fourth quarter. Small company stocks were relatively flat for the quarter with a return of 0.3% (Russell 2000 Index). International stocks dropped significantly in the quarter with a loss of 8.4% (EAFE Index). The dollar gained strength in the quarter and the possibility of new tariffs on goods shipped to the U.S. from foreign countries affected the outlook for international exporters. Bonds performed poorly in the quarter with a loss of 3.1% (Barclays Aggregate Bond index), effectively wiping out bond market gains for the year. Bond rates pushed higher in the quarter as the Federal Reserve indicated that the number of rate reductions in 2025 may be fewer than previously expected.

U.S. stock indices produced stellar returns for the full year. The S&P 500 Index rose an astonishing 25% in the year, dominated by the famous “Magnificent Seven” stocks – Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla – which accounted for over 50% of the S&P 500’s total return for the year. Small company stocks performed very well, returning 11.5%. International stocks were relatively flat for the year, up 1.1%. Bonds produced a small gain of 1.3%.

Looking ahead, the Fed is once again worrying about inflation. Significant interest rate reductions, the hope of both stock and especially bond investors, would lower financing costs and push the economy ahead – a good thing for the investment markets, but a negative as higher inflation creeps back into focus. The Fed continues to keep its collective eyes on all the key data with the hopes of keeping the economy solid yet without pushing the country into an economic recession.

Most investment analysts are forecasting more gains in 2025, but certainly not at the rate we have seen over the past two years. Uncertainties abound. Investors will be watching closely at the proposed policies floated by the new administration in Washington.

Volatility will continue into 2025, but investors need to focus on the long term rather than the day-to-day movements of the stock market. Your investment portfolio should be positioned with your investment time horizon in mind. If your time horizon is at least five years, then it is recommended that you “stay the course” and maintain your target asset allocation.

As always, please call us anytime if you have any questions or if we can assist you in any way.

Best Regards,

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