

Singer Wealth



Now What?

After falling almost 20% in 2022 amid the fear of rising interest rates, the market rebounded in 2023 posting a 24% gain and thus far the S&P 500 returns have already exceeded 2023 returns. According to Bank of America, there have been only four times when there have been back-to-back 20% plus returns in the last 100 years. Does that mean that we are due for tough sledding in 2025?

After 31% gains in 1927 and 38% gains in 1928, the market continued to climb in 1929 until that October when stocks fell by 13% on Black Monday, setting in motion the events that led to the Great Depression. After big gains in 1954 and 1955, the S&P 500 had a small gain in its third year in 1956. After two great years in 1995-1996, the S&P 500's rally kept going, with stocks posting big gains in each of the next three years until 2000 when the markets dropped for three straight years. Most of the major bank analysts are projecting 8% to 15% returns in 2025 but major banks typically do not forecast major down before they occur.

Bank of America, like most banks, is bullish about the current rally because they see bond yields falling. The Federal Reserve started cutting short-term interest rates in September as inflation approached its 2% target. Minutes from the latest Fed meeting suggest that the Fed will continue gradually lowering rates. Vanguard and Goldman Sachs are more pessimistic but they are still forecasting more gains ahead only at the lower end of the analysts' range.

The stock market's latest run has pushed up market valuations to extremely elevated levels. The S&P 500 is currently trading at about 38 times cyclically adjusted earnings. That is lower than the 1999 peak of 43 which preceded three straight negative years for stocks but it is still higher than any other era on record.

That does not mean 2025 will not be a good year for stocks but eventually there will be a tough period for stocks, we just don't know when.

Source: Barrons

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We are committed to helping you achieve your financial goals. Please feel free to contact us with any questions, comments, or a more in-depth discussion.

Sincerely,
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