

Market Observations | January 2025

It's often hard to tell the difference between relevant market information and noise. That's why every quarter our Market Observations newsletter lets you know what articles our advisors are using to form ideas and shape opinions. Take a look at what caught our eye this quarter!

MORNINGSTAR

13 Charts on Q4's Big Postelection Rally - and Late Stumble

In 2024 economic growth, growing corporate earnings, falling interest rates and a soaring Technology and Artificial Intelligence trade boosted markets to all-time highs. The gains were not evenly distributed, however, as during the fourth quarter, growth stocks continued to build on their 2024 gains while other sectors of the market — such as value, dividend, small cap and international stocks — turned negative and gave back some of their gains for the year. In this market summary, Morningstar highlights the data points and charts that defined markets in 2024. Some of the most notable examples include the nearly 20-point differential between large growth stocks (+27.8%) and small value stock (+9.7%) as well as the sectors dominating the market (Communication Services +39%,

Technology +36% and Utilities +27%) and those that struggled or only eked out modest gains (Materials -2%, Healthcare +3%, Real Estate +5% and Energy +6%). [MORE >](#)

OAK TREE CAPITAL

On Bubble Watch

Recent years in the market have been unique with the S&P 500 returning over 20% in back-to-back years for only the fifth time in history driven largely by the "magnificent seven" [Apple, Microsoft, Alphabet (Google's parent), Amazon.com, Nvidia, Meta (owner of Facebook, WhatsApp and Instagram) and Tesla], which accounted for more than half of the index's 2024 return. Further, these seven companies now account for nearly a third of the market cap of the S&P 500 versus the other two thirds being made up by the remaining 490+ companies in the index. This is nearly double the share of the index these companies represented five years ago and significantly higher than the peak of the late-90s tech boom when the top seven companies made up around 22% of the index.

In this memo, Oaktree's Howard Marks does not go so far as call a bubble in stocks, though he does identify several signs of exuberance and warns investors to be cautious going forward. While the "magnificent seven" have grown their businesses and their earnings, the valuations of their stocks have increased at an even faster pace as investors have begun to anticipate both a persistence and an acceleration of this growth. This has led market valuations to sit near the top of their historical range, and while not calling a bubble in

stocks, Marks cautions investors to consider both what these valuations imply for the future of these companies and that historically these valuation levels have led to lower expected forward returns in stocks. [MORE >](#)

CAPITAL ALLOCATORS

Podcast: Capital Allocators Interview with "Marco Maven" Scott Bessent

President-elect Trump recently tapped Scott Bessent as his choice for Treasury secretary. Bessent has had a long and successful career as an investor, having worked for several legendary hedge fund managers including Jim Rogers, George Soros and Jim Chanos before launching his own fund. In this wide-ranging conversation with host Ted Seides, which was recorded before the election. Bessent talks about his life, career, investments, the relationships between individual companies and the macro-economic environment and the link between policy and investment opportunity. This interview is compelling in its own right, but the policy discussions are even more interesting and relevant in light of the changing administrations in Washington. [MORE >](#)

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