

ABOVE THE FRAY

Prediction Season

Wes Crill, PhD

Senior Client Solutions Director and Vice President

Jackie Pincus, CFA

Investment Strategist

Jan 17, 2025

The start of a new year is a great time to reflect on the past, set goals for the future, and tune out predictions from the financial industry.

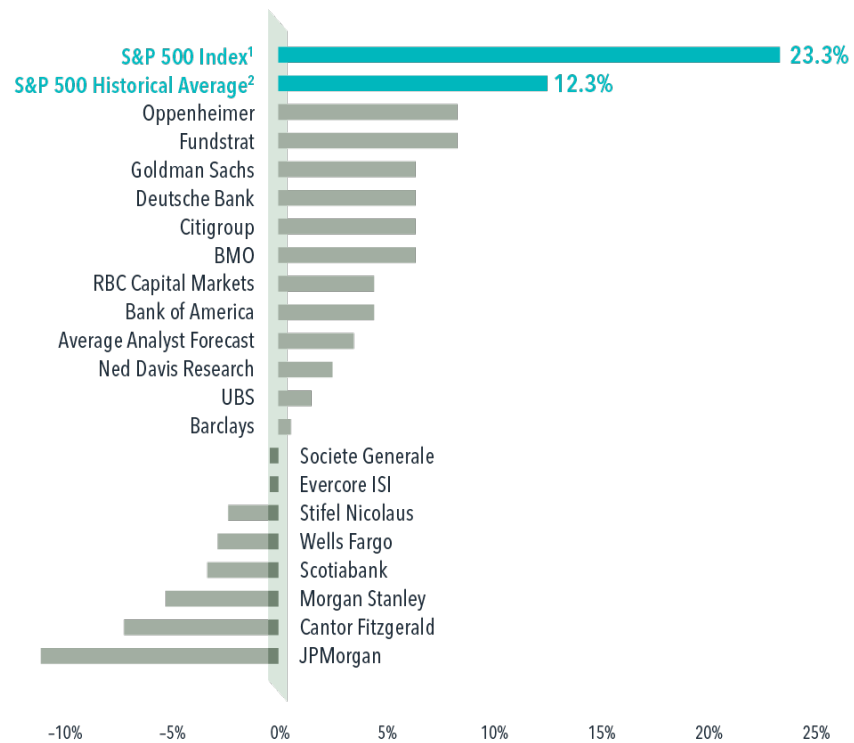
The S&P 500 Index rose by 23.3% in 2024. This far exceeded expectations from analysts polled at the end of 2023, none of whom believed the S&P would grow by its historical average rate of return, 12.3%. In fact, nearly half of the analysts predicted a negative year for the index. Hopefully those analysts didn't eat their own cooking and divest from US stocks during such a strong year.

The dispersion in predictions for 2024 highlights the challenge with making asset allocation decisions based on forecasts. Individuals arrive at different expectations because they may see the world differently. The market aggregates these disparate viewpoints, offering a wisdom of the crowd that's very difficult to beat.

Exhibit 1

Predictions Gone Wrong

Equity analyst predictions vs. actual for the S&P 500 Index calendar year return in 2024



Past performance is not a guarantee of future results.

1. Price-only return.

2. Based on actual S&P 500 Index average annual total return from 1927 to 2024.

In USD. Source: Bloomberg, using the "Strategists S&P 500 Index Estimates for Year-End 2024" as of December 19, 2023. Analyst forecasts and 2024 return are price returns. S&P data © 2025 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

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03/26/2025

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