

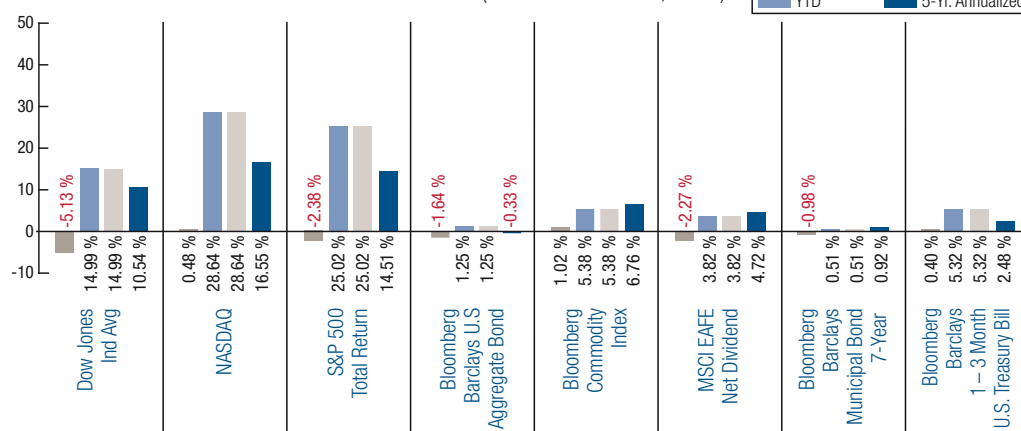
From the Office of Jeff Sgroi, CFP®



"If everybody is thinking alike, then  
somebody isn't thinking."

– George Patton

## Asset Class Returns (as of December 31, 2024)



Material prepared by Raymond James for use by its Financial Advisors

## Market & Economic Synopsis

- The U.S. economy added 256,000 jobs in December, dropping the unemployment rate to 4.15.
- Global yields bump higher, as the 10-year U.S. Treasury yield bumps over 4.75%, nearing its 52-week high.
- Historically destructive fires in Southern California weigh heavily on American's minds.
- TikTok set for a ban on January 19th, per legislation signed by President Biden in spring 2024.

- Oil prices remain in \$70/barrel range, despite expectations of disruptions due to sanctions on Russian suppliers.
- Equity markets pull back due to higher interest rates, uncertainty surrounding potential tariffs, and stretched valuations.
- Meta (formerly Facebook) reforms its censorship review structure, walking back most of its speech controls.

## 2024: Year in Review

Between historic market movements, domestic elections, and global entertainment and athletic events, 2024 was a year to remember. Here are a few highlights, gathered from our friends at Goldman Sachs in their January edition of *Market Pulse*.

- Taylor Swift wins Grammy for album of the year. The Eras Tour grew the global economy by over \$9 billion. (February 2024)
- The Bank of Japan (BOJ) hikes rates for the first time since 2007, the only Developed Market to hike in 2024. (March 2024)
- The Dow Jones surpasses 40,000 for the first time. (May 2024)
- Nvidia's market cap soars to \$3.34 trillion, surpassing Microsoft as the world's most valuable company. (June 2024)
- Joe Biden withdraws from the presidential race, 29 days before the Democratic National Convention. (July 2024)
- The FOMC cuts rates for the first time since 2020. (September 2024)
- Donald Trump wins the U.S. presidency for a second non-consecutive term. (November 2024)
- 57 ATHs – All-time highs hit by the S&P 500 in 2024, with 64% of returns driven by the top 10 names alone.
- 100 bp – The reduction in policy rates by the Federal Reserve in 2024.
- Turkey – The Turkey Central Bank hiked its policy rate by 500bp in March, the largest single policy rate hike in Europe in 2024.
- 216 – Number of U.S. IPOs in 2024, compared to 154 in 2023 and 1,035 in 2021.

## 2025: The Outlook

Market prognosticators and economists love the turn of the calendar. What better time to turn out expectations and predications than now? Raymond James Chief Investment Officer, Larry Adam, shares six key 12-month forecasts and views as follows:

### 1. ECONOMY – U.S. GDP expected to be +2.4%

U.S. economic growth should moderate in 2025, with the economy on track to expand at a 2.4% pace. Slowing, but still positive job growth, resilient consumer spending and strong business investment (AI tailwinds and fiscal stimulus, from the CHIPS, IRA, and Infrastructure Acts) remain key factors supporting growth. Fed rate cuts should also serve to prolong the economic expansion—which is entering its fifth consecutive year. The biggest wildcard will be the potential inflationary impact of tariffs; however, we believe these risks are overblown.

### 2. BOND MARKET – 10-Year U.S. Treasury remains around 4.5%

Fed rate cuts have historically driven bond yields lower, but this cycle has seen some unusual twists. Stalled progress on the inflation front and resilient economic growth should allow the Fed to slow the pace of rate cuts in the months ahead until the disinflationary process resumes. Shorter-maturity yields should follow the fed funds rate lower—leading to a steeper curve in the months ahead. However, longer-maturity yields will be swayed by growth, inflation, and deficit dynamics. While tariffs pose an upside risk, the risks are overblown—with the 10-year yield remaining near 4.5%.

### 3. EQUITIES – S&P 500 ends 2025 at 6,375

The favorable macro backdrop (strong economic growth, Fed rate cuts), combined with solid fundamentals (positive earnings growth,

shareholder friendly activity) remain supportive for U.S. equities. However, after two years of >20% gains, expectations should be dialed back due to high valuations and the potential complacency of investors (who remain uber bullish). Our S&P 500 target for 2025 is 6,375 (\$270 EPS, 23.5x P/E). We favor the Tech, Health Care, and Industrials sectors, are bullish on mid-caps, and prefer U.S. stocks to international developing markets.

#### 4. DOLLAR DIRECTION – EURO/USD: 1.05

The U.S. dollar enters 2025 with considerable strength relative to its trading partners—supported by favorable interest rate differentials and durable growth advantages. Further upside should be constrained by the U.S. dollar's lofty valuations. Europe's sluggish growth, political challenges, and tariff concerns pose downside risks for the Euro, which we expect to trade in a 1.0–1.10 range versus the U.S. dollar in 2025. The yen could get a boost versus the U.S. dollar as relative monetary policy shifts move more decisively in its favor in 2025.

#### 5. OIL – \$65/barrel

Geopolitical tensions in the Middle East may temporarily boost oil prices, but any spikes should quickly subside provided a full-scale conflict and supply disruptions are avoided. Supply/demand imbalances should be the biggest driver of prices in 2025. However, with record U.S. production, Saudi Arabia seeking to regain market share, OPEC+ likely to phase out production cuts, and weak Chinese demand—oil prices should remain in check. We see scope for modestly lower WTI crude oil prices, with a 12-month target of \$65 per barrel.

#### 6. VOLATILITY – HIGHER!

Equity and bond volatility were fairly muted in 2024; however, a host of challenges on the horizon could push volatility higher. With equity markets priced to perfection and uncertainties stemming from the new administration's policies (i.e., taxes and tariffs), disappointments on the earnings or economic front could spark higher equity volatility. The debt-ceiling debate, concerns over rising debt and deficits, and the potential for increased Treasury supply could also push bond volatility higher. Geopolitical risks could flare up from time to time.

**Our takeaway?** Broadly speaking, expect less from equities, but more from fixed income than we have seen the past couple of years. Prepare for new policies and direction to create additional uncertainty in the markets. As always, please contact our office if you would like further consultation regarding the effects on your portfolio and goals. We are grateful to collaborate with you in the new year and wish you a happy, healthy, and prosperous 2025!

## From the Officefront

Our annual Advanced Planners Study Group (APSG) conference was held in Vail the first week of December. True to form, the education/selection committee scheduled another all-star lineup of speakers. Andrew Norelli, from J.P. Morgan spoke about fixed income and pockets of investing opportunities in 2025. Specific ideas are being implemented in client portfolios to start the new year.

Dr. Marc Milstein ran a session titled “Age Proof Your Brain.” His content focused on managing stress, structuring thoughtful meals and diet, and specific sleep habits that have scientifically-proven benefits.

Bob Stevenson provided broad insight surrounding the November elections, titled “Reflections on the Election Results & Political Outlook.” He expects China to be a focus (and concern) of the next administration, tax reform to be tabled until the latter half of 2025, expanded focus on nuclear energy and the democratization of cryptocurrency.

Additional speakers provided fascinating content on not only the financial markets, but thoughtful and insightful ways to better help our clients. As I have mentioned before, the five days with my friends and colleagues at APSG is by far the best conference of the year.

In other exciting news, we expect to make an office relocation in the near future. Susan, Zach, and Alyssa will be staying in their respective locations, but I expect to be moving to a new spot within our building in Aspen within the next few weeks. Stay tuned for details!

## From the Homefront

We have three photos to share with you in this edition.



### The Wall

Aspen Highlands has had great snowfall through the first couple months of winter. The Wall is one of our favorite short shots, with a few great, steep turns. Lily & Hannah are not afraid of double black diamond ski runs!

**The Tree**  
Family tradition takes us up the Fryngpan Valley each year after Thanksgiving to cut the perfect Christmas tree. This year's tree was a bit sparse but was easy to drag out of the mountains.



### The Rink

Hannah insisted on me putting in our skating rink one more year. This photo is early season, where the ice is still clear and clean.

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