

INVESTMENT STRATEGY QUARTERLY QUICKVIEW

JANUARY 2025

THEMES



Trump 2.0: What's New and What's Déjà Vu?

We view the key market-relevant policies of the Trump administration as tariffs, the debt limit, key personnel, budget reduction, and tax cuts. Trump's appointments seem to indicate his seriousness about aggressive policies on tariffs and trade policy. Tariffs may also be used as a negotiating tool. The timing, magnitude, and tempo of these policies is still uncertain.



Uncertainty is Dead, Long Live Uncertainty

The American economy has remained resilient. Inflation has, finally, approached the Fed's target of 2.0%. Economic growth continues to be on a strong footing, with continuing tailwinds due to the CHIPS, IRA, and infrastructure legislation, as well as a weakening but still relatively strong employment environment. While the election in November resolved some uncertainties, it opened the door to others that could affect the prospects for economic growth, inflation, and interest rates.



Resetting Equity Expectations

A surprisingly strong economy, moderating inflation, and the beginning of the Fed easing cycle were all supportive of equities. In the year ahead, earnings, not multiple expansion, will be the driver of performance. Investors should dial down their expectations as we expect returns to moderate. Our target for the S&P 500 is 6,375, reflecting a valuation of 23.5x and projected EPS of \$270.



Fixed Income: The Long and Short of It

The outlook for fixed income remains favorable, although the new administration's policy proposals may fuel increases in inflation. Fed policymakers have made substantial progress bringing inflation closer to target and labor markets have moved better into balance—all without triggering a recession. However, given the downside risks, we are cautious about taking on duration in the current environment.



Bytes and Barrels: Energy Market Shifts from Geopolitics to the Electric Grid

Oil price volatility is being driven by old-fashioned supply-side and demand-side factors. We anticipate that oil prices will remain generally range-bound in 2025, with West Texas Intermediate (WTI) and Brent crude averaging in the \$65 to \$85/Bbl range. US electricity demand will grow 2-3% per year through 2030 largely driven by the building of more AI data centers.



Uneven Growth in an Uncertain World

The indirect impact of US tariff implementation on global markets will be greater and more persistent than the direct impacts. Global inflationary pressures pressures will slowly subside to target allowing room for central bank policy loosening. The macro backdrop is consistent with positive returns from financial market assets, but prospects will vary across differing geographic locations.

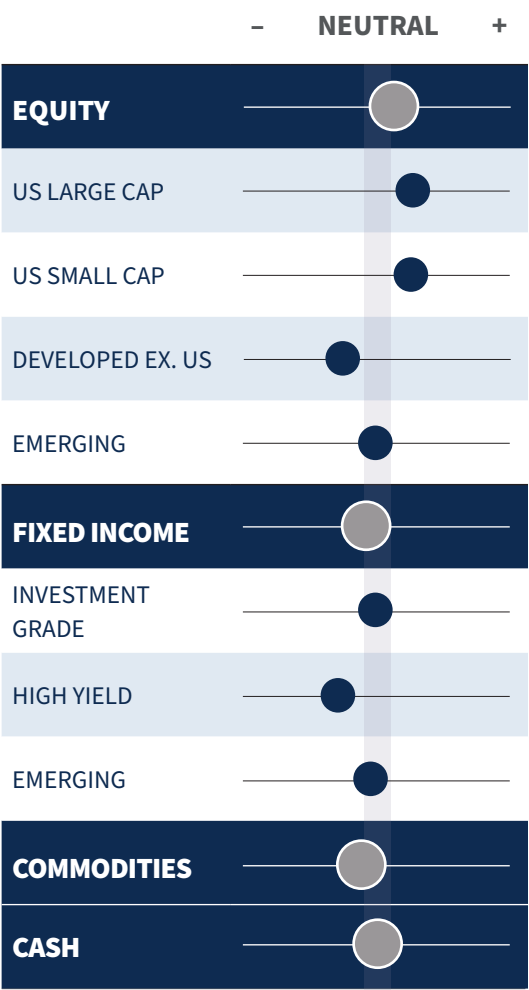
Economic Snapshot

Economic Indicator

FAVORABLE	GROWTH
	THE DOLLAR
NEUTRAL	EMPLOYMENT
	CONSUMER SPENDING
	BUSINESS INVESTMENT
	MANUFACTURING
	HOUSING AND RESIDENTIAL CONSTRUCTION
	INFLATION
	MONETARY POLICY
	LONG-TERM INTEREST RATES
	FISCAL POLICY
	REST OF THE WORLD

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Tactical Outlook



The tactical asset allocation outlook above reflects Raymond James Investment Strategy's recommendations for current positioning. Your financial advisor can help you interpret each recommendation within this material relative to your individual asset allocation policy, risk tolerance and investment objectives.

For more information, refer to the full [Investment Strategy Quarterly](#).

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Capital Markets Snapshot

EQUITY	AS OF 12/31/2024	4Q 2024 RETURN**	12-MONTH RETURN**
DOW JONES INDUSTRIAL AVERAGE	42,544.22	0.51%	12.88%
S&P 500 INDEX	5,881.63	2.07%	23.31%
NASDAQ COMPOSITE INDEX	19,310.79	6.17%	28.64%
MSCI EAFE INDEX	1,509.71	-8.06%	4.35%
RATES	AS OF 12/31/2024	AS OF 9/30/2024	AS OF 12/31/2023
FED FUNDS RATE TARGET RANGE	4.25-4.50	4.75-5.00	5.50-5.25
3-MONTH LIBOR	4.70	5.31	5.36
2-YEAR TREASURY	4.24	3.64	4.25
10-YEAR TREASURY	4.57	3.79	3.88
30-YEAR MORTGAGE	7.28	6.68	6.99
PRIME RATE	7.50	8.00	8.50
COMMODITIES	AS OF 12/31/2024	4Q 2024 RETURN	12-MONTH RETURN
GOLD	\$2,641.00	-0.69%	27.47%
CRUDE OIL	\$71.72	5.21%	0.10%

*Price Level
**Total Return

Sector Snapshot

	SECTOR	S&P WEIGHT
OVERWEIGHT	INFORMATION TECHNOLOGY	32.4%
	INDUSTRIALS	8.2%
	HEALTH CARE	9.9%
EQUAL WEIGHT	COMMUNICATION SERVICES	9.5%
	FINANCIALS	13.3%
	CONSUMER DISCRETIONARY	11.7%
	CONSUMER STAPLES	5.6%
	ENERGY	3.1%
UNDERWEIGHT	UTILITIES	2.2%
	REAL ESTATE	2.1%
	MATERIALS	2.0%

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