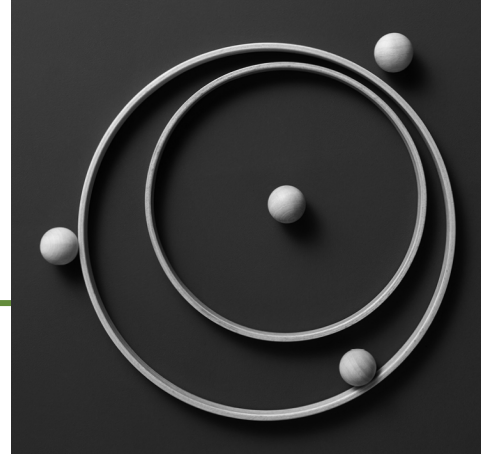


MARKET SIGHT LINES



Outlook 2025 Spotlight No. 1: A Brief Summary

By Michael O'Keeffe, *Chief Investment Officer*



2025 should prove to be an exciting year full of change, and as is my team's practice, this week we released our outlook report, *Outlook 2025: Gravitational Shifts*. You can read the [full report](#), watch a [video summary](#), or join our upcoming [client webinar](#), but in this week's Sight|Lines, we once again start the year by sharing a brief overview of the report.

THE TAKEAWAY: OUR REPORT AGAIN CONTAINS NUMEROUS ARTICLES, LOOKING BACK AND FORWARD

Outlook 2025: Gravitational Shifts offers several articles to help you get ready for the new year. In summary:

- Our *2024 Year in Review* discusses how inflation cooled some, the Federal Reserve (Fed) started to cut rates, and market interest rates remained elevated, even as economic growth and equity returns were once again better than expected.
- *Outlook 2025: Gravitational Shifts* shares our outlook for lower inflation, a slowdown in Fed rate cuts, positive economic growth, and positive, broadening equity returns.
- Our colleague, Stifel Chief Washington Policy Strategist Brian Gardner, shares his *Washington Policy and Political Outlook*, unpacking the challenges and opportunities as President Trump enters office with a unified government but tight majorities in Congress.
- *Geopolitical Risk Dashboard: A New World* provides a refined look at geopolitical risks, including the growing military conflicts and related risks globally.
- *Crossroads: Four Ways Forward* unpacks the U.S.-China competition, offering four scenarios on how world economic dominance may play out in the future.
- *The World in 2035: From Vision to Value* offers ten transformative ways the world may be different over the next decade, anchored on our long-term investment themes.
- We again share other articles about our asset allocation approach and insights, our investment management process, and where to find our guidance going forward.

IN-DEPTH: OUR OUTLOOK REPORT ARTICLES ON TOPICS LIKE 2024 RESULTS, WASHINGTON POLICY, GEOPOLITICS, AND TRANSFORMATIVE SHIFTS HELP INFORM OUR 2025 OUTLOOK

Outlook 2025: *Gravitational Shifts* presents articles designed to help you look back at 2024, then look forward to 2025 and beyond. Going deeper:

- Our *2024 Year in Review* shares that results were again better than most expected:
 - Headline inflation hit 2.7% in November, approaching the Fed's 2% target.
 - GDP is estimated to have grown 2.7% for the year, well above the consensus estimate.
 - The S&P 500 returned 25%, while the Bloomberg U.S. Aggregate Bond Index posted a 1.3% return.
 - The Fed cut rates 1% but signaled a slowdown in 2025.
- In *Outlook 2025: Gravitational Shifts*, we present our outlook for the year:
 - Inflation settles closer to the Fed's 2% target, and the Fed cuts rates 0.25%-0.50%.
 - Economic growth remains positive, with GDP up 1.5%-2.5% for the year.
 - Market interest rates are range-bound, and equity market returns broaden.
 - The S&P 500 earns a positive return of 6.7%, ending the year at 6,200.
- Chief Washington Policy Strategist Brian Gardner shares his *Washington Policy and Political Outlook*:
 - President Trump enters office with a unified government but tight majorities in Congress.
 - There will be an "America First" focus seeking increased efficiencies and deregulation.
 - The initial focus will include the budget, immigration, lower taxes, and tariffs.
- *Geopolitical Risk Dashboard: A New World* provides a refined look at geopolitical risks:
 - The world continues to shift toward increased localization and protectionism.
 - *Introduction of a BRICS Currency*, a new risk, assesses the likelihood of a challenger to the dollar.
- *Crossroads: Four Ways Forward* offers four scenarios for U.S.-China competition:
 - We offer four scenarios modeling leadership/decline for the U.S. and China.
 - We focus on innovation, trade, domestic policy, and foreign policy.
- Anchored on our long-term investment themes, *The World in 2035: From Vision to Value* offers 10 transformative changes in the next decade, such as:
 - The emergence and power of the quantum computer.
 - Healthcare innovations like bionics, artificial intelligence-infused drug development, and the concept of digital "health twins" to help with personalized healthcare.
- We share these articles about investing: *Stifel's Approach to Asset Allocation*, *Our Investment Management Process*, *Allocation Insights*, and where to find our guidance, [stifelinsights.com](https://www.stifelinsights.com).

CONCLUSION

This week we released *Outlook 2025: Gravitational Shifts*, offering a positive view of the upcoming year and profiling the shifts we expect to see in Washington policy, Fed actions, geopolitics, and technological advances. We invite you to read the [full report](#), watch a [video summary](#), or join our upcoming [client webinar](#).

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Asset allocation and diversification do not ensure a profit and may not protect against loss. There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries. Due to their narrow focus, sector-based investments typically exhibit greater volatility. Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies. Property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance of real estate companies. When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. The Standard & Poor's 500 index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market. The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. The DJIA was invented by Charles Dow back in 1896. The MSCI EAFE index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

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