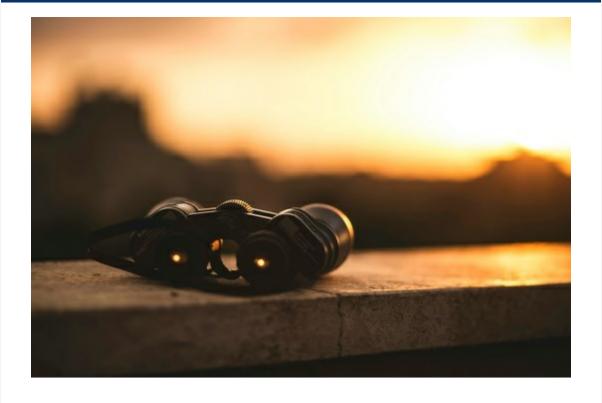


Outlook for 2025: Pragmatic Optimism



Looking back, 2024 clearly echoed many of the themes from 2023. By and large, the economy continued to defy expectations and surprised once again to the upside. Stocks continued their strong performance, driven by powerful trends in artificial intelligence and technology. On the other hand, the bond market experienced another lackluster year amid policy ambiguity and uneasiness over rising debt levels.

As we look to 2025, we remain cautiously optimistic. We're cautious because no market environment is ever permanent, yet optimistic since constructive long-term technology trends are in place. Plus, potential tax policy and deregulation efforts in 2025 could provide some tailwinds — particularly from an economic perspective. While growth asset returns are not expected to be as robust in 2025, the investment environment should prove to be favorable for investors.

For 2025, new policies will need to be digested, and relatively rich valuations may get tested. For the time being, this backdrop favors a constructive, but also a conservative and balanced approach, when it comes to tactical stock and bond allocations.



The economy has experienced significant shifts over the last few years, including aggressive rate hikes followed by a pivot to rate cuts, as inflation has come down some. The economy will likely downshift throughout 2025 as consumer spending begins to moderate, though pent-up demand for business capital expenditures, favorable tax policy, and likely deregulation could help offset some of the softening. Inflationary pressures may re-emerge as new policies are digested, so upticks in inflation could lead to changing narratives and a slower pace of Federal Reserve (Fed) rate cuts than expected. The labor market continues to show signs it is slowly shifting and remains key to how the economy ultimately lands.

LPL Research Expectations	Action Steps to Consider
Bifurcated economy	Stay diversified. Varying impacts of complexities and market shifts may make asset allocation more challenging.
Slow-down in consumer spending	Stay invested, but be prepared for bouts of volatility.
Inflationary pressures could re-emerge	Favor U.S. cyclical equity sectors and intermediate maturities within fixed income for potential strong U.S. dollar and elevated interest rates.



Expect modest stock market gains in 2025 supported by a stable economy, solid corporate profits, a Fed that is no longer hawkish, and some potential deregulation tailwinds. With stocks pricing in a lot of good news, positive surprises may be tougher to come by, so a repeat of 2024's performance is unlikely. With the bull market another year older, interest rate risk rising, valuations elevated, and still significant geopolitical threats, be prepared for bouts of volatility in 2025 and consider buying equities on market pullbacks. Our S&P 500 fair value target range for 2025 is 6,275 to 6,375.

LPL Research Expectations	Action Steps to Consider
Modest returns for equities with year-end S&P 500 fair value target range of 6,275–6,375	Stay invested at long-term target levels consistent with investor targets for equities and fixed income. Be prepared for more volatility.
Broadening earnings growth beyond mega-cap technology	Favor growth style equities in early in 2025 but watch for rotation to value later in the year.
Stay close to home due to Trump's America-first agenda	Favor U.S. equities in potential strong dollar environment, amid heightened risk for markets in China and Mexico.

Bond yields are expected to remain elevated, with the 10-year Treasury yield likely to remain between 3.75% and 4.25%. Over the next 12 months, we see roughly equal upside and downside risks to yields as the markets grapple with the true impacts of budget deficits, increasing Treasury supply, and the scope of the Fed's current easing cycle. For fixed income investors, a focus on income generation and duration management is advised, and we believe the most attractive opportunities lie in the five-year maturity range.

Higher for Longer Continues?

Bonds

Range-bound yield environment Identify strategies to generate income, such as mortgage securities and preferreds. Rate uncertainty Manage interest rate risk by focusing on intermediate-maturities five years out or less.	LPL Research Expectations	Action Steps to Consider
	Range-bound yield environment	
	Rate uncertainty	



Alternative Investments

Seizing Opportunities in a Changing Market

Lower interest rates and potential policy shifts will impact markets differently, creating both opportunities and risks. Equity market-neutral, global macro, and managed futures strategies are well-positioned to capitalize on increased volatility and market dispersion. In the private market space, private credit and infrastructure remain attractive, albeit with some moderation in expectations. While challenges persist in private equity, opportunities should exist in the secondary market. Investors should be prepared for a more dynamic market environment in 2025 and consider the use of alternative strategies to further diversify and enhance portfolios.

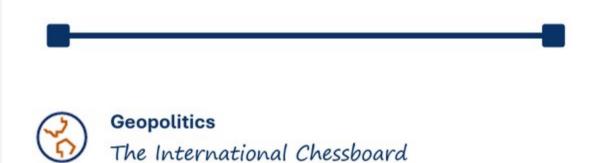


Demand for a broad assembly of commodities will be crucial for new infrastructure projects globally, and continued renovation of aging infrastructure. The build-out of data centers is poised to require an abundance

of commodities. For investors, commodity exposure should remain a small portion of a portfolio that's diversified across the commodity complex.



The dollar continues to reign across global currency markets. Solid economic growth, especially compared to other developed countries, has been a major driver of strength and stability in the greenback. Developing uncertainty over the trajectory of inflation, expectations for gradual easing from the Fed, and positive interest rate differentials have further supported the dollar. President-elect Trump's proposed tariffs could elevate currency market volatility and stoke inflation fears, putting additional upward pressure on the dollar. Based on this backdrop, we believe the dollar will be well-supported in 2025. We expect limited downside risk, while meaningful upside could be capped by the gravitational pull of a less hawkish Fed.



Despite a geopolitical landscape increasingly punctuated by military skirmishes, armed conflict, and clearly defined war, markets have been able to navigate around the risk. Given the military turbulence in the Middle East and Europe, markets in the U.S. have performed with distinction as the underpinning of a bull market and solid economic backdrop stand in stark contrast to the images and consequences of war.



We'll continue monitoring the markets closely and are prepared to make adjustments as conditions evolve. For now, we believe a balanced and conservative approach remains the most prudent strategy.

We deeply value the trust you place in us and are committed to helping you achieve your long-term goals. Thank you for the opportunity to partner with you on your financial journey.



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The fast price swings of commodities will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors. Precious metal investing is subject to substantial fluctuation and potential for loss.

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