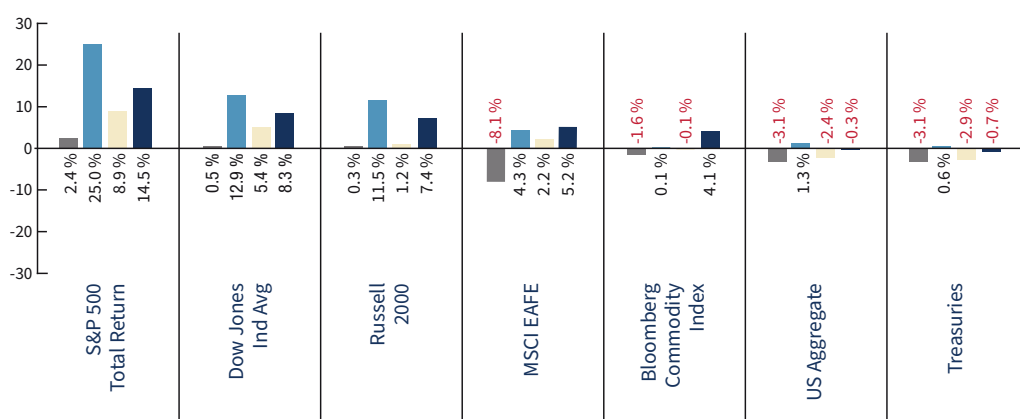




“History will be kind to me
for I intend to write it.”

– Winston Churchill

Asset Class Returns (as of December 31, 2024)



Materials prepared by Raymond James for use by its Financial Advisors

Market & Economic Synopsis



- The Federal Reserve cut the federal funds target rate (by 25 basis points) for the third meeting in a row (current target: 4.25% – 4.50%). We expect more cuts in 2025.
- The U.S. economy continues to grow and is on pace to expand 2.7% for 2024. This would make five consecutive years of economic expansion. We expect 2.4% growth in 2025.
- The road to a 2% inflation goal remains bumpy and slower than expected. Inflation continues to go down, but not at the pace desired by American consumers.
- The U.S. economy still rises to the top on the world stage. Europe’s economic growth remains modest while China’s stimulus has done very little to boost growth in the world’s second largest economy.
- 2024 was the second consecutive year the equity market (S&P 500) delivered +20% gains, which hasn’t occurred since 1998.
- The U.S. dollar begins the new year with considerable strength. The dollar rose throughout 2024 but saw a surge in the last few months after the presidential election results.
- U.S. electricity demand is forecasted to grow 2% – 3% over the next five years, an electric power boom driven by the Artificial Intelligence build out.

Market Update

Newton’s First Law of Motion can be summarized as follows: An object in motion will remain in motion unless acted upon by an external force. For 2024, the financial markets and U.S. economy remained in an upward motion with consistent positive momentum. Consumer spending remained resilient, the job market stayed healthy, and investment in Artificial Intelligence all contributed to the stock market’s performance. At times, we thought external forces like high inflation and interest rates might slow the inertia, or international wars might derail the momentum. Not in 2024. The S&P 500 finished the year with a total return of 25%.

As we shift our focus to 2025, the obvious question is, “Will momentum in financial markets continue?” Many say, “It’s very likely.” Investor confidence, business confidence, and consumer confidence have reached new elevated levels, particularly since the election. And there are several factors supporting this optimism. The new administration has promised deregulation. The financial impacts of deregulation vary among sectors, but a softer regulatory environment should support overall economic growth. The fears of the Federal Reserve over-tightening in their fight against inflation have subsided, and the economy is on track to achieve a “soft landing” in 2025 (slower economic activity, but no recession). Economic growth continues to exceed expectations, while corporate activity remains strong. Both measures highlight a healthy U.S. economy, while fueling high expectations for the stock market this year. But as investors we know financial markets do not move in straight lines, so one must remain vigilant and strategic, and be prepared to withstand whatever external forces the economic landscape may bring.

2025 Outlook

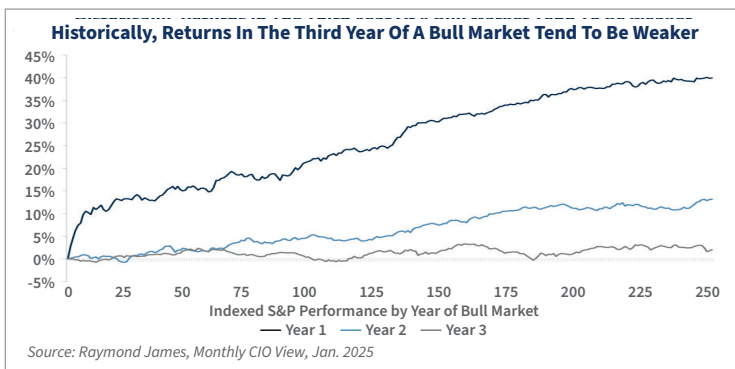
	EPS	P/E	S&P 500 TARGET	PROBABILITY
 Bull	\$280	25.5x	~7,000	35%
Base	\$270	23.5x	~6,375	50%
 Bear	\$250	21x	~5,400	15%

Source: Raymond James, Investment Strategy Quarterly, Jan. 2025

Larry Adam, Raymond James’ Chief Investment Officer, recently released his Ten Themes for 2025. As we begin a new year, we believe it is important to keep these themes in focus as we navigate shifting political and economic landscapes.

- **Optimism Overload:** Confidence is at a record high to start the year, which leaves little room for error regarding economic disappointments. Although confidence is crucial for a strong economy and rising stock market, it potentially can mask underlying risks.
- **Economic Enigma:** The markets always have a component of uncertainty. There are valid arguments for both a Bull and Bear outlook for 2025, so investors should be ready to adapt to the surprises this year will inevitably bring.
- **Monetary Policy:** We expect the Federal Reserve to cut rates twice in 2025. We believe disinflation will continue as energy prices decrease, retailers slash prices, the dollar strengthens, and home prices finally start to come down (hopefully).

- **Bond Market Jeopardy:** We believe long-term interest rates to be anchored for most of the year and end 2025 around where they are today (10-year Treasury yield target: 4.50%). However, short-term interest rates are expected to decrease which will steepen the yield curve.
- **Equities:** The equity markets have experienced back-to-back years of more than 20% annual returns. While earnings growth has contributed, multiple expansion has been a major driver of this performance. Therefore, valuations are currently on the more expensive side.
- **Market Capitalization:** Large-cap stocks have been the outperformer for the last few years, but mid-cap stocks deserve a look for 2025. Mid-cap stocks are less impacted by tariffs than large-cap stocks with most of their revenue from the U.S.
- **Sector Selection:** Raymond James has three favorite equity sectors for 2025: Technology, Industrials, and Healthcare. Artificial Intelligence and innovation are the drivers for the Technology sector. Industrials should benefit from government spending, re-electrification of the power system, and reindustrialization of the U.S. Healthcare appears undervalued based on potential earnings driven by the healthcare needs of an aging demographic.
- **International Equities:** The U.S. is likely to continue being the top performer compared to other developed countries. This expectation is supported by superior economic growth, significantly higher earnings growth, more dynamic corporate leadership, and exposure to top sectors: Technology, Industrials, and Healthcare.
- **Selectivity:** In an environment of stretched equity valuations, a company's fundamentals are more essential than ever. Active management's adaptability and skill to navigate the complexities of the market should prove its worth in 2025.
- **Asset Allocation:** The goal of long-term investing is to build wealth. This is best accomplished with a committed investment strategy and dynamic financial plan.



Around the Office

Lending Solutions

Did you know that Raymond James has a variety of lending solutions to meet your financial needs in a holistic way? These solutions help you meet near-term goals without disrupting your long-term financial plan.

- Mortgage Lending
- Securities-Backed Options
- Commercial Real Estate Lending

Contact us if you have any questions about these solutions.

Important Information for Tax Season

As you prepare for tax season, here is some beneficial information for your consideration.

2024 Form 1099 Mailing Schedule

- January 31 – Mailing of Form 1099-Q and Retirement Tax Packages and Raymond James Bank year-end tax packets
- February 15 – Mailing of original Form 1099s
- February 28 – Begin mailing delayed and amended Form 1099s
- March 15 – Final mailing of any remaining delayed original Form 1099s

2025 Retirement Contribution Limits – 401(k)* and IRA*

- The 401(k) plan maximum annual deferral limit increased to \$23,500
- The 401(k) plan deferral catch-up contribution limits if age 50 or older remained \$7,500
- The Traditional & Roth IRA maximum annual dollar contribution remains \$7,000
- The IRA Catch-Up Contribution Limits if age 50 or older remains \$1,000

**You should discuss any tax or legal matters with the appropriate professional. The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. Any information is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation.*

Electronic copies of current and past newsletters can be found on the Resources tab of our website:

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Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results. There is no assurance any of the forecasts mentioned will occur.

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The DJIA index covers 30 major NYSE industrial companies. The S&P 500 is a broad-based measurement of performance of 500 widely-held common stocks. The Barclays Aggregate Bond Index is a diversified index measuring approximately 6,000 investment grade, fixed-rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the U.S. & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market.

U.S. government bonds and treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Commodities may be subject to greater volatility than investments in traditional securities. Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments. Diversification and asset allocation do not ensure a profit or protect against a loss. Dividends are not guaranteed and must be authorized by the company's board of directors.

Investments in municipal securities may not be appropriate for all investors, particularly those who do not stand to benefit from the tax status of the investment. Municipal bond interest is not subject to federal income tax but may be subject to AMT, state or local taxes. Municipal securities typically provide a lower yield than comparably rated taxable investments in consideration of their tax-advantaged status. Please consult an income tax professional to assess the impact of holding such securities on your tax liability.

Russell 2000 Total Return Index: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

Bloomberg US Agg Bond Total Return Index: The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

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