JS JOHNSON•STIVENDER WEALTH ADVISORS

2025 investing outlook

The year ahead may present challenges as markets and the economy look to maintain momentum.

With markets setting new records and the economy growing at a healthy pace, the question arises: Can 2024's positive momentum continue into 2025? Raymond James Chief Investment Officer Larry Adam shares 10 key themes to watch in the coming year. He anticipates challenges and volatility spikes, requiring careful portfolio decisions, but believes that the momentum will ultimately continue.

Too much optimism?

Consumer, business and investor confidence all saw boosts following the 2024 election. Donald Trump's second term is expected to introduce policies related to taxes and tariffs that may pose new risks and stir up debates in Congress. For equity investors – and for the Fed if it's unable to cut interest rates further if inflation rises – there's little room for error regarding economic and earnings disappointments.

Economic growth to continue, but at a moderated pace

A resilient consumer, steady job growth, fiscal spending from programs like the Inflation Reduction Act and the CHIPs Act, and continued investment in transformative areas like artificial intelligence, all support a fifth consecutive year of economic growth.

Monetary policy: Focus less on the number of Fed rate cuts and more on the result

As the Fed works toward containing inflation and supporting a healthy labor market, tariffs could serve as a wildcard, although those risks are believed to be overstated. While the Fed is anticipated to cut rates twice in 2025, the focus should be less on the number of cuts and more on their results, looking for a continuation of expansion. Fewer rate cuts should help to support fixed income, as cash yields should average north of 4% throughout 2025.

Look for the yield curve to steepen

As the Fed prepared to cut interest rates for the first time in 2024, the expectation was that yields would follow historical trends and move lower after the rate cut was announced. That didn't happen, and for 2025, continued Fed easing is likely to take the short-term rate lower and steepen the yield curve. Longer-term interest rates are poised to be range-bound for much of the year and end up at a level close to where they are today, with the 2025 year-end 10-year Treasury yield expected to be 4.50%.

Dial back equity market expectations

For the first time since the late 1990s, the S&P 500 posted consecutive annual returns of more than 20%. While the fundamentals of the market are healthy – a strong economy, positive earnings growth and robust corporate activity – equity market expectations need to be dialed back in the upcoming year due to high valuations and potential complacency. Stock prices are expected to rise more slowly as company earnings grow faster, helping earnings catch up to current prices. The S&P 500 is predicted to reach 6,375 by the end of 2025, with a price-to-earnings ratio of 23-24 times and earnings per share of $270.

Mid-cap stocks poised to have their moment

Large-cap stocks have dominated the last two years, and small-cap stocks garnered attention in late 2024 as beneficiaries of aggressive Fed rate cut expectations. In 2025, mid-cap stocks, with their balanced approach, might be positioned to outperform. With 76% of their revenues coming from the US, mid-cap stocks are somewhat insulated from tariff exposure and are expected to see strong earnings growth, around 13% in 2025, with attractive valuations, which could be the desired equity market sweet spot.

Three sectors to watch in 2025

Investors should follow long-term macro themes and focus on sectors with the best earnings potential. Here's what's favorable about technology, industrials, and health care:

- **Technology**: AI enthusiasm, constant innovation, and strong corporate investment.
- **Industrials**: Benefit from continued government spending, reindustrialization of the US, AI buildout, and re-electrification of the power system.

Health care: Hidden potential with attractive valuations that don't appear to match the earnings power driven by increasing healthcare needs supported by demographic trends.

US to remain on top of global equities, but keep an eye on Japan

The US is likely to once again be the top performer in the global equity market, driven by superior economic growth, higher earnings growth, more dynamic leadership and exposure to preferred sectors like technology, industrials and health care. Japan ranks just behind the US, benefiting from an improved economy and a shift away from deflation, and should gain if global growth stabilizes in 2025.

Next stage of the bull market to present tougher challenges for investors

The market gains of the past two years will be harder to come by in 2025, and stretched valuations are likely to generate more volatility and muted returns, pushing fundamentals to the forefront. Investors are cautioned against taking on excessive risk across asset classes, as higher beta asset classes without a solid fundamental backdrop will likely face difficulties. In a shifting policy landscape, 2025 will likely be a year where active management – especially in commodities, emerging markets and small-caps – proves its worth.

Important asset allocation reminders

Amidst the uncertainty of the coming year, it's important to remember the goal of investing: to build wealth. America's wealth has grown to record highs. Consult with your financial advisor first. Your advisor is the professional you can rely on to answer your questions and provide confidence when faced with pressure-panicked headlines.

Stay focused and committed.

Winter Edition 2025

In This Issue:

- **Fed Chairman not in rush**
- **Prepare for 2025**
- **Tech nostalgia**

Holiday Schedule—Office Closed

Wed. Jan 1st New Year's Day

Mon. Jan 20th MLK Day

Mon. Feb 17th Presidents Day

Fri. April 18th Good Friday

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Four things to consider in preparation for 2025

The end of the year is a busy time for most of us. Rather than add one more thing to your to-do list, it could be beneficial to take a fresh look at your financial picture now, to ensure it's shaping up the way you want it to. From updating your plan to reflect changes from the past year, to taking measures in anticipation of changes ahead. Taking stock of your progress, re-evaluating your goals and ensuring you're set up for success will give your financial plan the attention it deserves.

Here are some key things you can do ahead of the spending and giving season.

Review your income streams

With interest rates remaining relatively high and inflation likely still affecting your personal finances, it could be a good time to evaluate your sources of income. Although the goal of every investor should be to think long-term, your retirement should be as enjoyable as possible. So, if there are areas where you can bolster your earnings, consider adjusting your strategies to maximize cashflow.

Think about giving

The end of the fiscal year coincides with the season of giving. While holiday spirit is a contributing factor to the rise of charitable efforts near the year's end, tax planning also plays a major role. Donating low-basis stock or creating a Donor Advised Fund through Raymond James Charitable can allow you to take higher up-front deduction next year. And although it won't give you a tax benefit for giving to family, there is a gift tax exclusion of $18,000 per recipient in 2024.

Be conscious of required minimum distributions (RMDs)

The SECURE Act lets IRA owners delay RMDs until the age of 72 if they elect to do so. Since the passage of SECURE 2.0, there has been some confusion and delay of additional guidance. Let's navigate these changes together and ensure they don't create any roadblocks in your retirement plan.

Reflect on what's new

Your finances evolve with life changes. And even the smallest event could alter your long-term financial plan. Reflecting on the past year and discussing the changes you've experienced can help to easily address gaps in your plan. Let's talk and decide if anything you experienced in 2024 should be reflected in your 2025 plan.

As always, you're welcome to call anytime to discuss your portfolio and the strategies behind it.

Tech nostalgia: In with the old

TECHNOLOGY & INNOVATION

What inspires the recent appeal of obsolete technology.

Everything old is new again – even the dusty tech in your junk drawer. Millennials and Gen Zers are resurrecting vintage technology, and not just for the novelty kick. Tech nostalgia can save consumers money, or help them unplug. The trend reflects a simple truth: Newer isn't always better.

Though popular, e-books offer a clear demonstration of what so much new technology lacks – a sensory experience. The smell of an old book and the sound of a turning page largely explain why print books still dominate the market. Retro junkies seek tech that delivers a physical encounter. And with physical connection so often replaced by virtual connection today, it's easy to understand a desire to turn back time.

Let's talk about some of the reasons tech nostalgia is in – and why old tech might be here to stay.

Money, money, money.

Tangle-prone or not, wired headphones have upsides. Losing old-school headphones won't ding your wallet as badly as losing their wireless counterparts – and wires are more difficult to lose in the first place. Flip phones are another popular retro tech product with a consumer-friendly price tag. Why buy the latest iPhone – which will be outdated soon enough – when you could opt for a fun, funky and cheaper flip phone and sock away the difference for a vacation?

Quality counts!

Vinyl records aren't as affordable – or as mobile – as Spotify, and you can't play a record in your car. And yet, vinyl sales now outpace CD sales. Besides offering retro-appeal, vinyl records sound better than their digital descendants, according to vinyl enthusiasts. Records capture all analog waves in the original performance, which digital music can't do, making vinyl more faithful to the original studio performance. And for those who appreciate the romance of clicks, pops and white noise, digital music simply can't compete.

Memory lane is good for the brain.

According to Psychology Today, the affection for retro devices is "inextricably linked to the simpler times they belong to." Between artificial intelligence and automation, you might think times would be simpler now, but it seems the opposite is true. "Doom-scrolling" and nonstop news alerts can be bad for mental and physical health. Old tech can take us back, and calm us down.

Repurposing the past.

Some trending tech is more vintage-inspired than vintage. Phones with foldable screens are both old and new. With smartphone capabilities but the pocketable size of flip phones, models like the Samsung Galaxy Z Flip 4 are experiencing a surge in popularity. Motorola has also entered the foldable screen game, hinting at a growing market for new tech with an old vibe.

From e-learning to remote work, online shopping to contact-free delivery, much of the face-to-face interaction we need in order to feel connected has been stripped from our day-to-day. There's wisdom in a yen for vinyl records and Polaroid cameras. Unlike their digital alternatives, these items offer something tangible to collect, to hold, to share. Over time, a beloved book or photo becomes an heirloom, something to pass down to children and grandchildren. And so it goes.

Chocolate Chip Blondies

How to make chewy, soft blondies from scratch. So easy

Ingredients

1/2 cup melted butter
1 cup brown sugar
1 large egg
1 large egg yolk
2 teaspoons vanilla extract
1 cup flour
1/4 teaspoon baking soda
1/4 teaspoon salt
1 cup Chocolate chips

Instructions

- Preheat oven to 350 degrees. Melt butter in microwave safe bowl or pot on stove. Stir in brown sugar for about 2 minutes or until smooth and completely dissolved.
- Let cool for 5 minutes. Add vanilla extract and stir. Add egg and egg yolk, stir until smooth
- Fold in flour, baking soda and salt
- Check to ensure the cookie dough isn't too warm before adding chocolate chips. Fold in 3/4 cup chocolate chips, reserving 1/4 cup for the top.
- Line a 8 x 8 aluminum or metal pan with parchment paper, so grease pan. A glass pan is not recommended for these blondies.
- Spread the cookie dough in the pan and sprinkle with remaining 1/4 cup chocolate chips. Bake for 25 to 30 minutes. DO NOT OVERBAKE. The center will still look jiggly and underbaked but the blondies will continue to bake once removed from the oven,
- Allow to set up for at least 15-20 minutes before cutting into bars. For easier cutting, place in the freezer for 15 minutes.
- Storing these bars in the refrigerator keeps them firm so they don't fall apart but still soft and delicious.