

Outlook 2025 – An American Dawn

Michael Clark, President
Zack Clark, Vice President



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2025 Outlook Roadmap

1st

2024 Year
In Review

2nd

Inflation and
the Fed

3rd

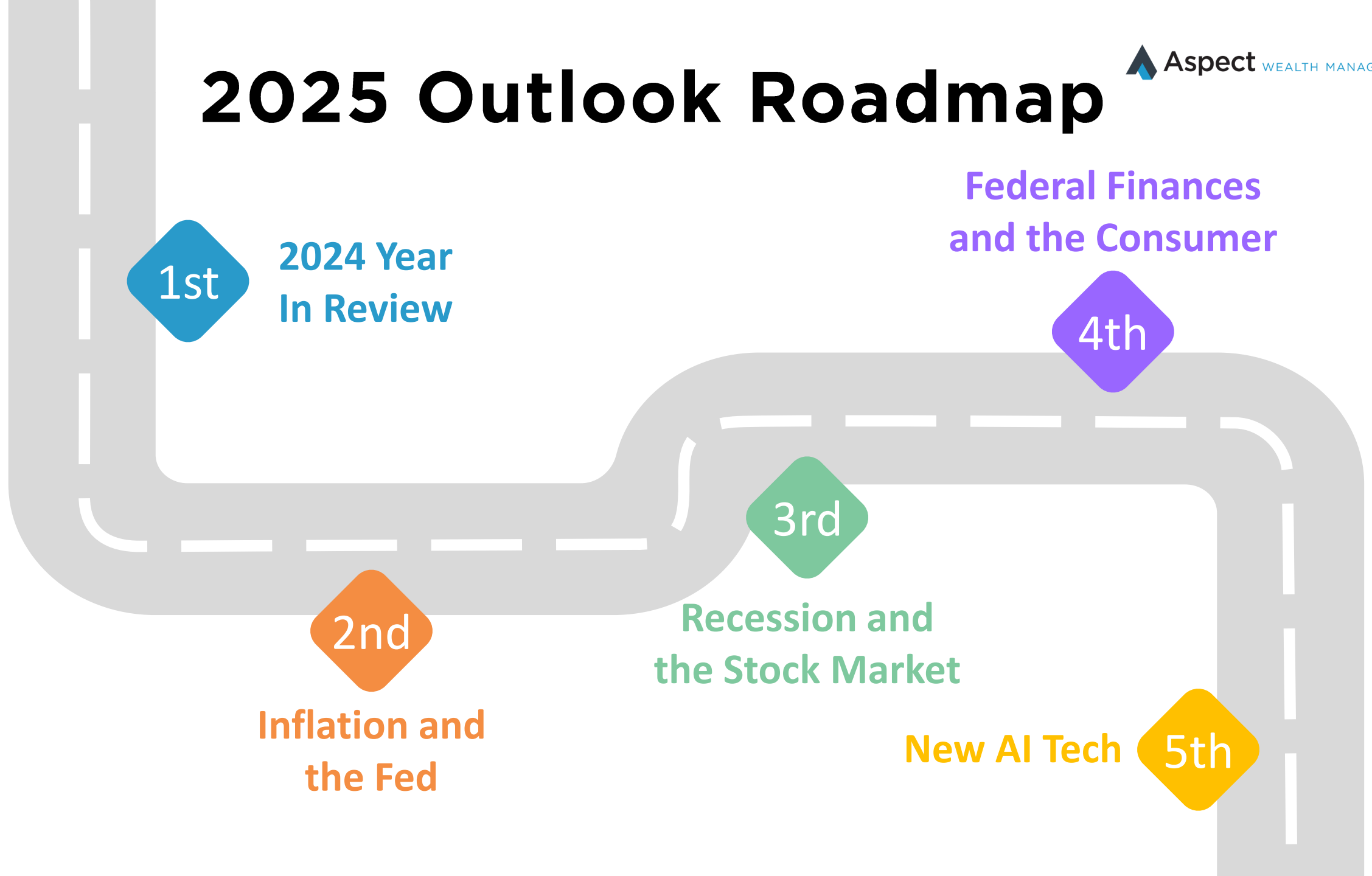
Recession and
the Stock Market

4th

Federal Finances
and the Consumer

5th

New AI Tech



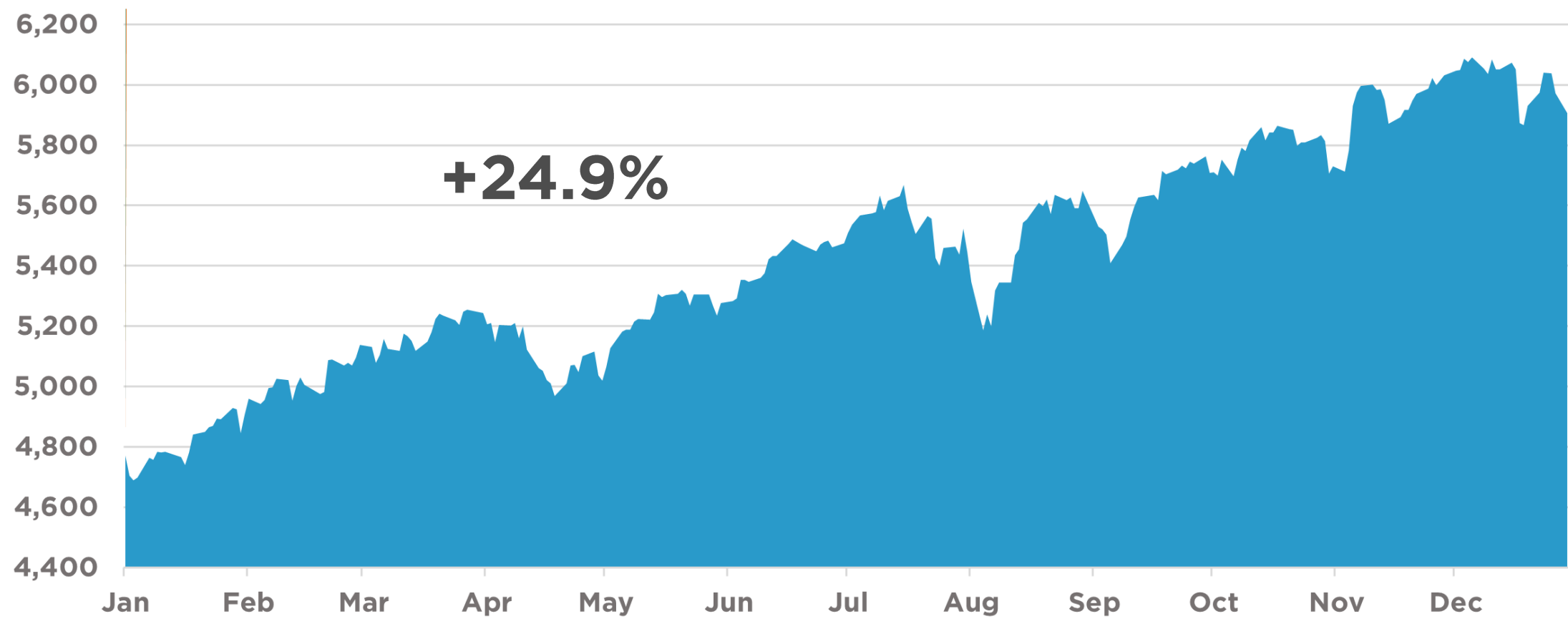
“This year reminded us that uncertainty is the new normal, but with it comes the chance to redefine what’s possible.”

Mary Barra – CEO of GM



Caroline, Natalie and Daisy Kate

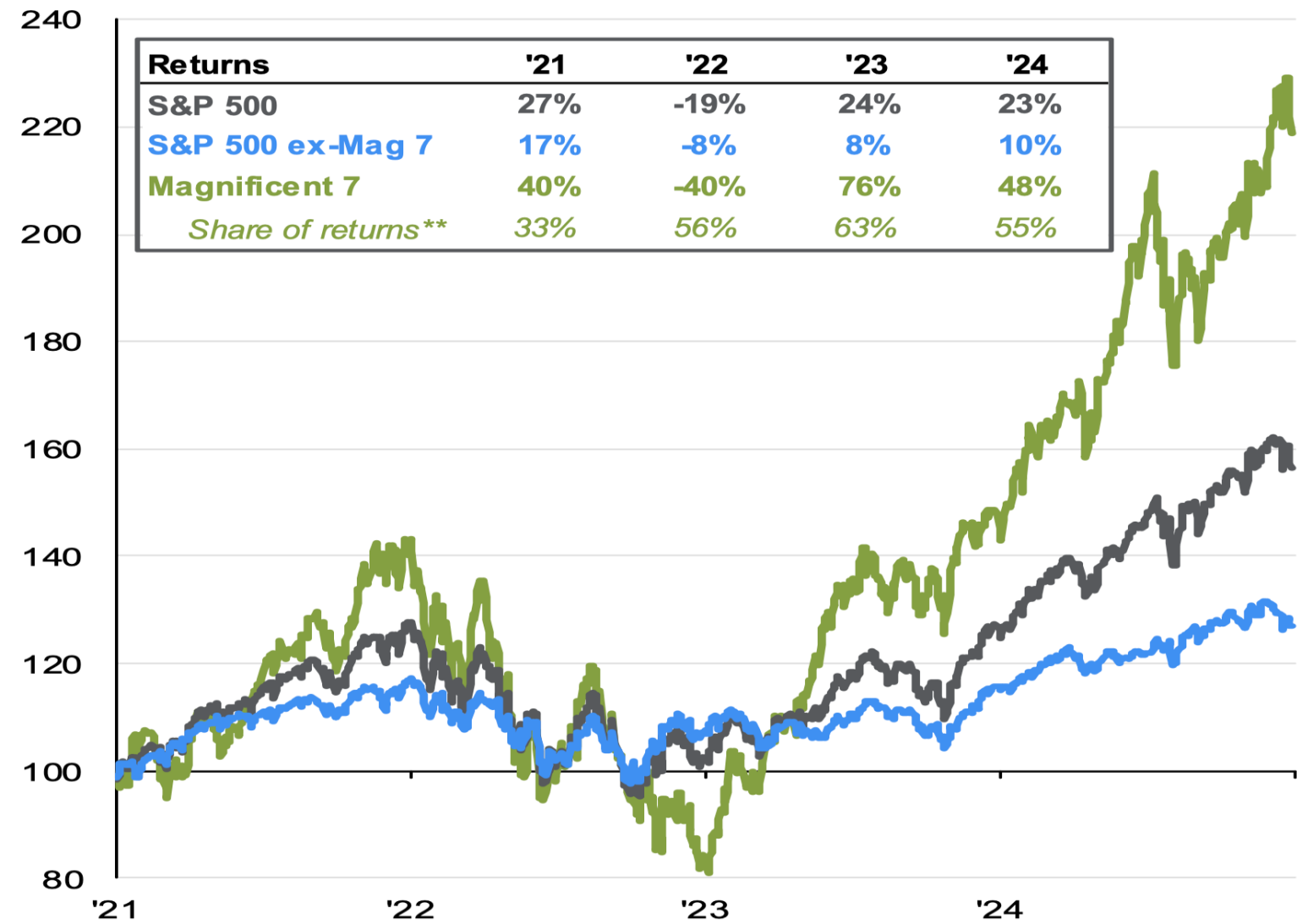
S&P 500



S&P 500 Concentration

Performance of “Magnificent 7” stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. *Magnificent 7 includes AAPL, AMZN, GOOG, GOOGL, META, MSFT, NVDA and TSLA. Earnings estimates for 2024 are forecasts based on consensus analyst expectations. **Share of returns represent how much each group contributed to the overall return. Numbers are always positive despite negative performance in 2022. Guide to the Markets – U.S. Data are as of December 31, 2024.

Dow Jones



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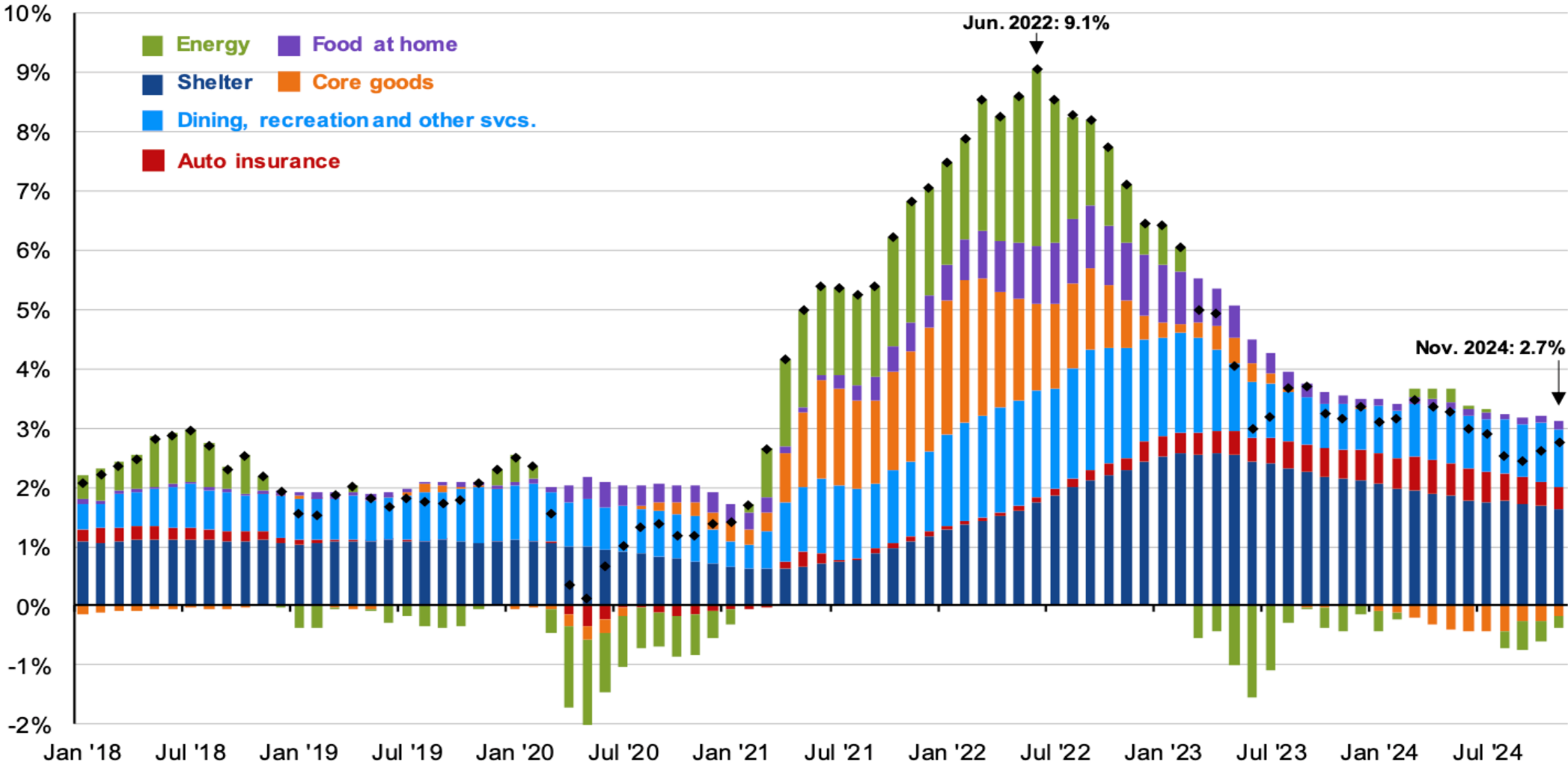
**“Inflation is taxation
without legislation.”**

**Milton
Friedman**

Drivers of Inflation

Contributors to headline CPI inflation

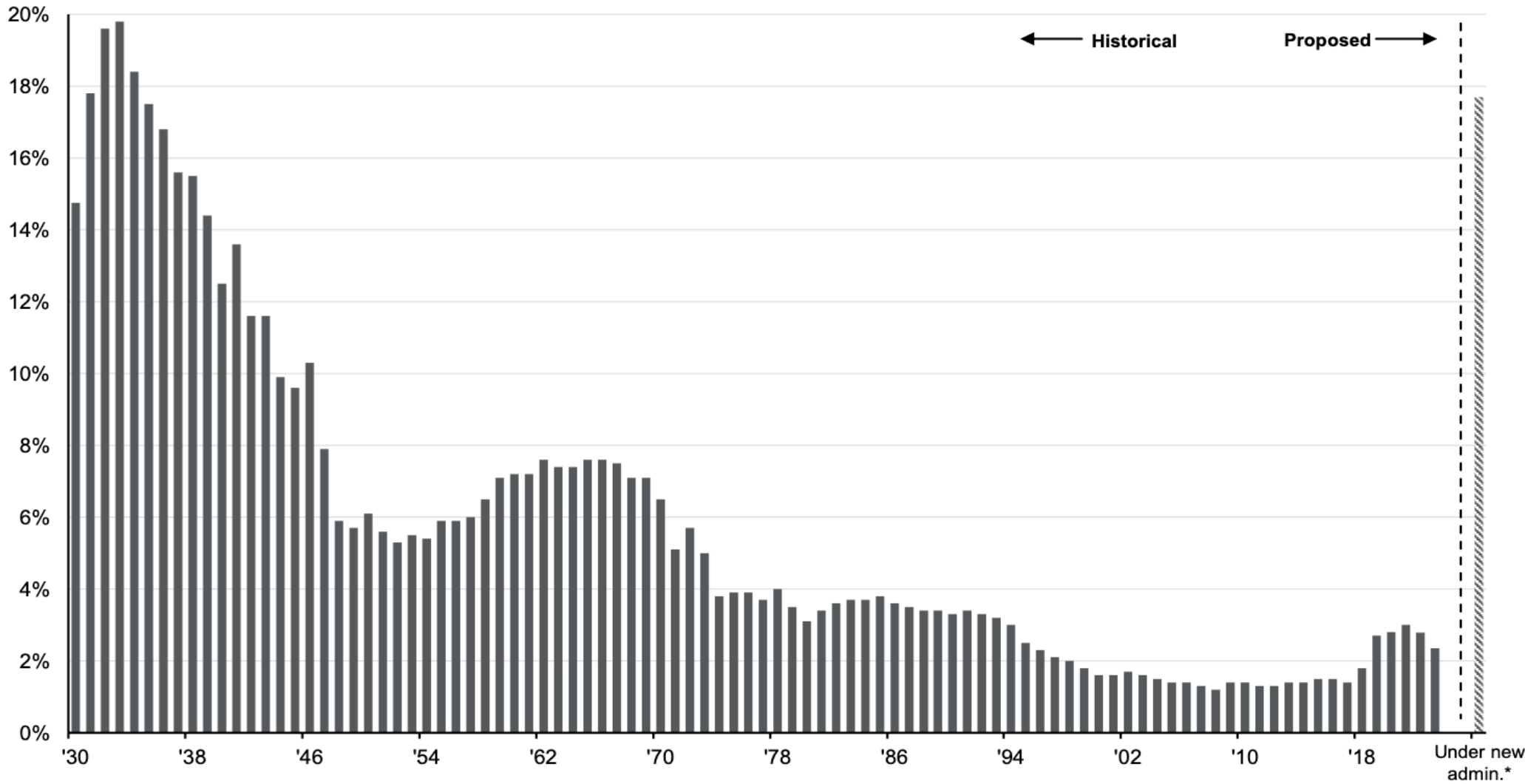
Contribution to y/y % change in CPI, non-seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages. Guide to the Markets – U.S. Data are as of December 31, 2024.

Tariffs and Inflation

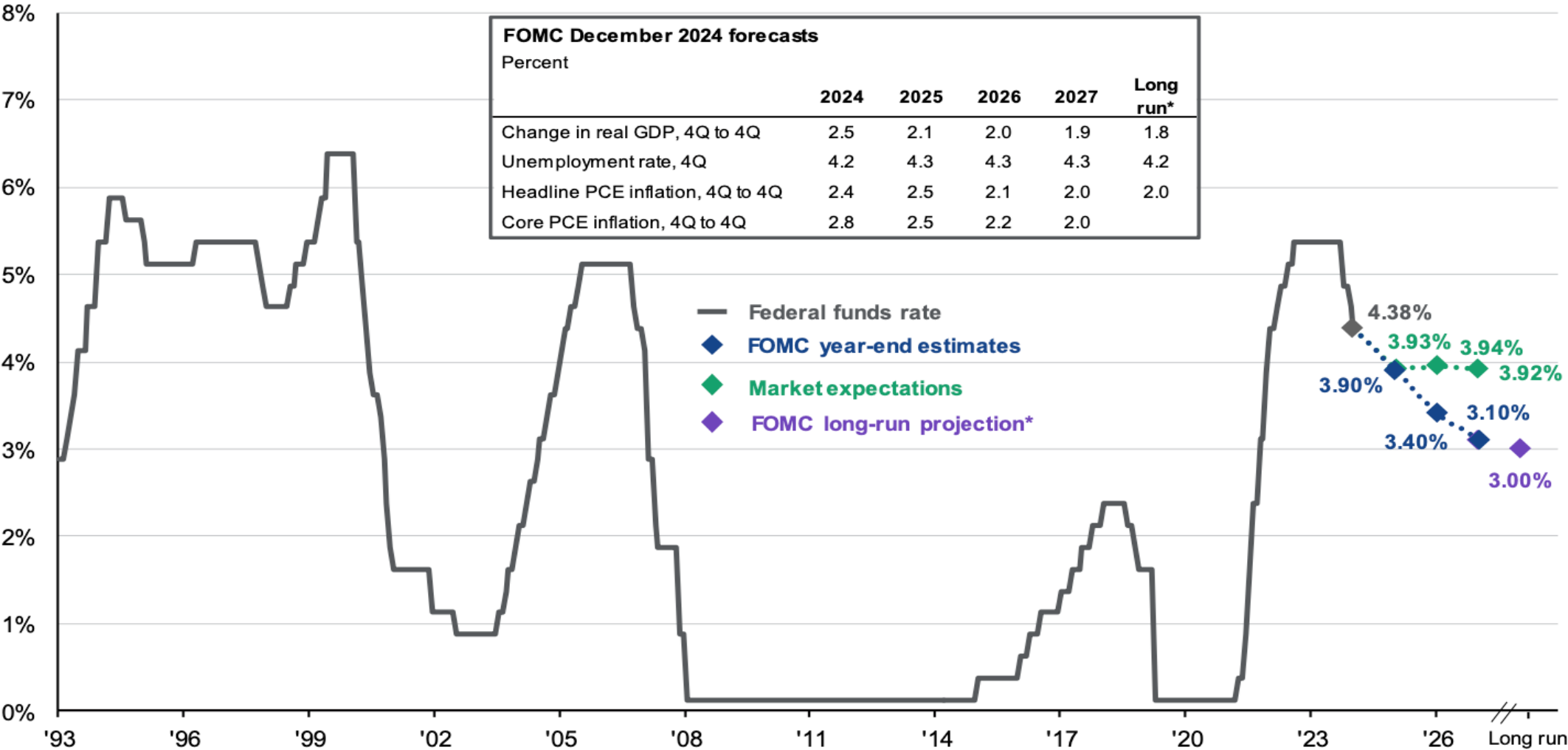
Average tariff rate on U.S. goods imports for consumption
Duties collected / value of total goods imports for consumption



The Fed and Interest Rates

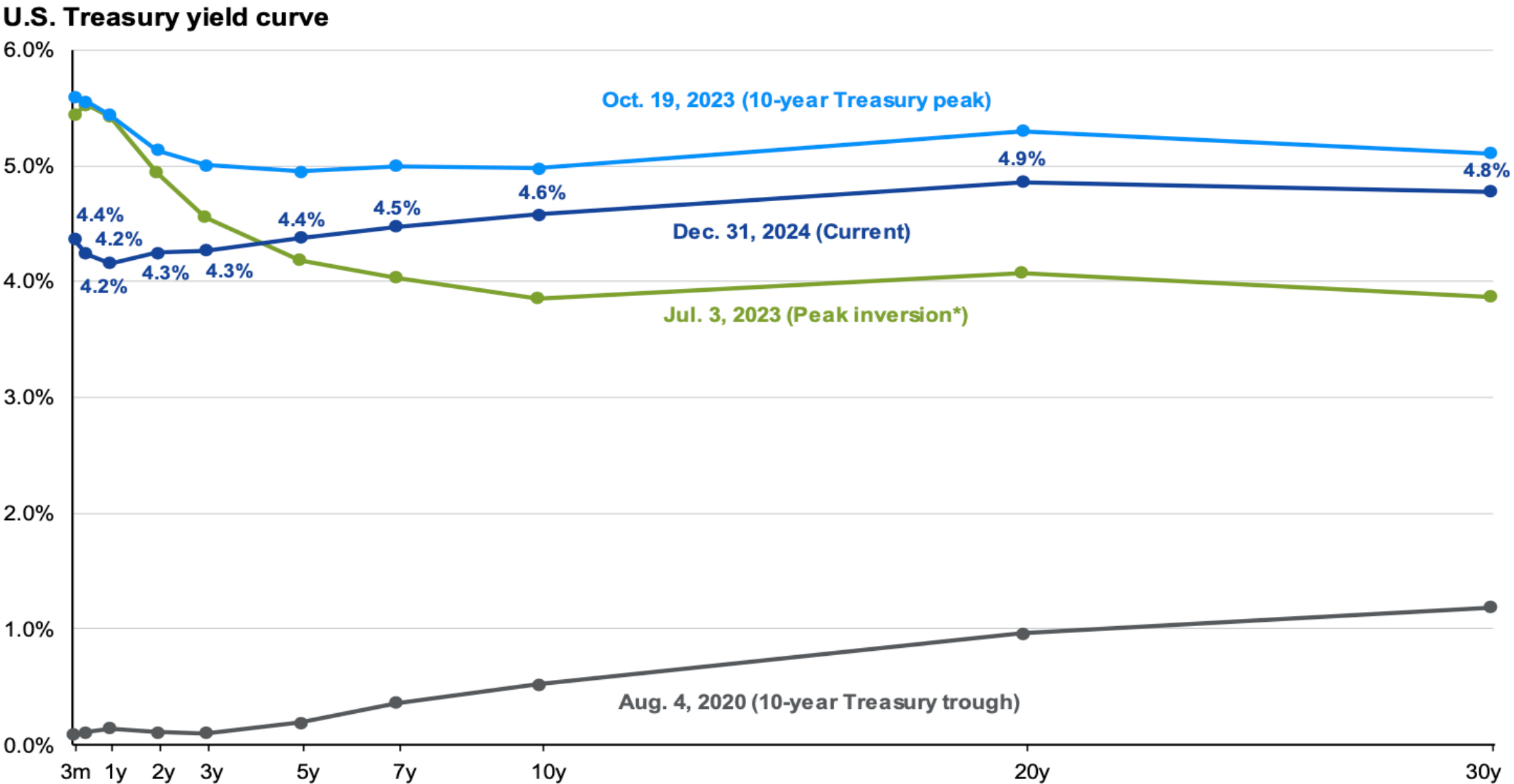
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of December 31, 2024.

US Treasury Yield Curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Analysis references data back to 2020. *Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury. Guide to the Markets – U.S. Data are as of December 31, 2024.

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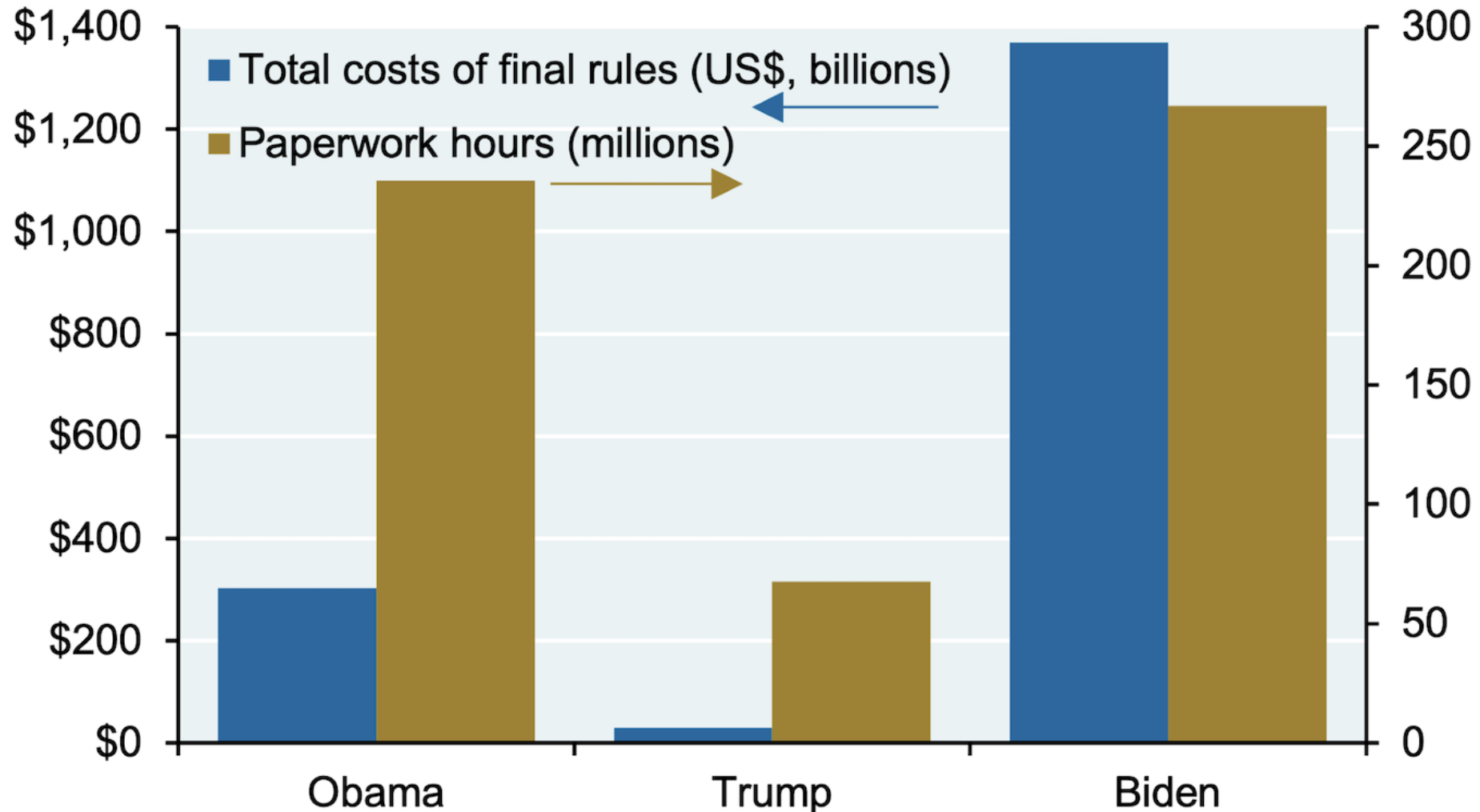
Recession and
the Stock Market

“In the business world, the rearview mirror is always clearer than the windshield.”

Warren Buffett

Regulatory Activity

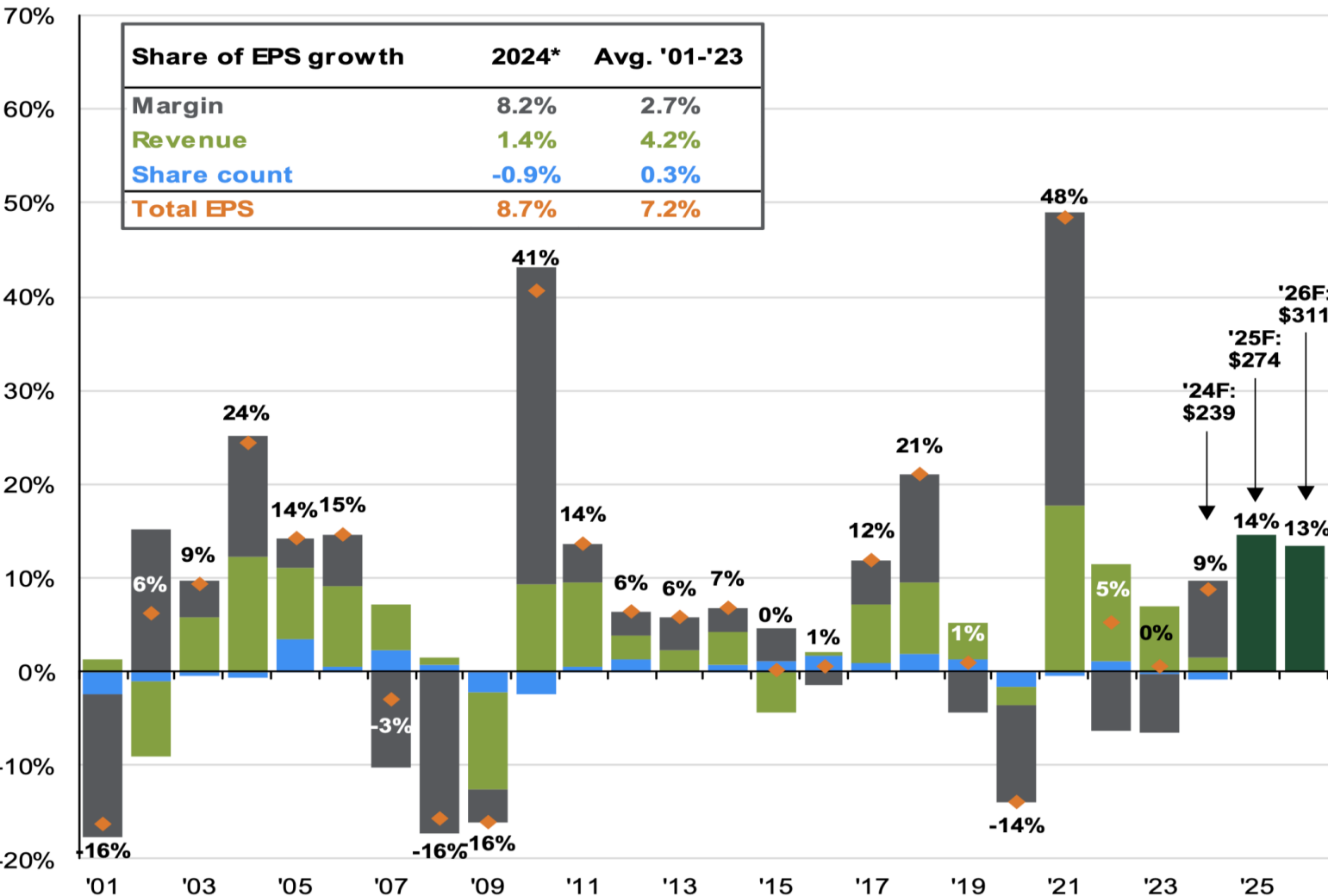
Regulatory activity by administration
From Inauguration Day to April 19th of Year 4



Corporate Earnings Growth

S&P 500 year-over-year pro forma EPS growth

Annual growth broken into changes in revenue, profit margin and share count



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Historical EPS levels are based on annual pro forma earnings per share. *2024, 2025 and 2026 EPS growth are based on consensus analyst estimates for each calendar year. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of December 31, 2024.

S&P 500 at Inflection Points

S&P 500 Price Index

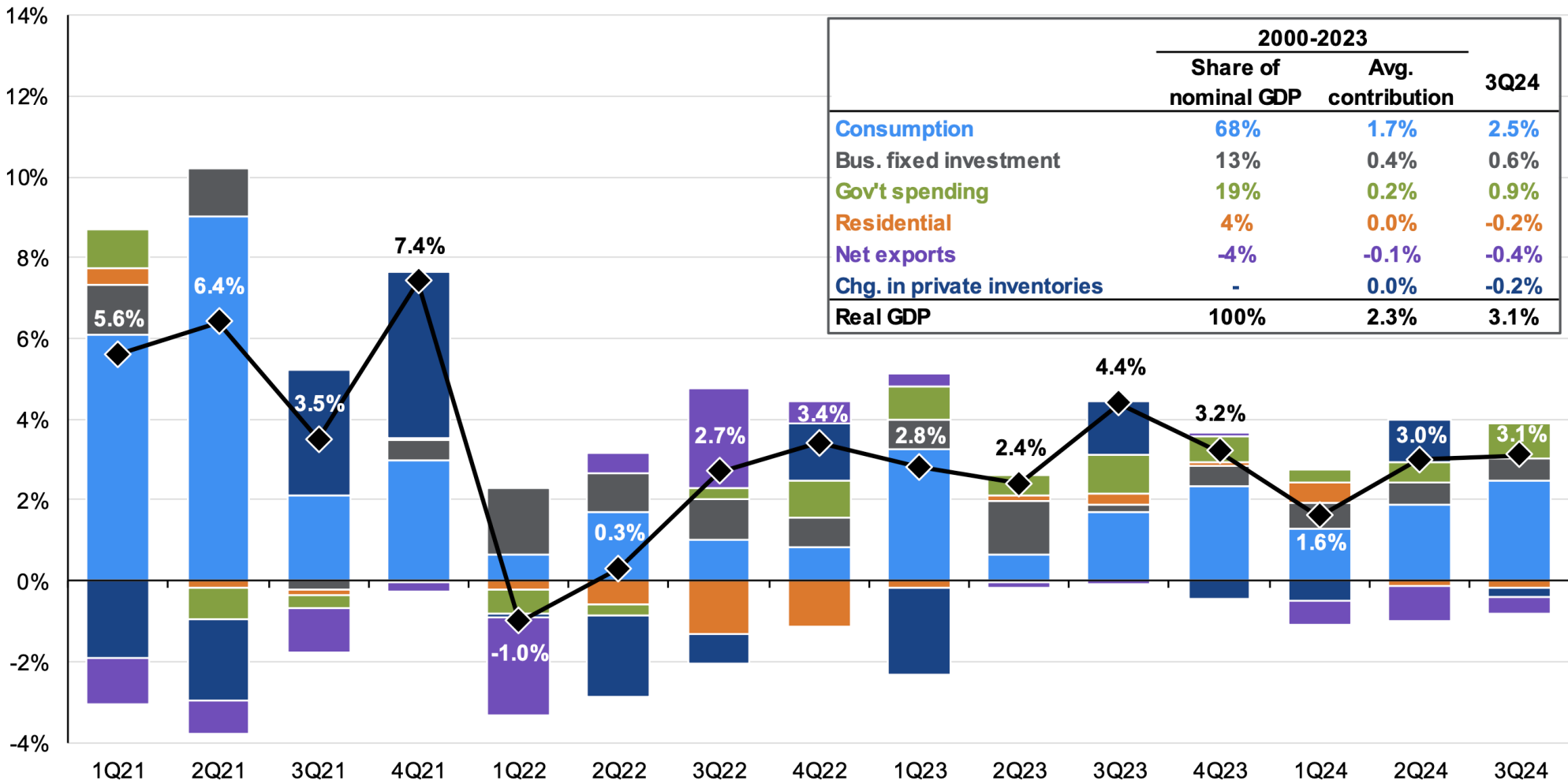


Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns. Guide to the Markets – U.S. Data are as of December 31, 2024.

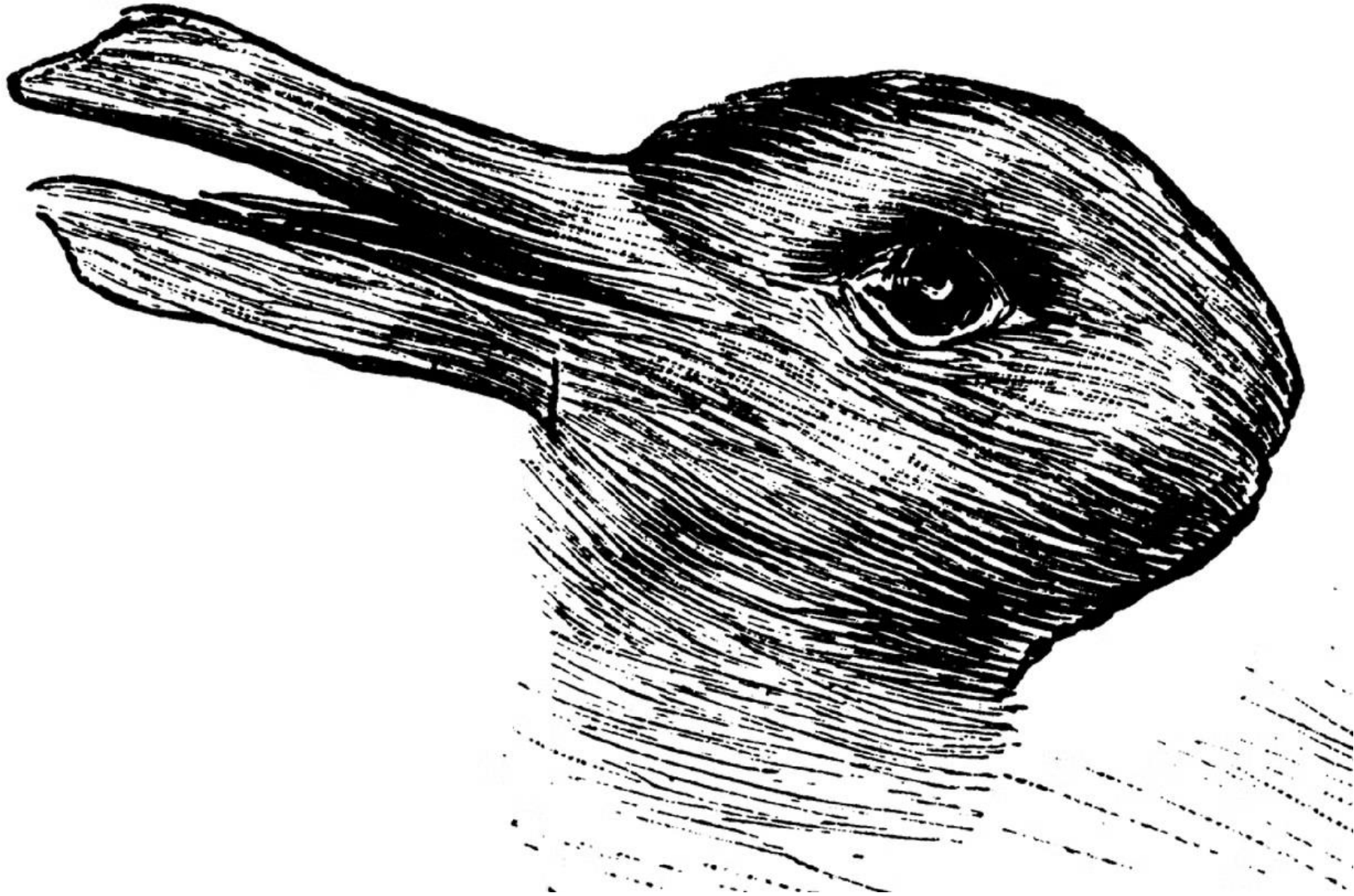
Economic Growth

Contributors to real GDP growth

Quarter-over-quarter, seasonally adjusted annualized rate

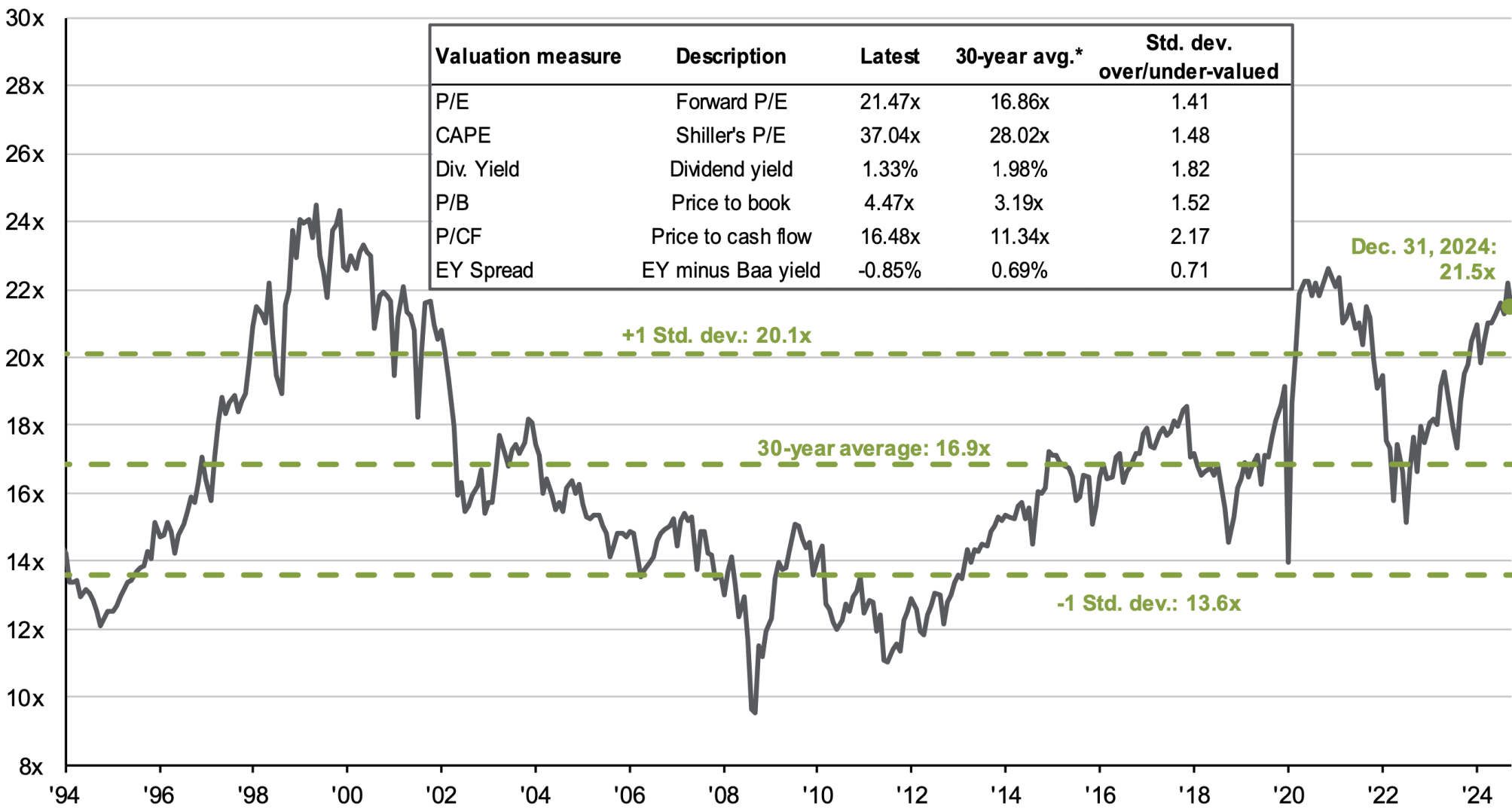


Things aren't always as they seem...



S&P 500 Valuations

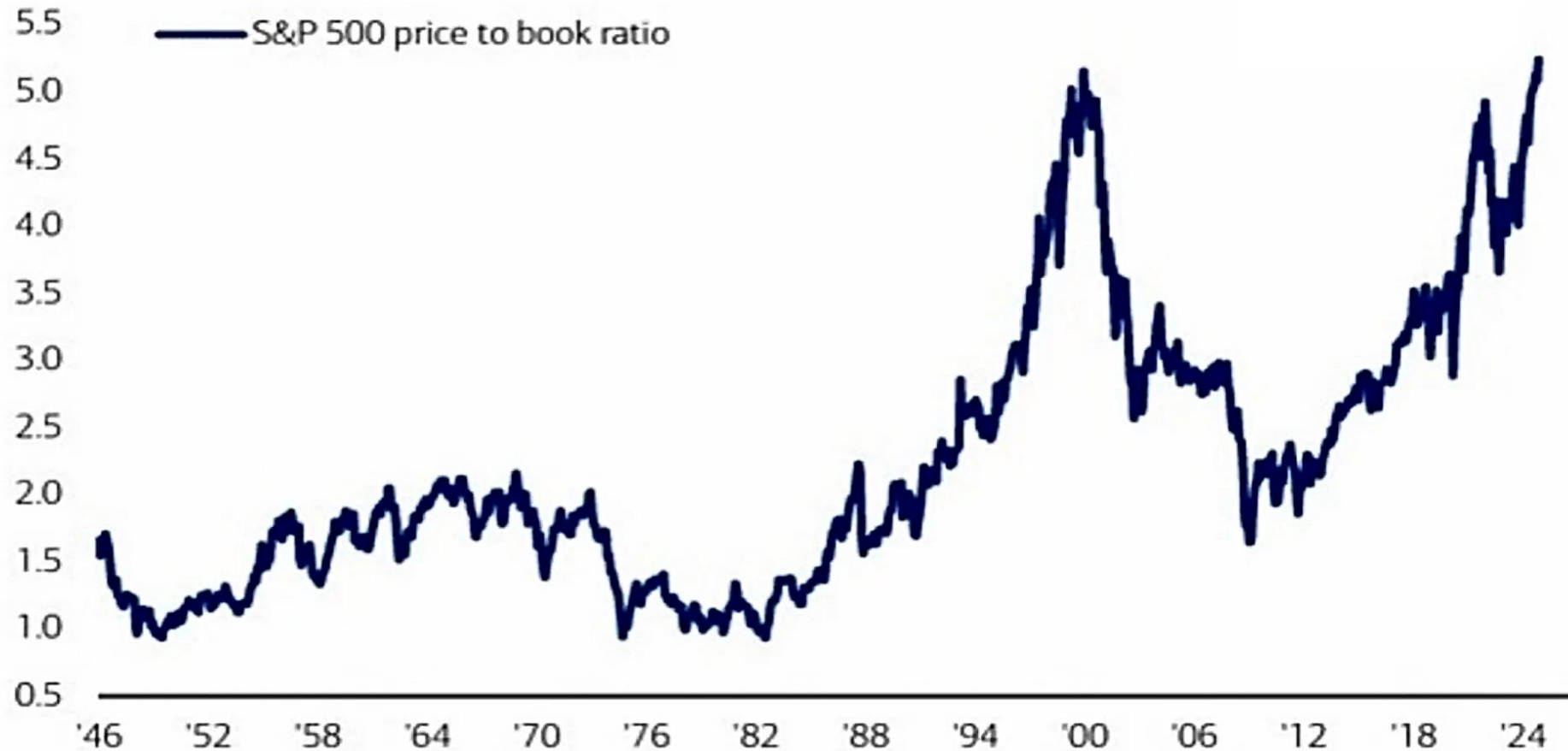
S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since March 1994 and by FactSet since January 2022. Average P/E and standard deviations are calculated using 30 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Bloomberg US corporate Baa yield since December 2008 and interpolated using the Moody's Baa seasoned corporate bond yield for values beforehand. Std. dev. over-/under-valued is calculated using the average and standard deviation over 30 years for each measure. *Averages and standard deviations for dividend yield and P/CF are since November 1995 due to data availability. Guide to the Markets – U.S. Data are as of December 31, 2024.

Chart 6: S&P500 price-to-book ratio now exceeds March 2000 high

S&P500 index price-to-book ratio

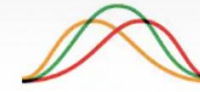


Source: BofA Global Investment Strategy, Bloomberg, Global Financial Data

Buffett Indicator

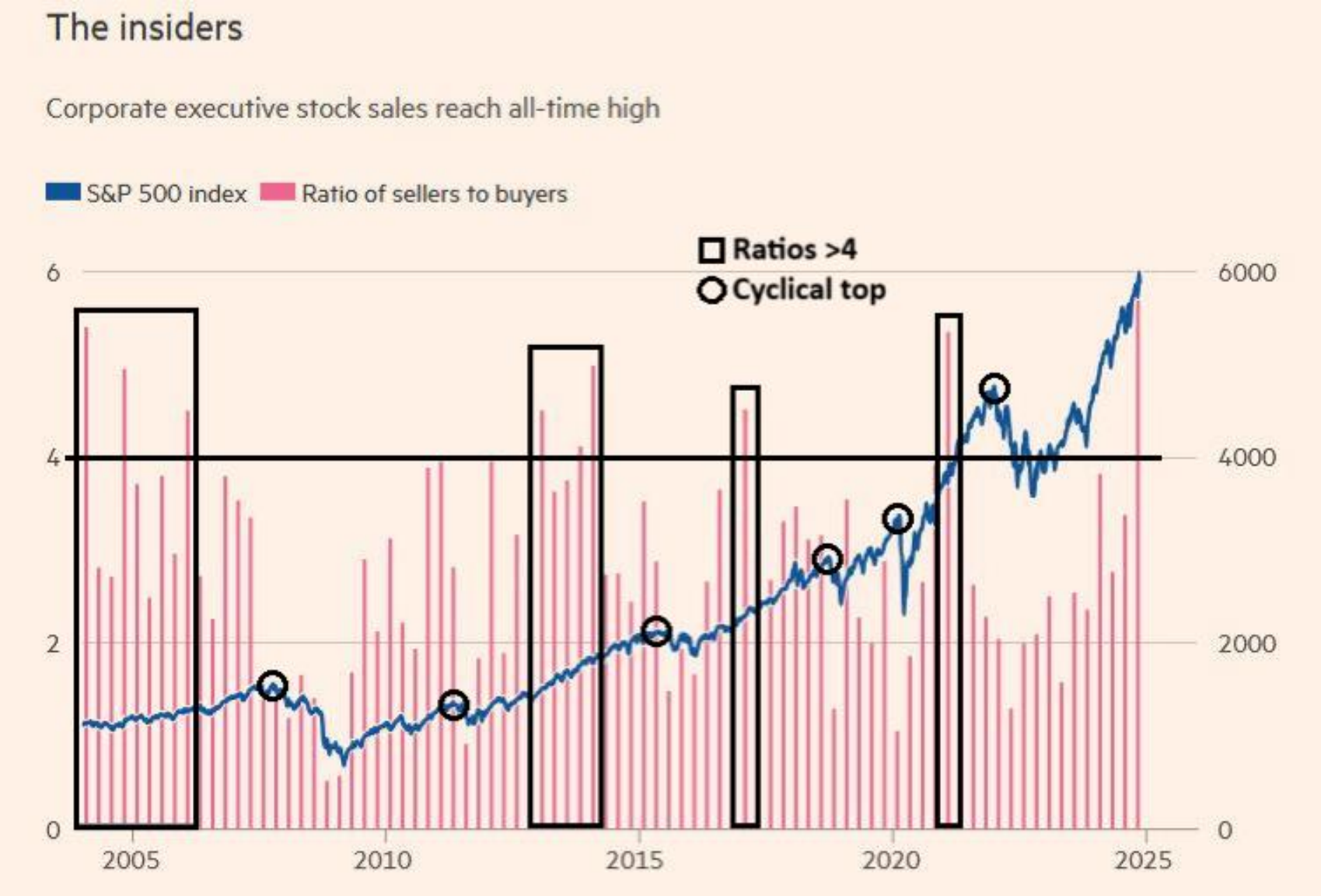
Buffett Indicator: US Stock Market Value to GDP

www.currentmarketvaluation.com



CURRENT MARKET
VALUATION

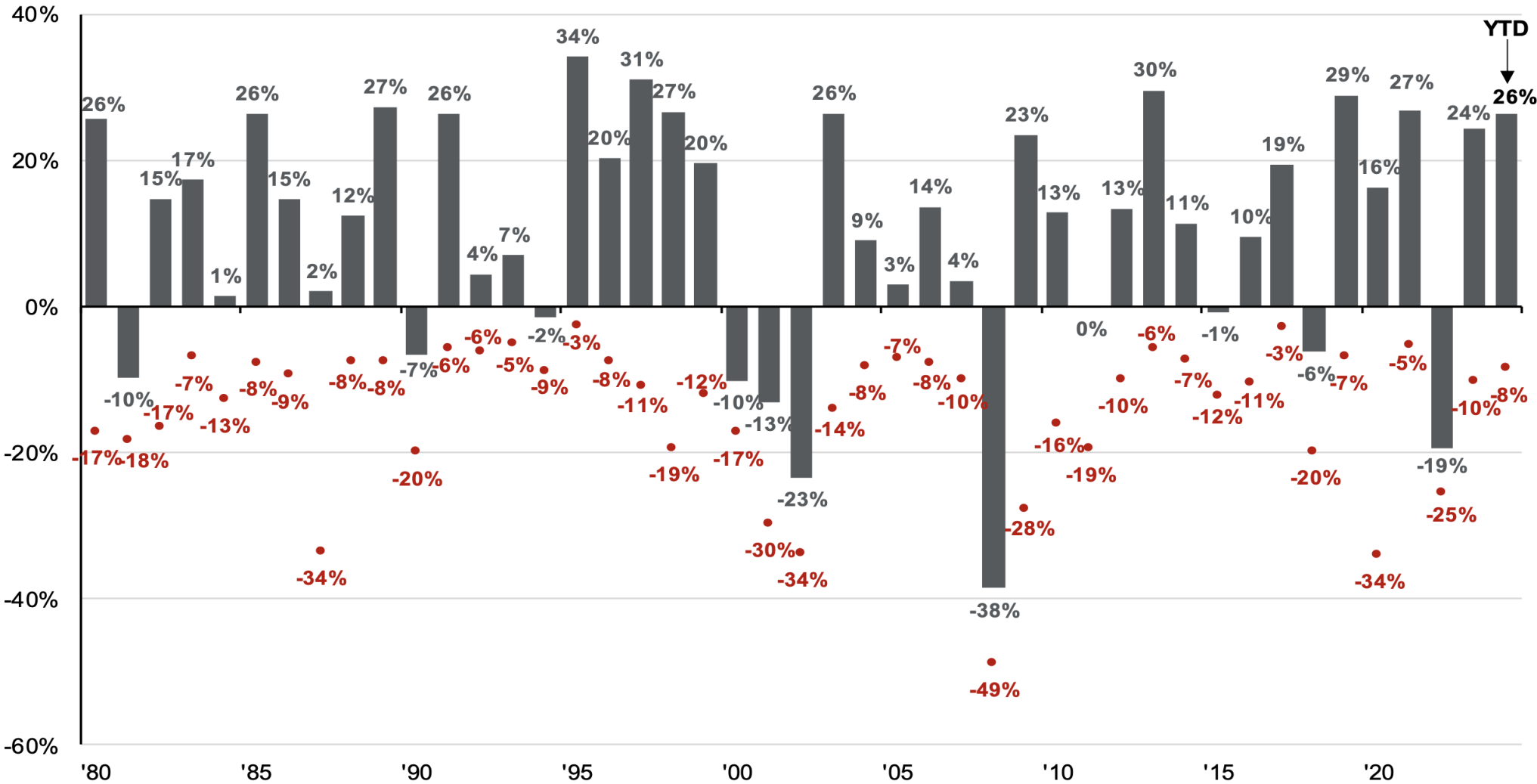




S&P 500 Declines

S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2024, over which time period the average annual return was 10.6%. Guide to the Markets – U.S. Data are as of December 31, 2024.

Headwinds and Tailwinds



Tight but
loosening Fed
policy



Persistent but
falling inflation



Continued high
cost of debt



Strong corporate
earnings



Potentially lower
regulation



Low
unemployment

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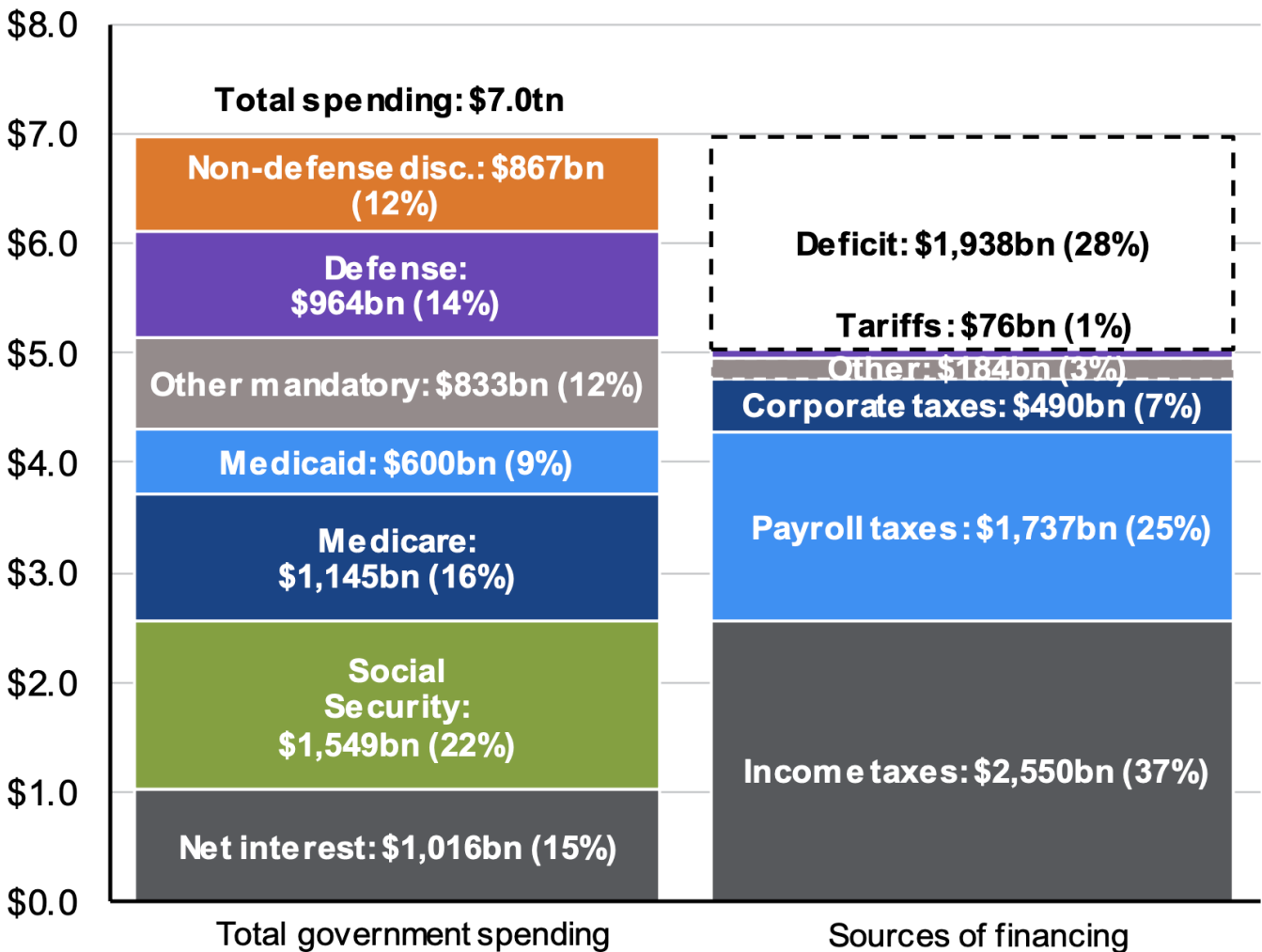
“Too many people spend money they haven’t earned, to buy things they don’t want, to impress people they don’t like.”

Will Rogers

2025 Federal Budget

The 2025 federal budget

USD trillions

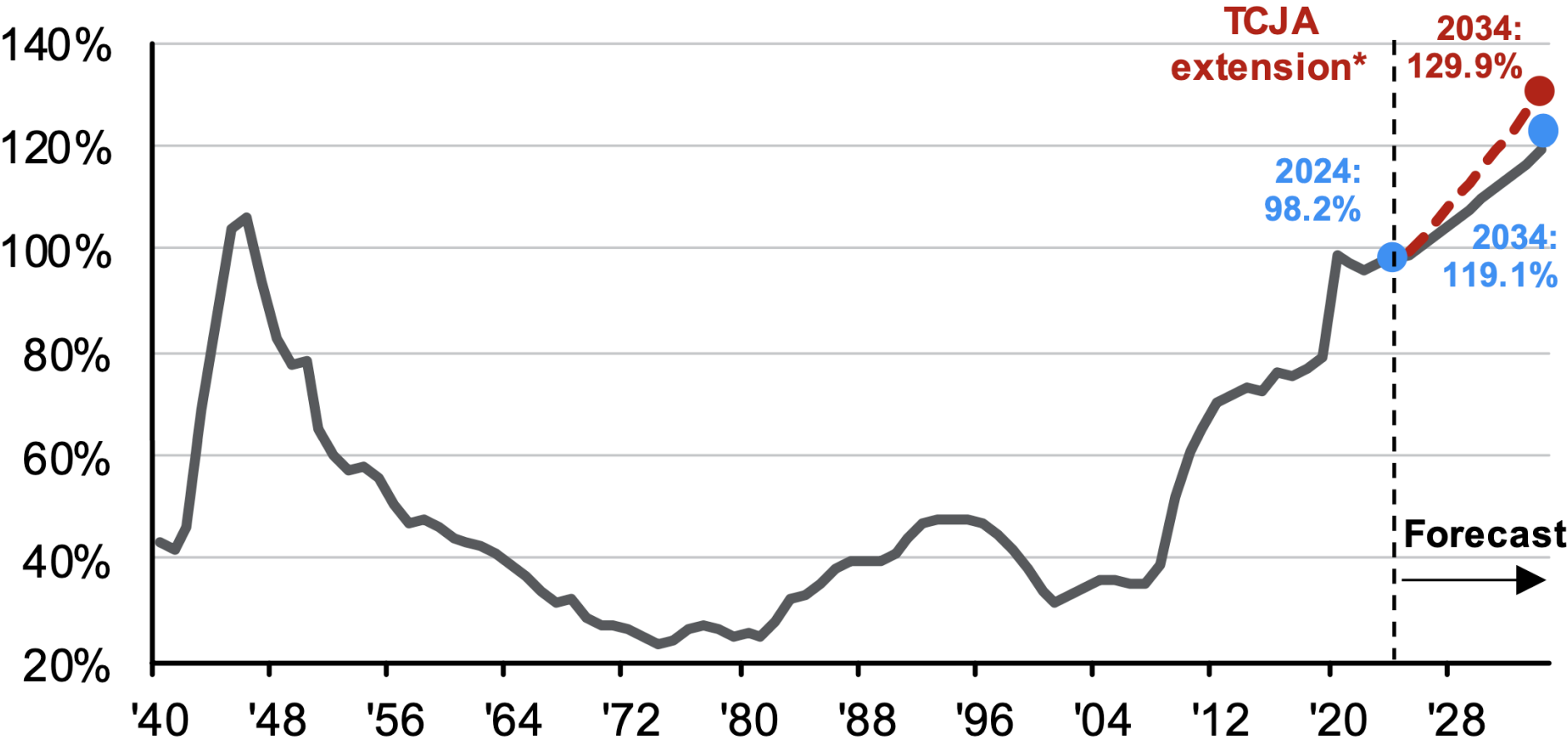


Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. All CBO estimates are adjusted by JPMAM to reflect GDP revisions resulting from the 2024 annual update of the National Economic Accounts. *Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of December 31, 2024.

Federal Debt

Federal net debt (accumulated deficits)

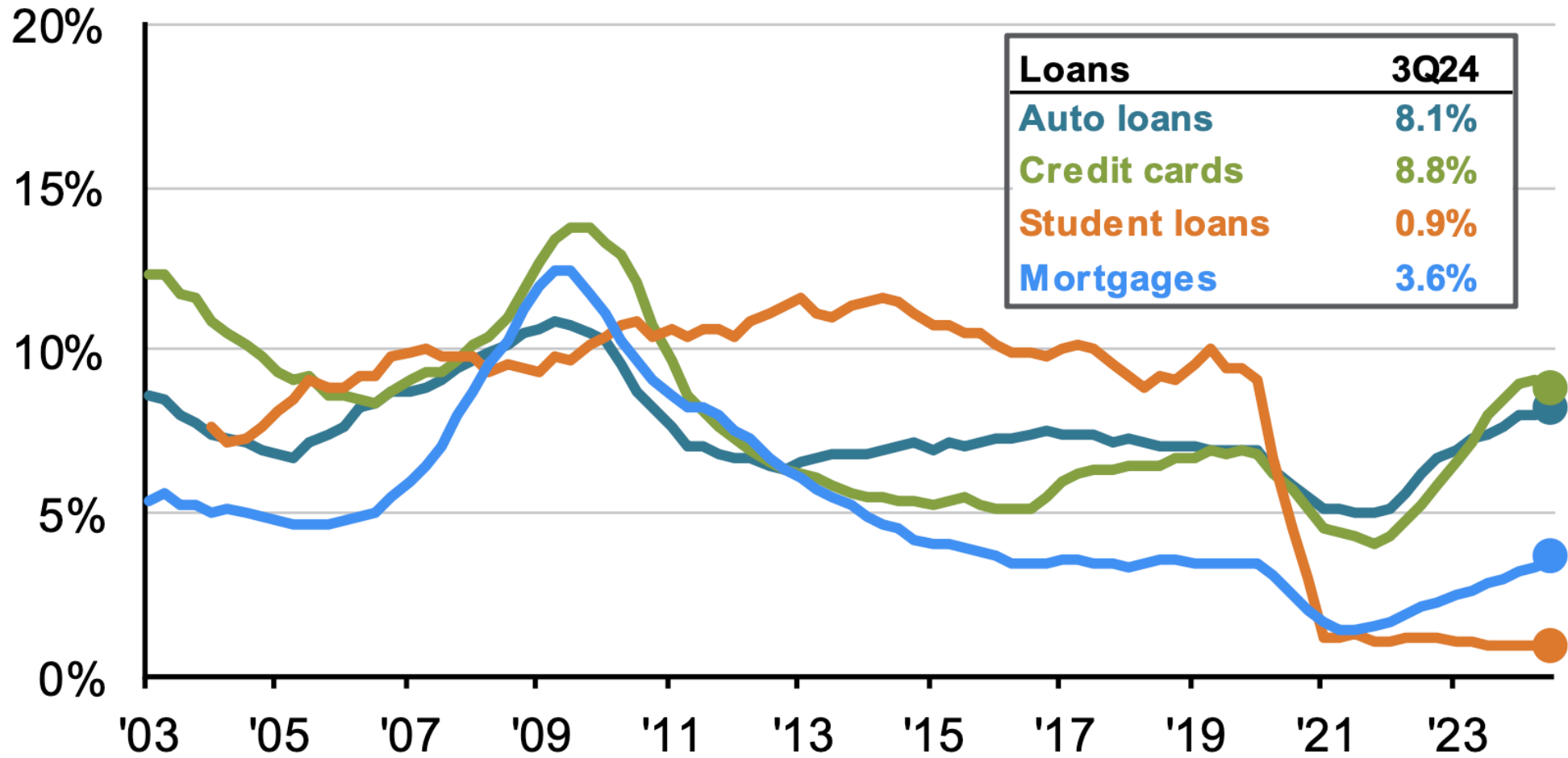
% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) June 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. All CBO estimates are adjusted by JPMAM to reflect GDP revisions resulting from the 2024 annual update of the National Economic Accounts. *Adjusted by JPMAM to include estimates from the CBO May 2024 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of December 31, 2024.

Flows into early delinquencies

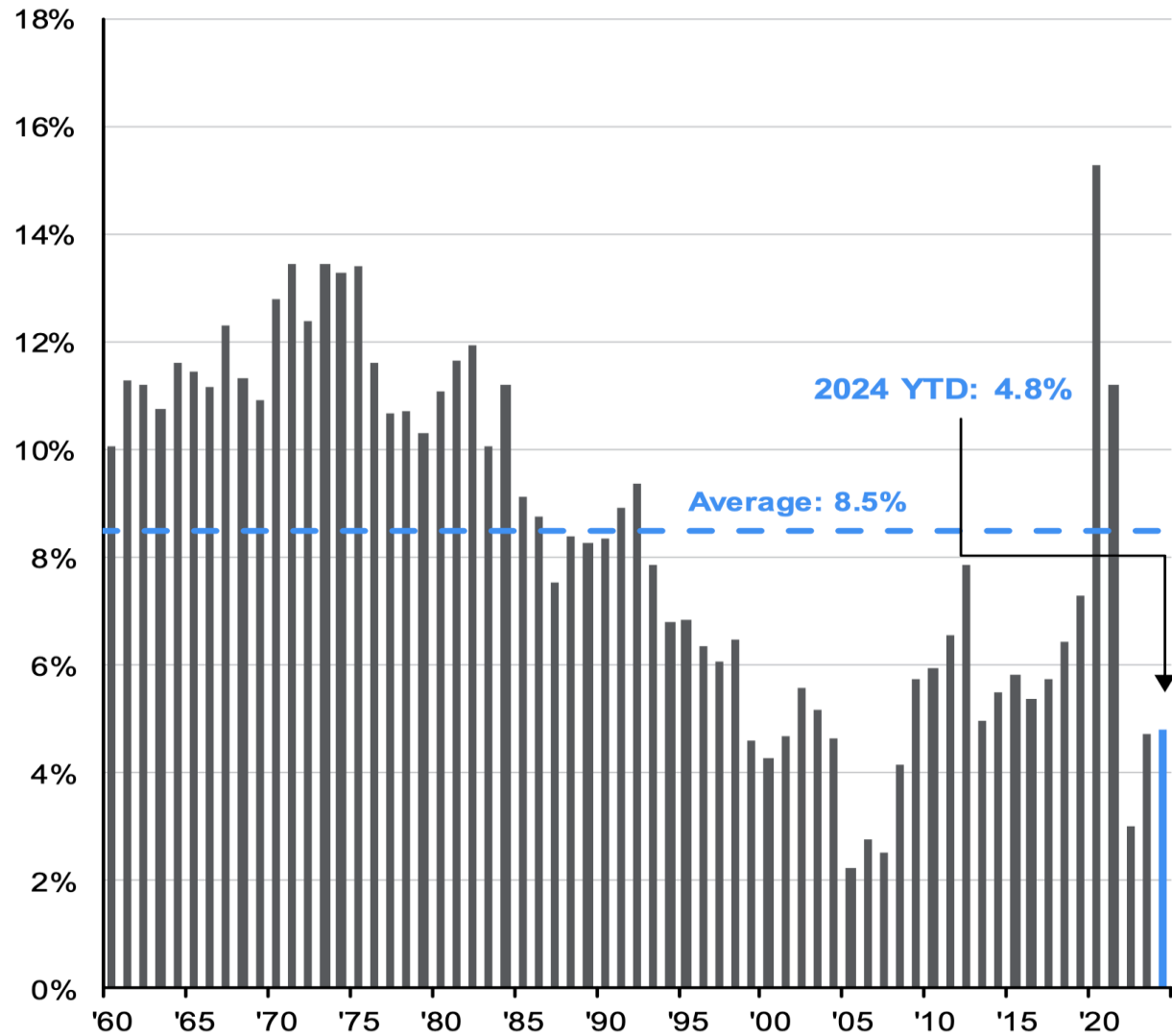
% of balance delinquent 30+ days



Source: FactSet, FRB, J.P. Morgan Asset Management; (Top and bottom right) BEA. Data include households and nonprofit organizations. SA – seasonally adjusted. *Revolving includes credit cards. Values may not sum to 100% due to rounding. **4Q24 figures for debt service ratio are J.P. Morgan Asset Management estimates. Household debt service ratio data from 1Q80 to 4Q04 are J.P. Morgan Asset Management estimates. Due to the moratorium on delinquent student loan payments being reported to credit bureaus, missed federal student loan payments will not be reported until 4Q24. Guide to the Markets – U.S. Data are as of December 31, 2024.

Personal saving rate

Personal savings as a % of disposable personal income, annual

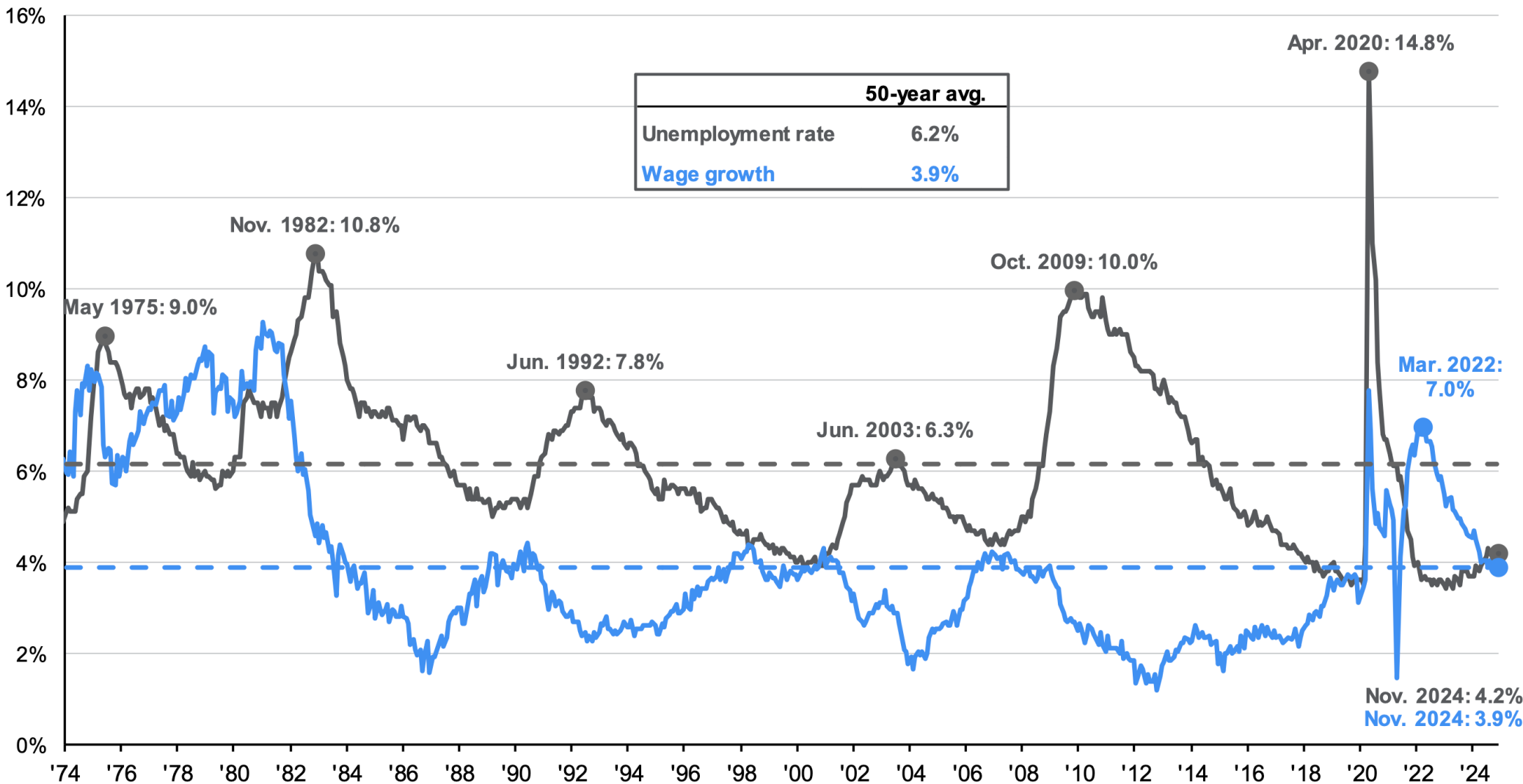


Source: BEA, Federal Reserve, J.P. Morgan Asset Management. *YTD figure for 2024 reflects the year-over-year % change in the average level of spending during the first eleven months of 2024 relative to the average level of spending during the first eleven months of 2023. Guide to the Markets – U.S. Data are as of December 31, 2024.

Unemployment Historically Low

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



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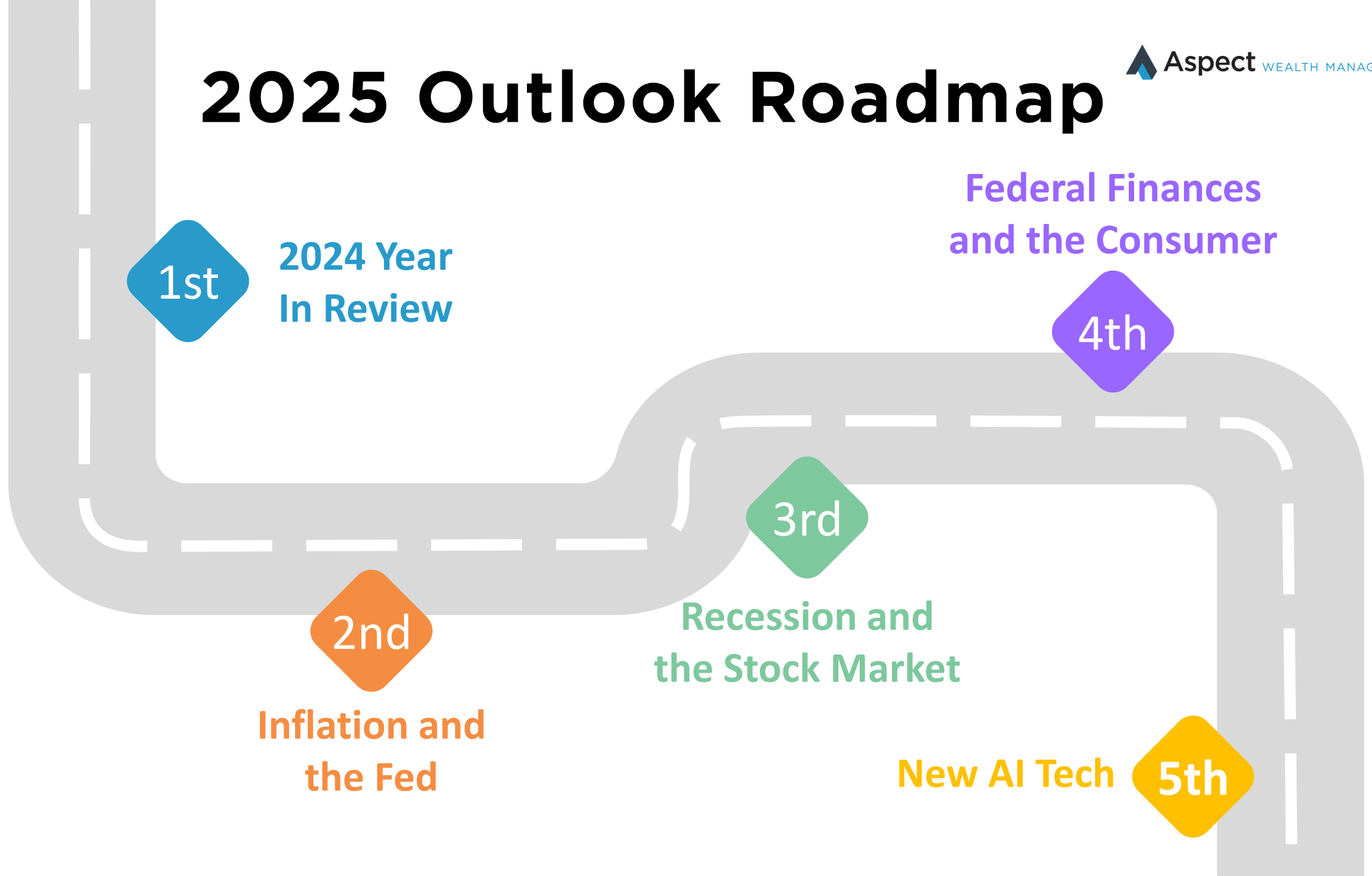
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New AI Tech



“AI will be the best or worst thing ever for humanity.”

Elon Musk

New AI-based Tech for 2025



Yarbo Snow Blower



Anura MagicMirror



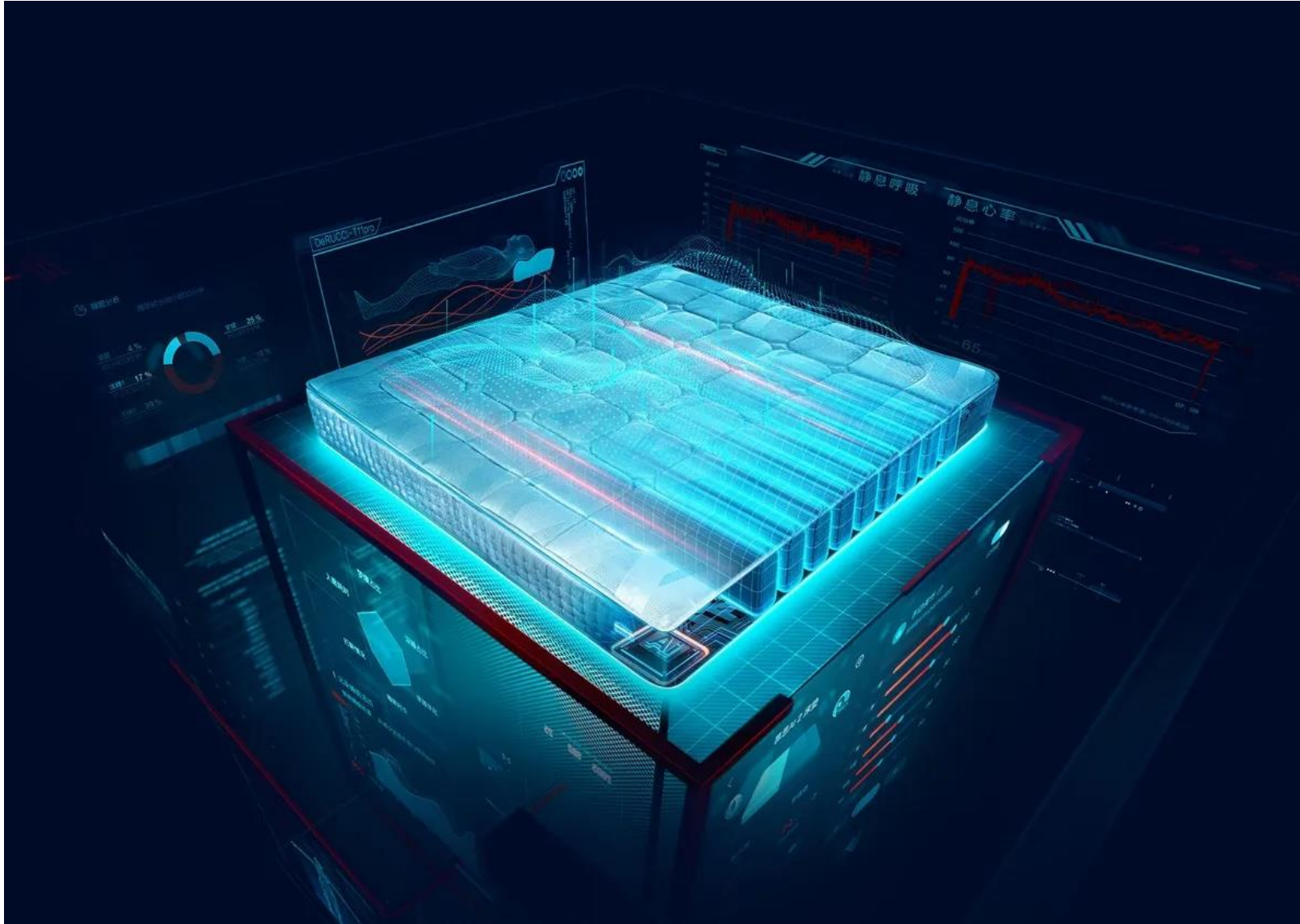
AI-powered baby cry translator



Oro Dog Companion Robot



DeRucci Anti-Snore Smart Pillow & Mattress Aspect WEALTH MANAGEMENT



Samsung's AI Robot Ballie



Volkswagen AI Integration



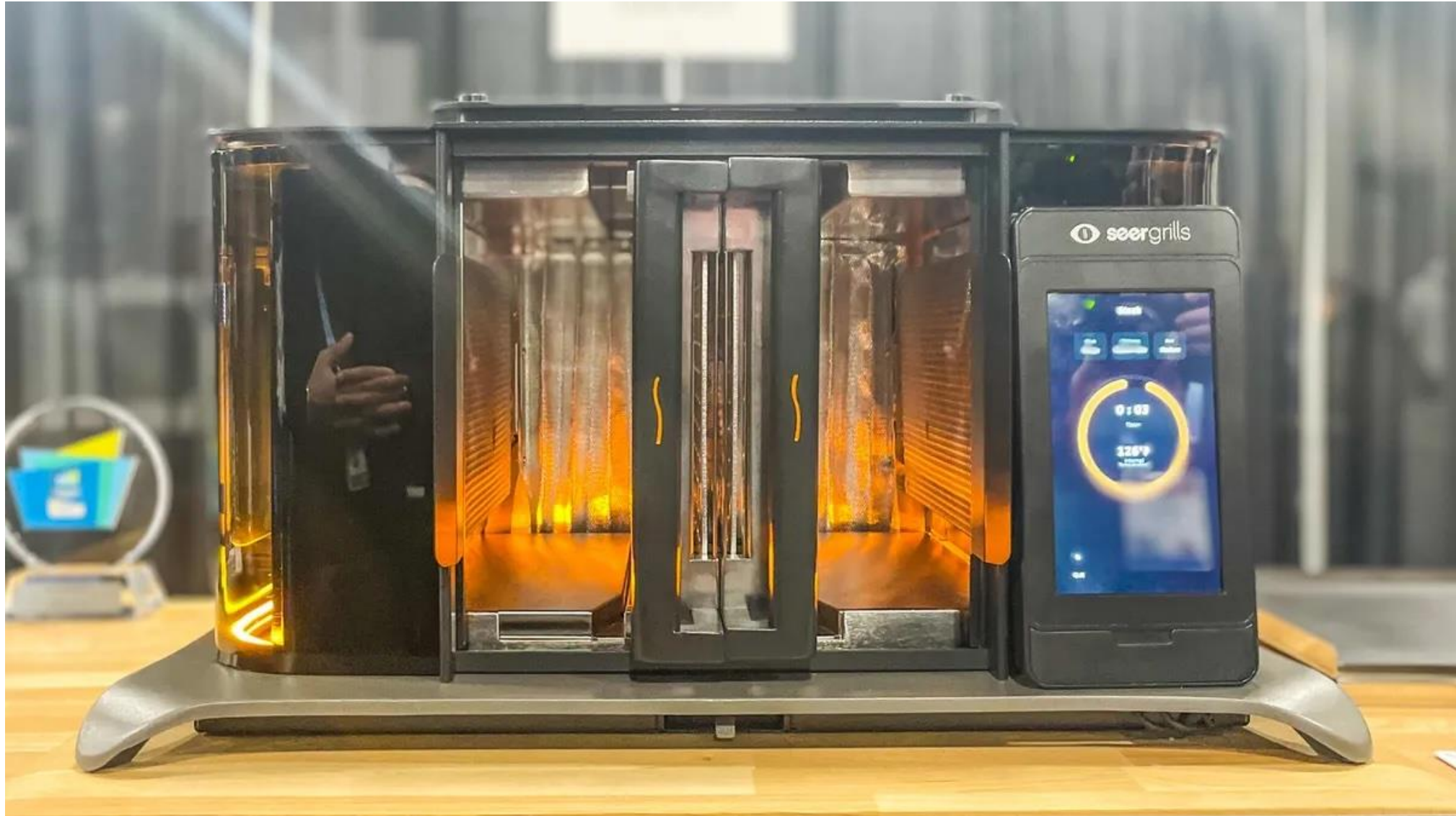
Ray-Ban Meta Smart Glasses



Evie Ring



Perfecta Grill



LG's 77-inch transparent OLED TV



In Summary

- It appears we're making economic headway, but we have quite a bit of “policy fog” ahead in 2025.
- Risk management strategies will play a crucial role in addressing potential challenges moving forward.
- The Fed is loosening and we expect modest additional rate cuts in 2025.
- With stock valuations near 30-year highs, we expect continued market volatility.
- Through it all, our focus will remain on quality investments, proper diversification and a disciplined process.

Wealth Management Matrix

<u>Investment Management</u>	<u>Retirement Planning</u>	<u>Risk Management</u>	<u>Estate Planning</u>	<u>Tax Planning</u>	<u>Business Planning</u>
Asset Allocation	Income Distribution	Asset Protection	Document Review	Corporate Benefits	401(k) Plan Design
Manager Research	Scenario Analysis	Liability Insurance	Estate Tax Mitigation	Deferral Techniques	Deferred Comp.
Performance Analysis	Benefit Planning	Long-term Care Insurance	Beneficiary Review	Loss Harvesting	Succession Planning
Education Funding	Social Security Optimization	Life/Disability Insurance	Charitable Planning	Dividend Strategies	Buy/Sell Agreements
Trust Management	Tax Efficiency	Prop/Casualty Insurance	Proper Use of Trusts	“Stretch” Planning	Key Man Insurance

Our Team



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Justin Horsman*
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Ghilda Rodriguez
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Paola Garza
Events Coordinator

Evita Hernandez
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Patrick Lane
Client Services

Micah Wakefield
Portfolio Consultant

Thank you!

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The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The MSCI EAFE Index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The Russell 2000 is a stock market index measuring the performance of 2000 small capitalization stocks. It represents the 2000 smallest companies in the Russell 3000 Index, which in turn represents the 3000 largest companies in the U.S. Thus, the Russell 2000 is a barometer of small-cap stocks. Though small, the companies represented by the Russell 2000 are not the smallest of the small as they are not penny stocks. The Russell 2000 is weighted by the market capitalization of the stocks.

FTSE Emerging Index measures the performance of the most liquid Large and Mid Cap companies in the emerging markets. It is derived from the FTSE Global Equity Index Series (GEIS), which covers 99% of the world's investable market capitalization, and includes large and mid cap securities from advanced and secondary emerging markets, classified in accordance with FTSE's transparent Country Classification Review Process.

The Bloomberg U.S. Aggregate Total Return Value Unhedged, also known as 'Bloomberg U.S. Aggregate Bond Index' formerly known as the 'Barclays Capital U.S. Aggregate Bond Index', and prior to that, 'Lehman Aggregate Bond Index,' is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The Bloomberg Barclays U.S. Corporate High Yield Index measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The IA SBBI US Large Stock Total Return Index tracks the monthly return of S&P 500. The history data from 1926 to 1969 is calculated by Ibbotson.

The NCREIF Property Index (NPI) provides returns for institutional grade real estate held in a fiduciary environment in the United States. Properties are managed by investment fiduciaries on behalf of tax-exempt pension funds. As of the second quarter of 2003 the index contains 3,967 properties with an aggregate market value of \$127 billion.

The NCREIF Property Index (NPI) is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only. All properties in the NPI have been acquired, at least in part, on behalf of tax-exempt institutional investors and held in a fiduciary environment.