

Outlook 2025

Pragmatic Optimism

Economy

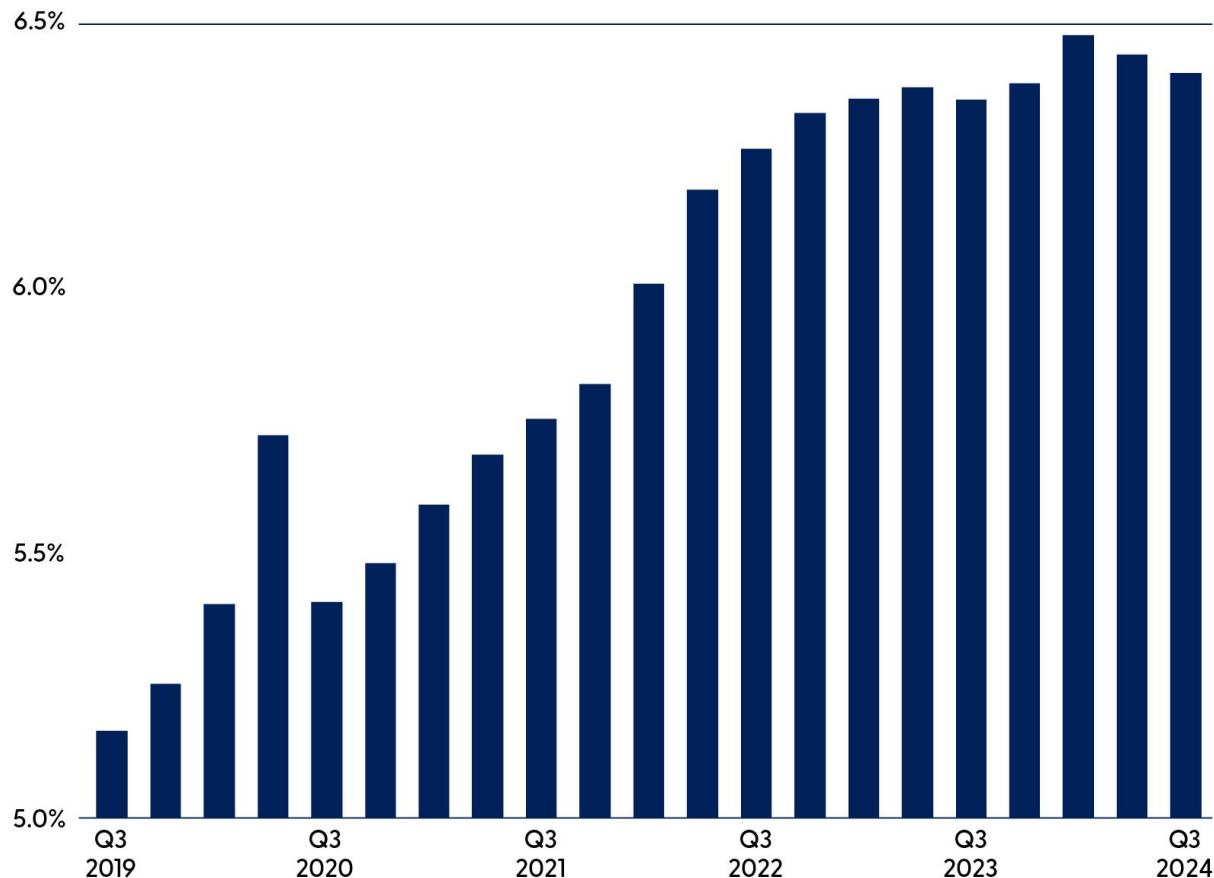
Consumer Slowing but Policy
Tailwinds Are Expected

Pent-Up Demand for CAPEX Could Support Growth

**Expect R&D to make up more
of the economy**

■ Intellectual property products
as % of GDP

Source: LPL Research, U.S. Bureau of
Economic Analysis, 11/02/24. Past
performance is no guarantee of
future results.

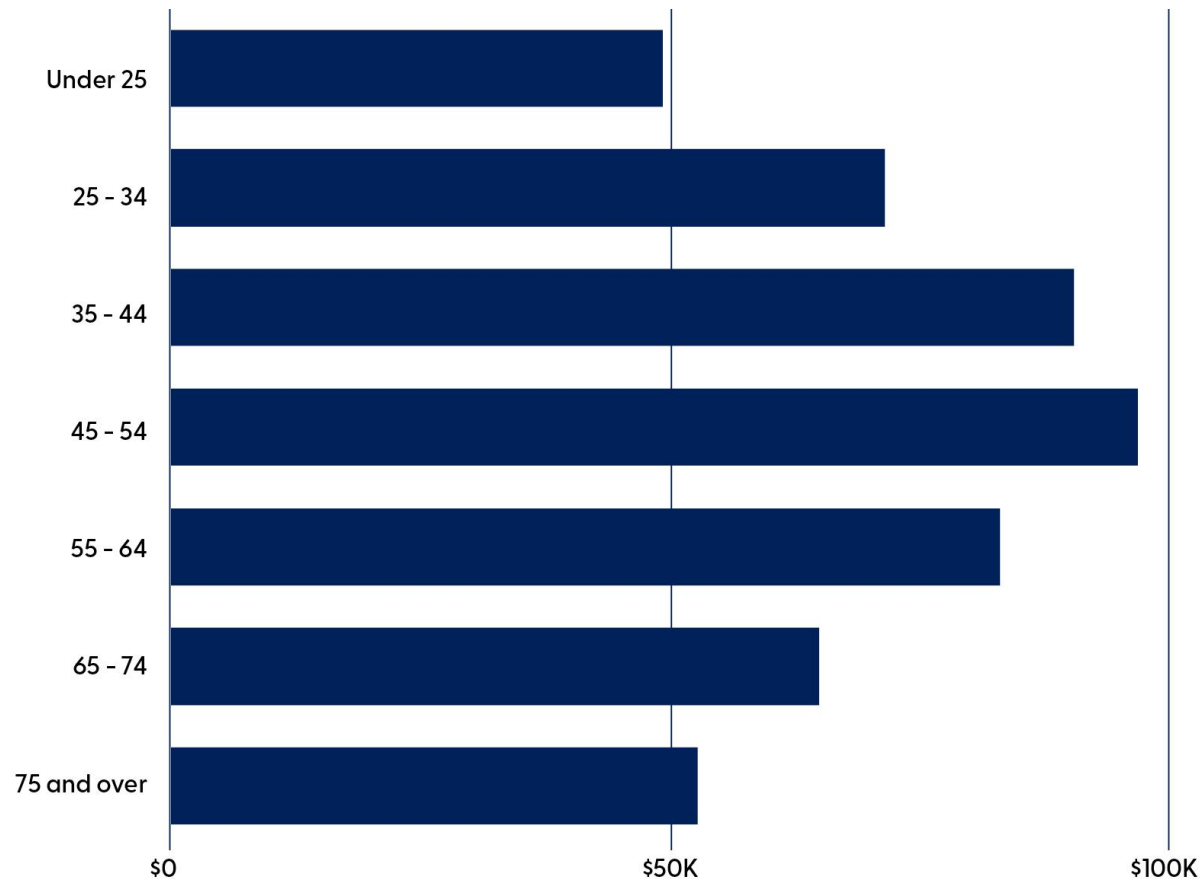


Consumer Spending Driven By 35 – 54 Year Olds

Millennials are reaching peak spending years

■ Average annual expenditure in 2023 by age range

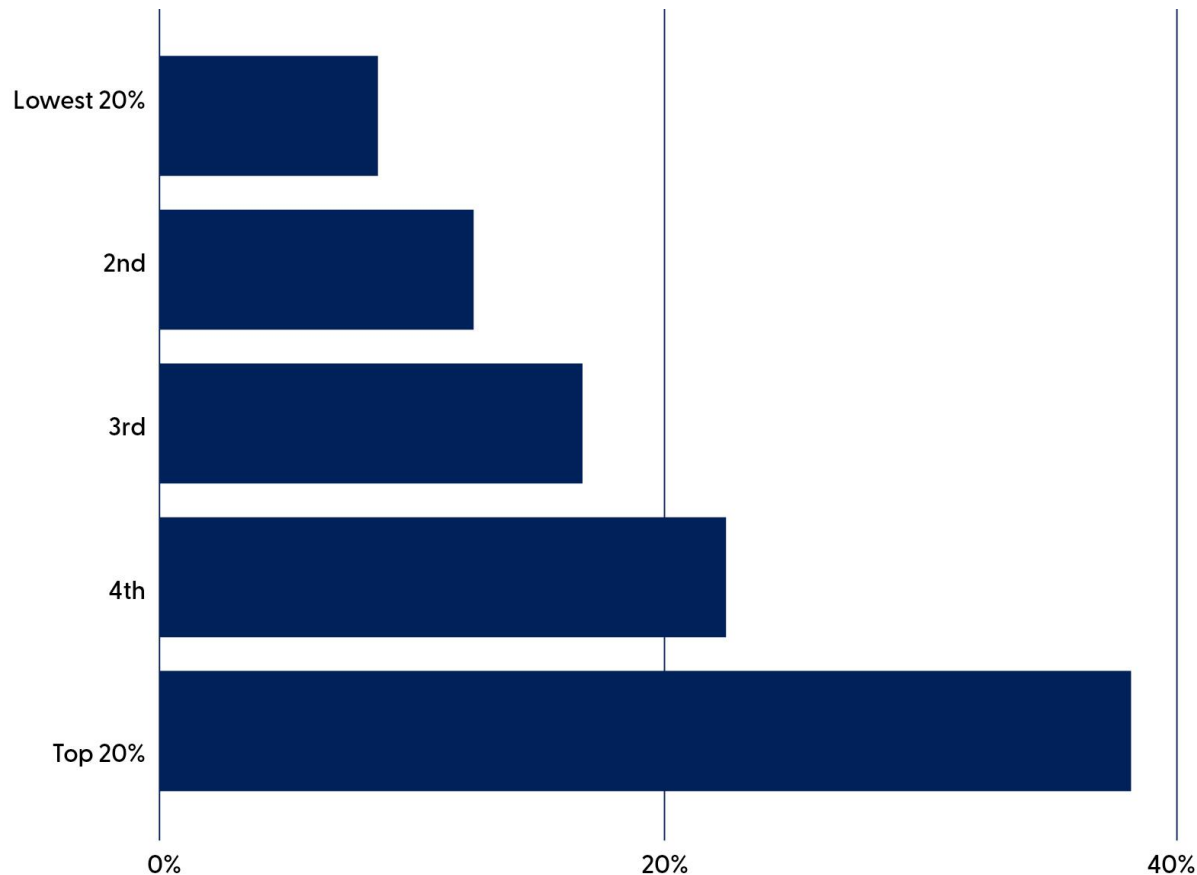
Source: LPL Research, U.S. Bureau of Economic Analysis, 11/09/24



Upper Income Households Provide the Biggest Support

Top two quintiles account for vast majority of spending

Source: LPL Research,
BLS Consumer Expenditure
Survey, 11/08/24

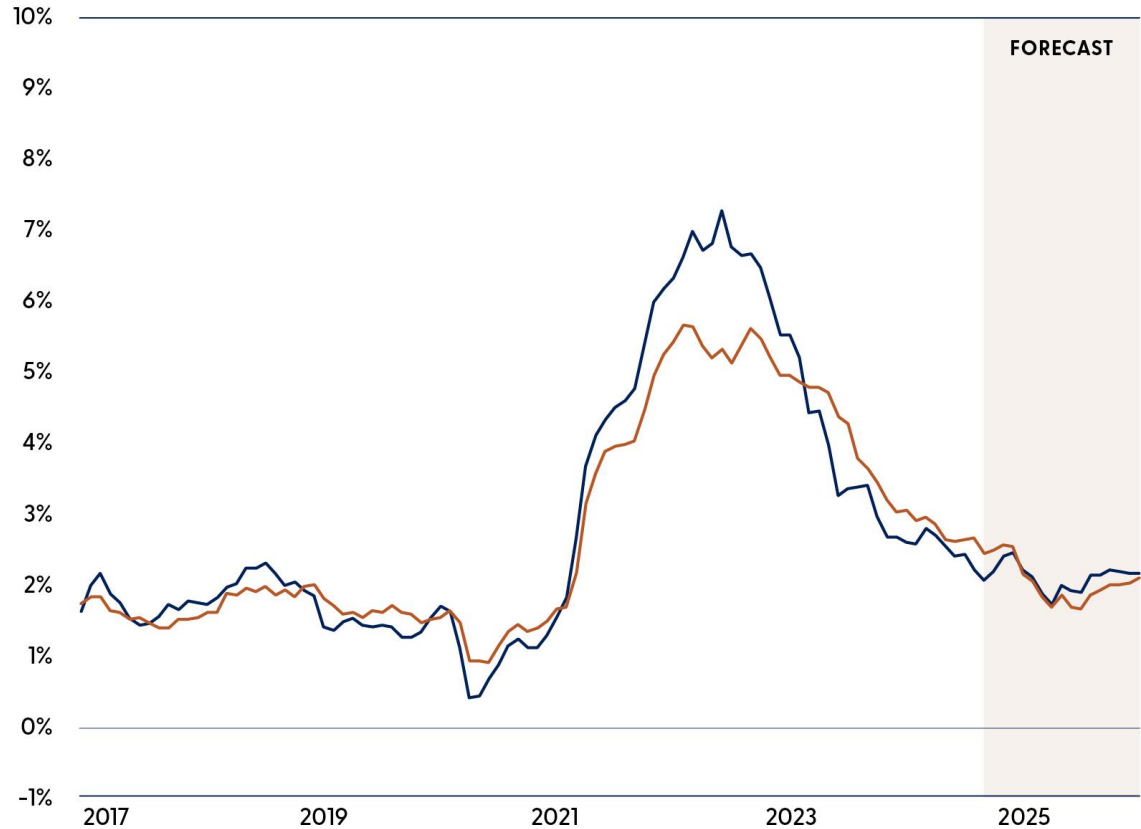


Inflation Closing In on Fed's Target

**Rate cuts will likely continue
throughout the year**

— PCE Y/Y%
— Core PCE Y/Y%

Source: LPL Research, Bureau of
Labor Statistics, Bureau of Economic
Analysis, 11/07/2024



Stocks

A Measured Approach to 2025

Year Three Tends To Be Good For Bull Markets

Year by year bull market performance

S&P 500 Index bull markets
(1950 - current)

Source: LPL Research, FactSet 11/07/24. All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results. The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

Bear Market Bottom	Bull Market Peak	Year 1	Year 2	Year 3
6/13/49	8/2/56	40.0%	11.9%	12.9%
10/22/57	12/12/61	31.5%	9.7%	-4.8%
6/26/62	2/9/66	32.7%	17.4%	2.3%
10/7/66	11/29/68	33.2%	6.6%	X
5/26/70	1/11/73	44.5%	10.2%	X
10/3/74	11/28/80	34.6%	21.2%	-7.1%
8/12/82	8/25/87	57.7%	2.0%	13.8%
12/4/87	7/16/90	21.4%	29.0%	X
10/11/90	3/24/00	28.8%	5.6%	14.3%
10/9/02	10/9/07	33.7%	8.2%	6.6%
3/9/09	2/19/20	68.6%	15.9%	3.5%
3/23/20	1/3/22	74.8%	14.0%	X
10/12/22	?	21.4%	32.2%	?
Average:		40.2%	14.1%	5.2%

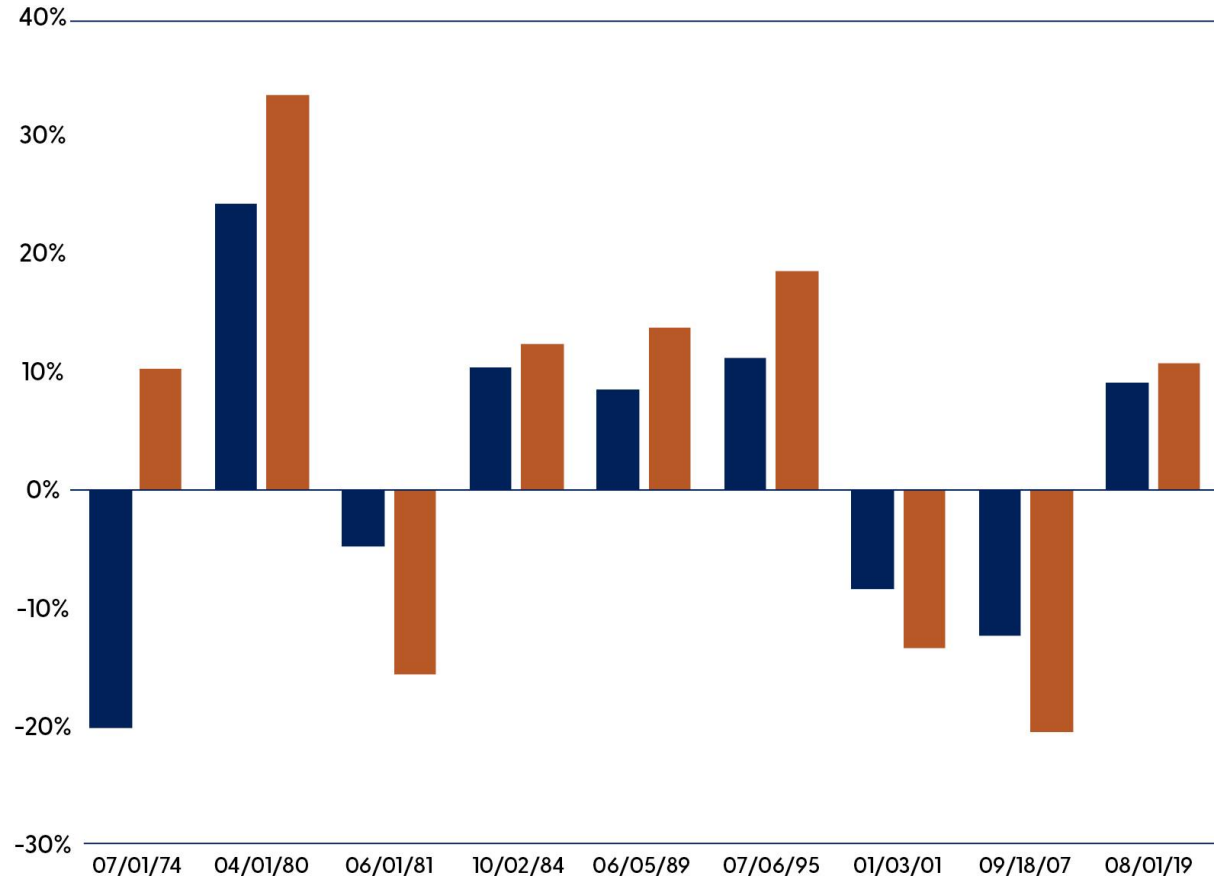
Stocks Usually Go Higher After Fed Rate Cuts Begin

When they don't, as in '81, '01, and '07, recessions are usually to blame

S&P 500 Performance After Start of Fed Rate Cutting Cycles

- 6 months later
- 12 months later

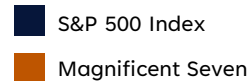
Source: LPL Research, Bloomberg 11/12/24. Past performance is no guarantee of future results. All indexes are unmanaged and can't be invested in directly.



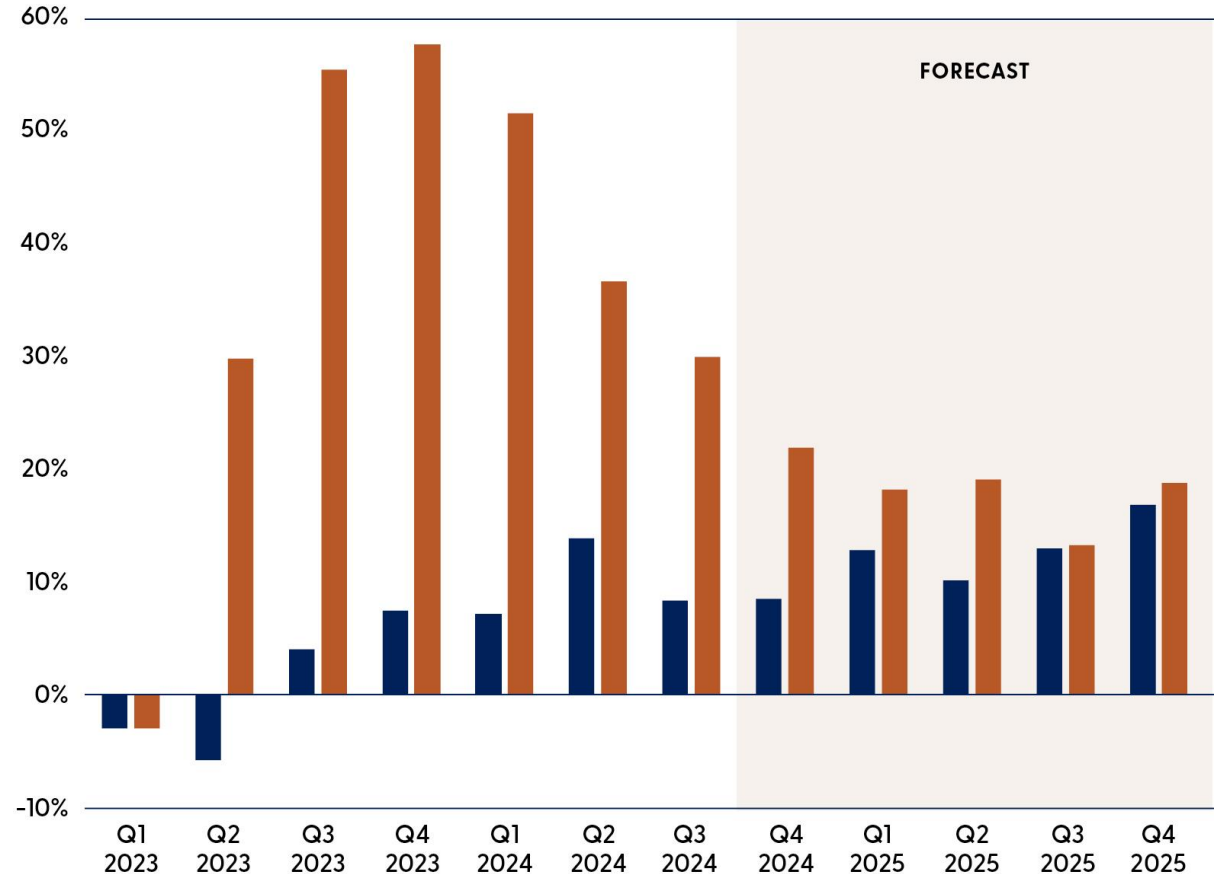
Magnificent Seven's Earnings Edge Starting to Diminish

Narrowing earnings gap could set the stage for shift toward value at some point in 2025

S&P 500 Year-Over-Year Earnings Growth



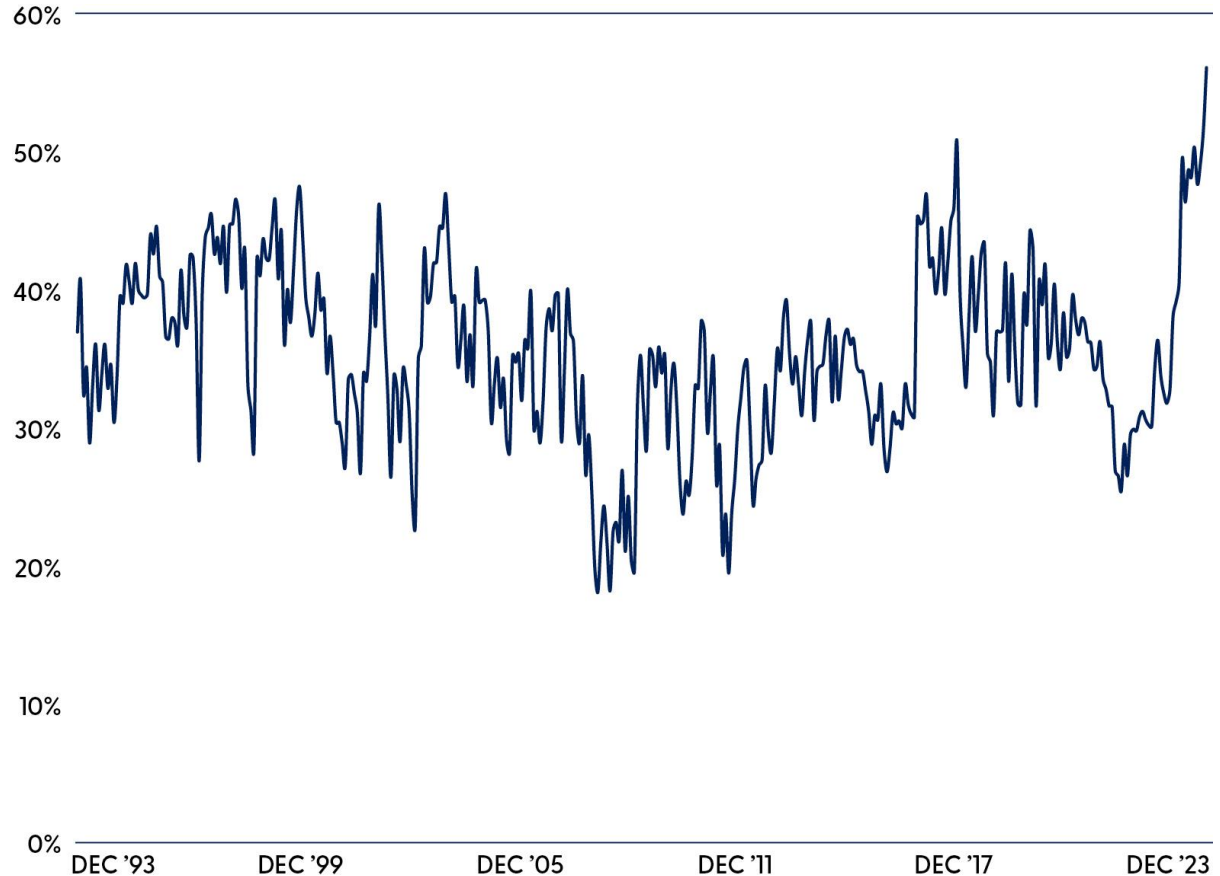
Source: LPL Research, Bloomberg 11/08/24. All indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.



Signs of Exuberance Call for Discipline

On the year ahead for stocks, U.S. households have never been as confident as they are now

— Percent of consumers expecting stocks to increase over the next 12 months



Source: LPL Research, Conference Board, Bloomberg 12/02/24

Bonds

A Golden Age for Income Investors

Yield Curve Could Steepen as the Fed Cuts Rates

Spread between fed funds rate and 10-year Treasury yield still negative

— Spread between 10-Year and Fed funds rate

Source: LPL Research, Bloomberg, 11/08/24. All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.



Investors May Demand Higher Yields

Treasury term premium
remains below historical
averages

— ACM 10-year Treasury
term premium

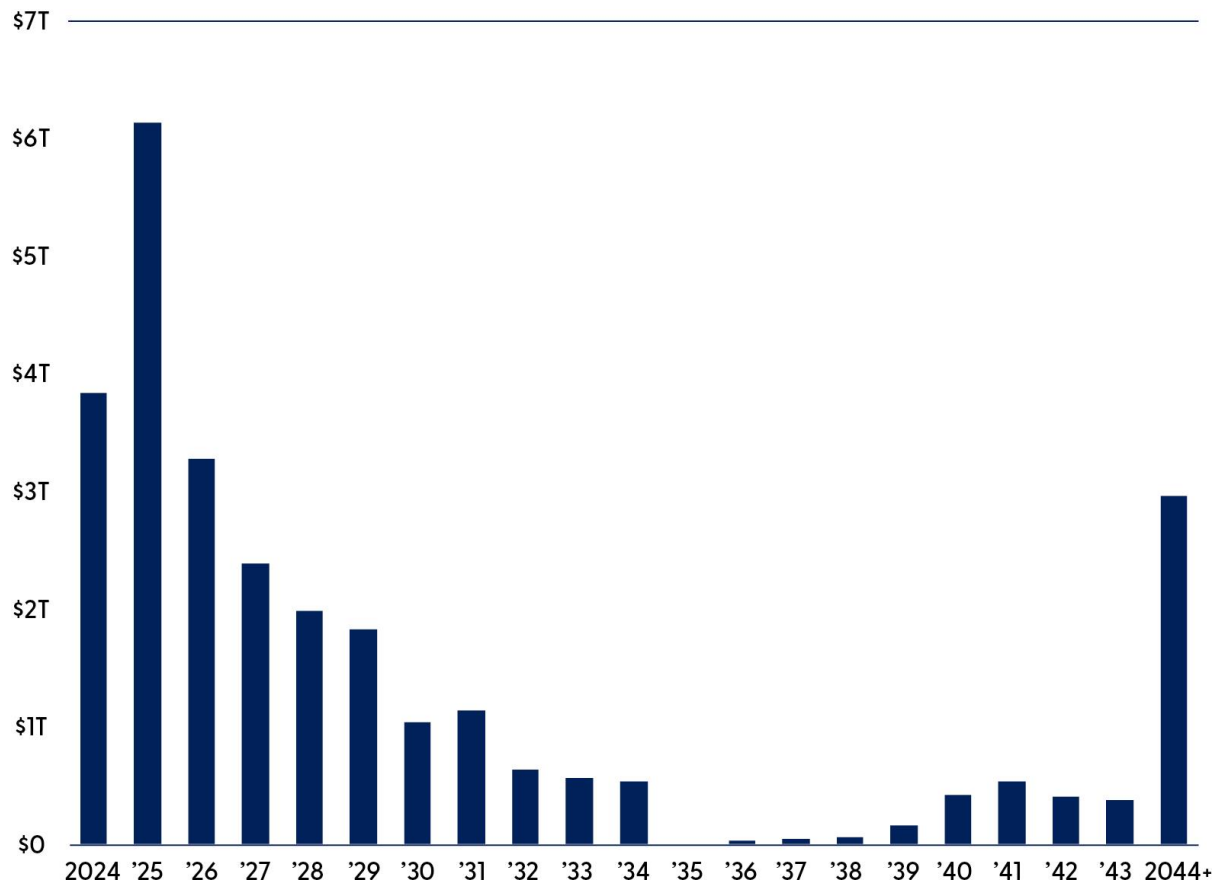


Source: LPL Research, Bloomberg,
11/08/24. Past performance is no
guarantee of future results.

Debt Deluge

Over \$6 trillion in Treasury securities mature in 2025

■ Treasury maturity schedule
(\$ Trillions)



Source: LPL Research,
Bloomberg, 11/08/24

Alternative Investments

Seizing Opportunities in a Changing Market

Stock Dispersion Expected to Continue

**Policy shifts will drive clear
winners and losers**

— CBOE 3-month Implied
Correlation Index

Source: Bloomberg, LRL Research
11/01/24. Indexes are unmanaged
and cannot be invested into
directly. Past performance is not a
guarantee of future results.

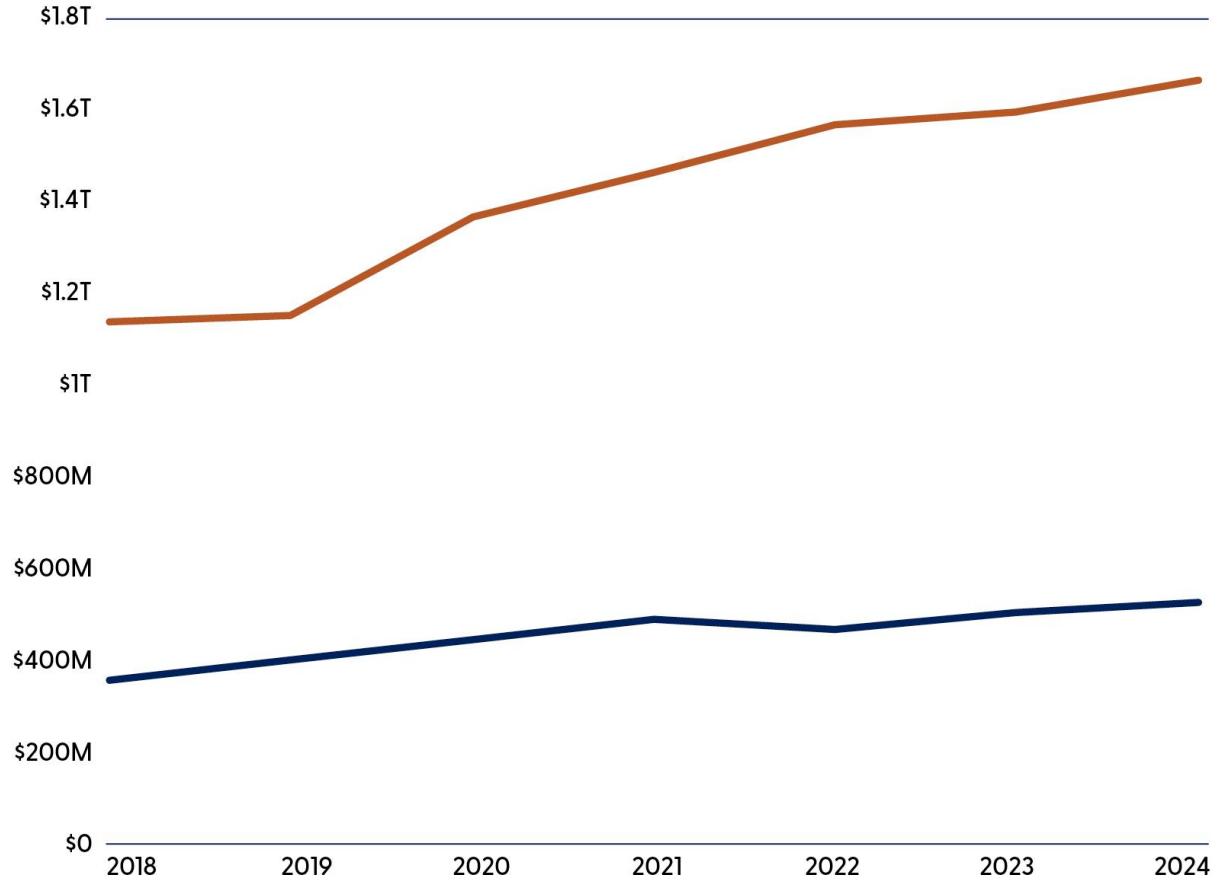


Multi-Strategy Continues to Deliver

**Faster growth of
multi-strategy funds
driven by strong inflows
and performance**

Average AUM per funds

— Total industry
— Multi-strategy



Source: HFR, Bank of America,
Reuters, LPL Research 11/01/24.

Geopolitics

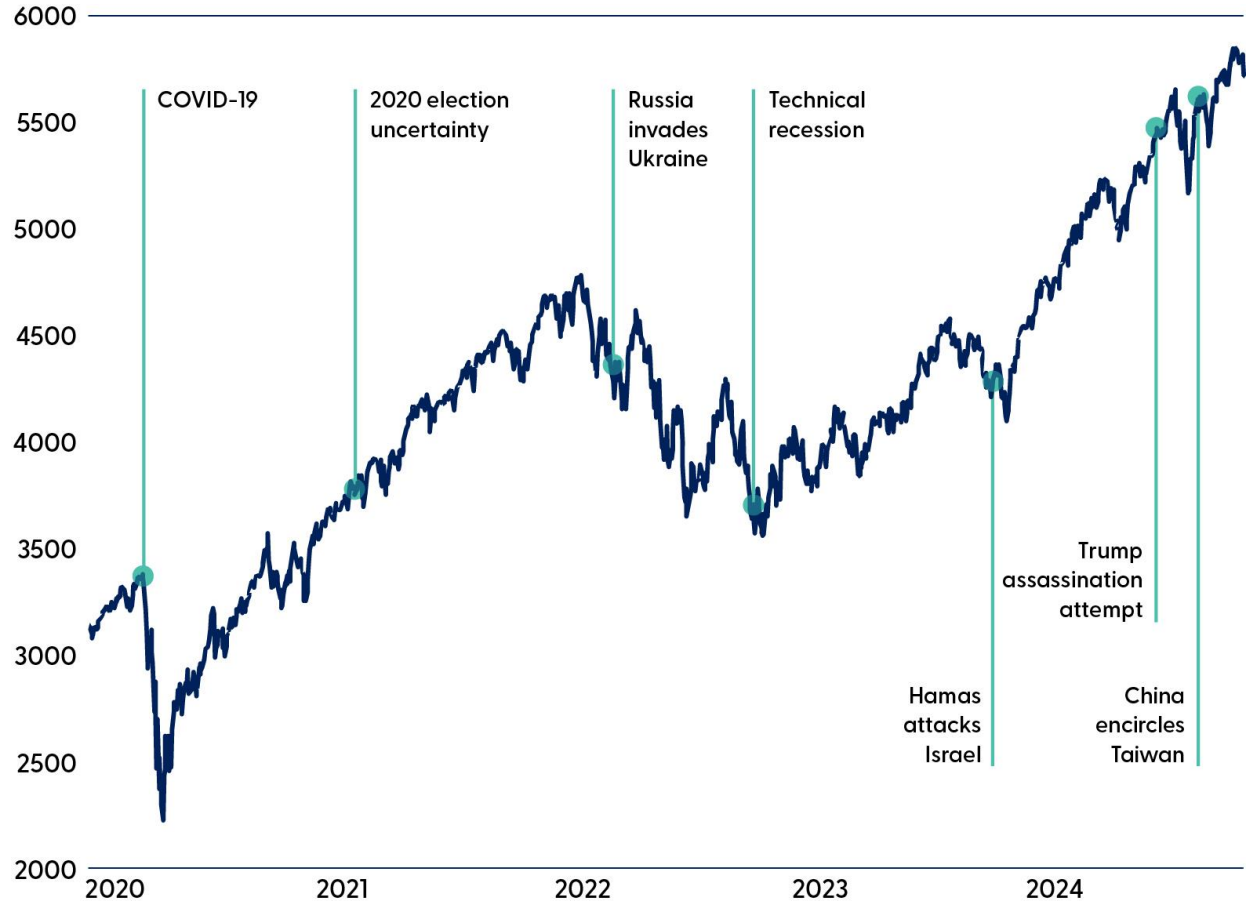
The International Chessboard

The S&P 500 Continues Its Ascent

The S&P 500 powers through tense geopolitical events

— S&P 500 performance

Source: LPL Research, Bloomberg 11/4/24. All indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results.



Commodities

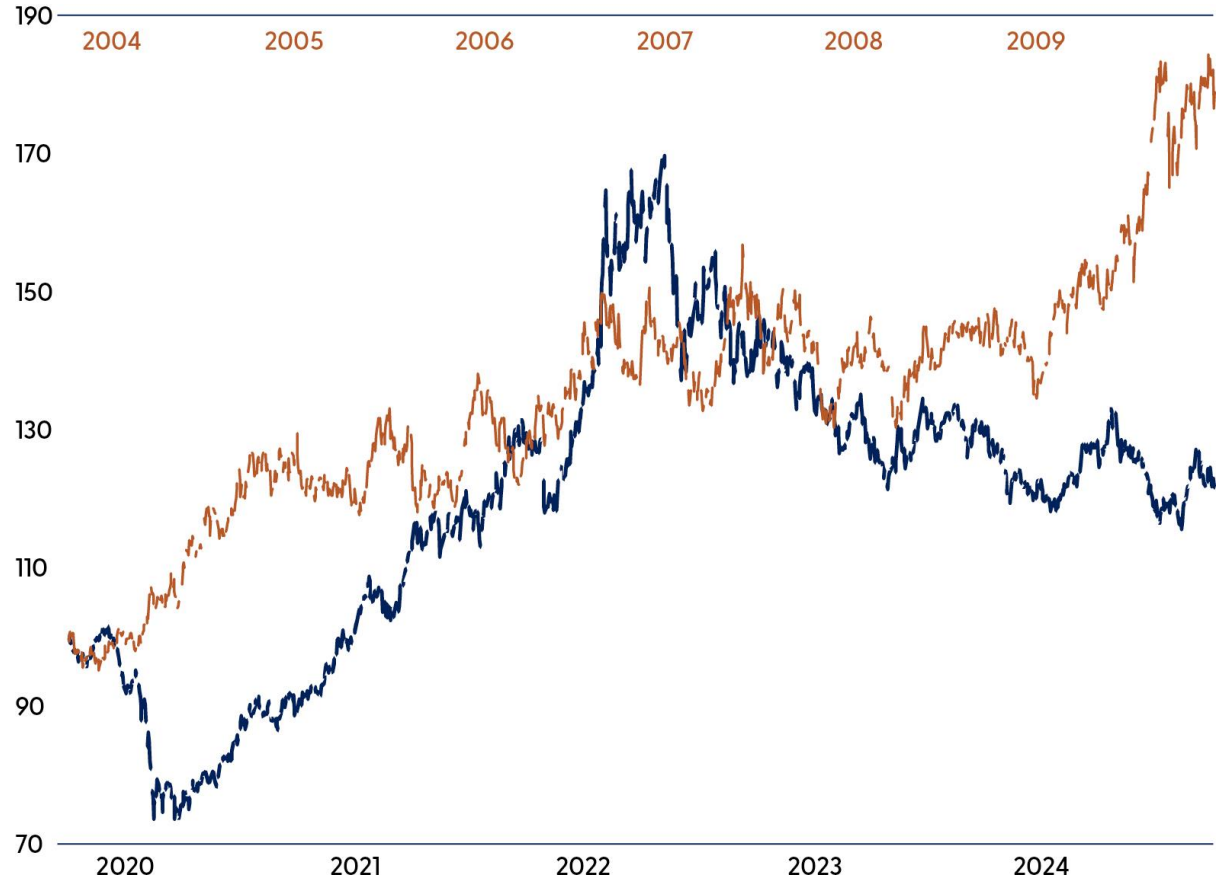
Due for an Uptick or a Supercycle?

Commodity Prices Soften

Chinese growth fueled commodities supercycle, now prices stall as Chinese growth slows

— Bloomberg Commodity Index
— Bloomberg Commodity Index mid – late 2000's

Source: LPL Research, Bloomberg 11/05/24. Indexes are unmanaged and cannot be invested in directly. Past performance is no guarantee of future results. Normalized to 100 on 11/04/24. The Bloomberg Commodity Index (BCOM) is a diversified commodity price index comprised of 23 commodities across six sectors.



Currencies

King Dollar Continues to Reign

Dollar Tailwinds Build Into 2025

The greenback remains rangebound and relatively stable

— U.S. Dollar Index

Source: LPL Research, Bloomberg 11/11/24. Past performance is no guarantee of future results. All indexes are unmanaged and can't be invested in directly.



Disclosures

The opinions, statements and forecasts presented herein are general information only and are not intended to provide specific investment advice or recommendations for any individual. It does not take into account the specific investment objectives, tax and financial condition, or particular needs of any specific person. There is no assurance that the strategies or techniques discussed are suitable for all investors or will be successful. To determine which investment(s) may be appropriate for you, please consult your financial professional prior to investing.

Any forward-looking statements including the economic forecasts herein may not develop as predicted and are subject to change based on future market and other conditions. All performance referenced is historical and is no guarantee of future results.

References to markets, asset classes, and sectors are generally regarding the corresponding market index. Indexes are unmanaged statistical composites and cannot be invested into directly. Index performance is not indicative of the performance of any investment and does not reflect fees, expenses, or sales charges. All performance referenced is historical and is no guarantee of future results.

General Risk Disclosures

Investing involves risk including the potential loss of principal.

Alternative investments may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Managed futures are speculative, use significant leverage, may carry substantial charges, and should only be considered suitable for the risk capital portion of an investor's portfolio.

Investing in stock includes numerous specific risks including the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies. Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time. The prices of small and mid-cap stocks are generally more volatile than large cap stocks.

Disclosures

General Risk Disclosures (continued)

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield. Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate, and credit risk, as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. Mortgage-backed securities are subject to credit, default, prepayment, extension, market and interest rate risk.

Floating rate bank loans are loans issued by below investment grade companies for short term funding purposes with higher yield than short term debt and involve risk.

Preferred stock dividends are paid at the discretion of the issuing company. Preferred stocks are subject to interest rate and credit risk. As interest rates rise, the price of the preferred falls (and vice versa). They may be subject to a call feature with changing interest rates or credit ratings. The majority of preferred stocks outstanding are concentrated in the financial sector.

International debt securities involve special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards. These risks are often heightened for investments in emerging markets.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

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.

Any company names noted herein are for educational purposes only and not an indication of trading intent or a solicitation of their products or services. LPL Financial doesn't provide research on individual equities.

Disclosures

General Risk Disclosures (continued)

All index data from FactSet. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

All information is believed to be from reliable sources; however, LPL Financial makes no representation as to its completeness or accuracy.

Investing involves risks including possible loss of principal. No investment strategy or risk management technique can guarantee return or eliminate risk in all market environments. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. Investing in foreign and emerging markets debt or securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Asset allocation does not ensure a profit or protect against a loss.

General Definitions

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

The PE ratio (price-to-earnings ratio) is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher PE ratio means that investors are paying more for each unit of net income, so the stock is more expensive compared to one with lower PE ratio.

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. EPS serves as an indicator of a company's profitability. Earnings per share is generally considered to be the single most important variable in determining a share's price. It is also a major component used to calculate the price-to-earnings valuation ratio.

The Standard & Poor's 500 Index is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Bloomberg U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds. The HFRI® Indices are broadly constructed indices designed to capture the breadth of hedge fund performance trends across all strategies and regions.

Disclosures

General Definitions (continued)

The HFRI Institutional Macro Index is a global, equal-weighted index of hedge funds with minimum assets under management of USD \$500MM which report to the HFR Database and are open to new investments.

A company's market capitalization is the market value of its outstanding shares. Market capitalization is calculated by multiplying the number of a company's shares outstanding by its stock price per share. Classifications such as large-cap, mid-cap and small-cap are only approximations and may change over time.

Equity Definitions

Cyclical stocks typically relate to equity securities of companies whose price is affected by ups and downs in the overall economy and that sell discretionary items that consumers may buy more of during an economic expansion but cut back on during a recession. Counter-cyclical stocks tend to move in the opposite direction from the overall economy and with consumer staples which people continue to demand even during a downturn.

A Growth stock is a share in a company that is anticipated to grow at a rate significantly above the average for the market due to capital appreciation.

A Value stock is anticipated to grow above the average for the market due to trading at a lower price relative to its fundamentals, such as dividends, earnings, or sales.

Large cap stocks are issued by corporations with a market capitalization of \$10 billion or more, and small cap stocks are issued by corporations with a market capitalization between \$250 million and \$2 billion.

Fixed Income Definitions

Credit Quality is one of the principal criteria for judging the investment quality of a bond or bond mutual fund. As the term implies, credit quality informs investors of a bond or bond portfolio's credit worthiness, or risk of default. Credit ratings are published rankings based on detailed financial analyses by a credit bureau specifically as it relates to the bond issue's ability to meet debt obligations. The highest rating is AAA, and the lowest is D. Securities with credit ratings of BBB and above are considered investment grade.

The credit spread is the yield the corporate bonds less the yield on comparable maturity Treasury debt. This is a market-based estimate of the amount of fear in the bond market. Base-rated bonds are the lowest quality bonds that are considered investment-grade, rather than high-yield. They best reflect the stresses across the quality spectrum.

The Bloomberg Aggregate U.S. Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

This research material has been prepared by LPL Financial LLC.

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