From the Desk of Chris Eckert – January 2025 Market Outlook

2025 Outlook

There is no shortage of questions for investors to ponder at the start of 2025:

- After two years of more than 20% gains for the S&P 500, could a three-peat be in the cards?
- Can US exceptionalism endure – that is the outperformance of the US economy and markets relative to other countries?
- Will inflation decline or will it accelerate?
- Will the Fed continue to cut rates?
- What will the economic policies of Trump 2.0 look like? Will they be positive or negative for the markets?

On the positive side, the U.S. economy appears poised to accelerate in 2025 as lower interest rates and solid wage growth support economic growth and higher corporate profits. Meanwhile, the early policy guidance from the incoming presidential administration reinforces the economy's expected acceleration.

On the negative side, some of the potential risks include the relatively higher starting level of P/Es, a further rise in bond yields, geopolitical events (China/Taiwan, Russia/Ukraine, the Middle East), a slowdown in the US economy or just an overdue market correction (defined as down 10% from a recent high).

My Takeaway

There are reasons to be optimistic about the investment outlook but there are risks to navigate as well. My message is a familiar one, stay invested but maintain a risk-aware approach. Successful investing is a long-term endeavor. Focus on your goals and don't let the daily noise distract you.

Portfolio Corner

This month we highlight our **Smart Beta ETF Model Portfolios.** The changes I alluded to in last month's e-newsletter are now complete – both the security selection process and the universe of securities considered for selection have been updated and are now more robust.

The **Smart Beta ETF Equity Portfolio** seeks to outperform its primary benchmark, the S&P 500, by investing in U.S. and international equity ETFs employing some of the best known "smart beta" factors - such as value, growth, size, quality, momentum, and low volatility or by using alternative weighting strategies. The portfolio will hold 10 securities and be equally weighted. For more conservative investors, the portfolio is also available with allocations of 80/20, 65/35 and 50/50, equity to fixed income investments.

Please find attached the latest monthly update that includes a description of the model along with the portfolio construction guidelines, the current portfolio and the universe of securities or inventory. Due to the tactical nature of the portfolios, they are **ideally suited for tax deferred or non-taxable accounts such as IRAs, pensions, foundations, and endowments.**

Please click here to access the full suite of our custom model portfolios.

State of the Markets Monthly Roundtable

Please join Darrell Cronk, Chief Investment Officer for Wealth and Investment Management, as he hosts a roundtable discussion with senior strategists as they cover their latest outlook for the economic recovery, timely equity and fixed income guidance for this stage of the economic cycle, and practical ideas for balancing risk and reward in portfolios.

Replay information:
Dial-in: 980-900-1046
Passcode: 13925
Replay will be available through February 09, 2025

State of the Markets: How Shall We Invest?

As 2025 begins, chief investment officer Darrell Cronk shares 15 principles that have guided his thinking over the years. Click here to read his report.

Insights from the Home Team (WFA)

- Your Estate Plan Shouldn't Wait – Take the overwhelming out of estate planning. See how
- Chart of the Week – Looking beyond 2025 for an industrial power renaissance. Read report
- Weekly Market Commentary – Moving toward the opportunity zone. Click here
- Investment Strategy – Weekly market insights from the WFII Global Investment Strategy team. Click here

Insights from our External Partners

- Will bonds provide diversification when equity volatility hits? (Capital Group). Read now
- 2025 Outlook: Seizing opportunity amid disruptive change (Impax). Read now
- 2025 Market Observations: Navigating market complexity. (Thornburg) Read now

Handy Reference Tool

Franklin Templeton has put together an excellent overview for 2025 tax rates, schedules and contribution limits. Click here to get a PDF copy.

About Chris Eckert

For over 40 years, I have been helping our clients to prepare for and navigate through life's most important transitions. Whether it's marriage or divorce, changing jobs or retirement, selling a business, or losing a loved one, these moments can present investors with formidable challenges or tremendous opportunities. Yes, life can be unpredictable, but it does not have to be unplanned. If you have questions or concerns about whether you are on the right path, then let's have a conversation. Click here to get started.

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As always, please let me know if you have questions, thoughts, or comments.

All the best
Chris

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