





THE 2025

FINANCIAL FORECAST

A two-part interview with CIO Gary Aiken.

PART 1: The Macroeconomic Setup

PART 2: The Markets & Investment Strategy



Part 1 | The 2025 Macroeconomic Setup

“Every battle is won before it’s ever fought.” – Sun Tzu



Sticky Inflation

Is the Fed conceding the fight for 2% inflation? Could this hurt or help you financially?



Geopolitical Uncertainty

Can global de-escalation unlock unexpected opportunities—or spark new risks?

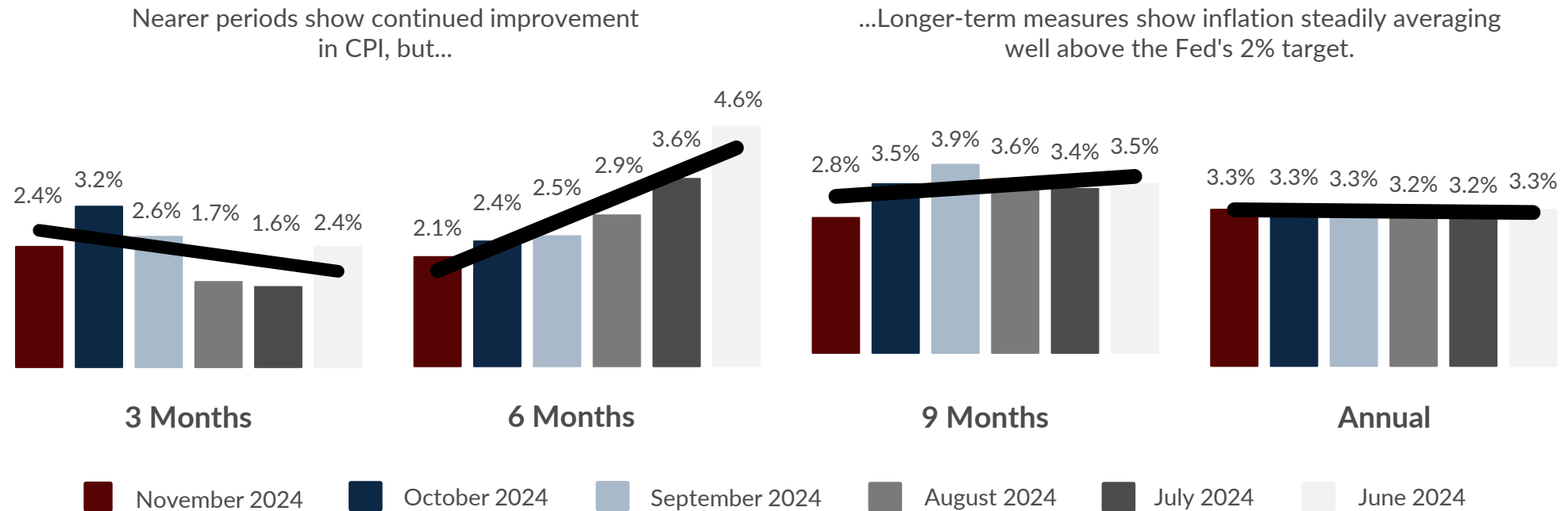


Bitcoin & Commodities

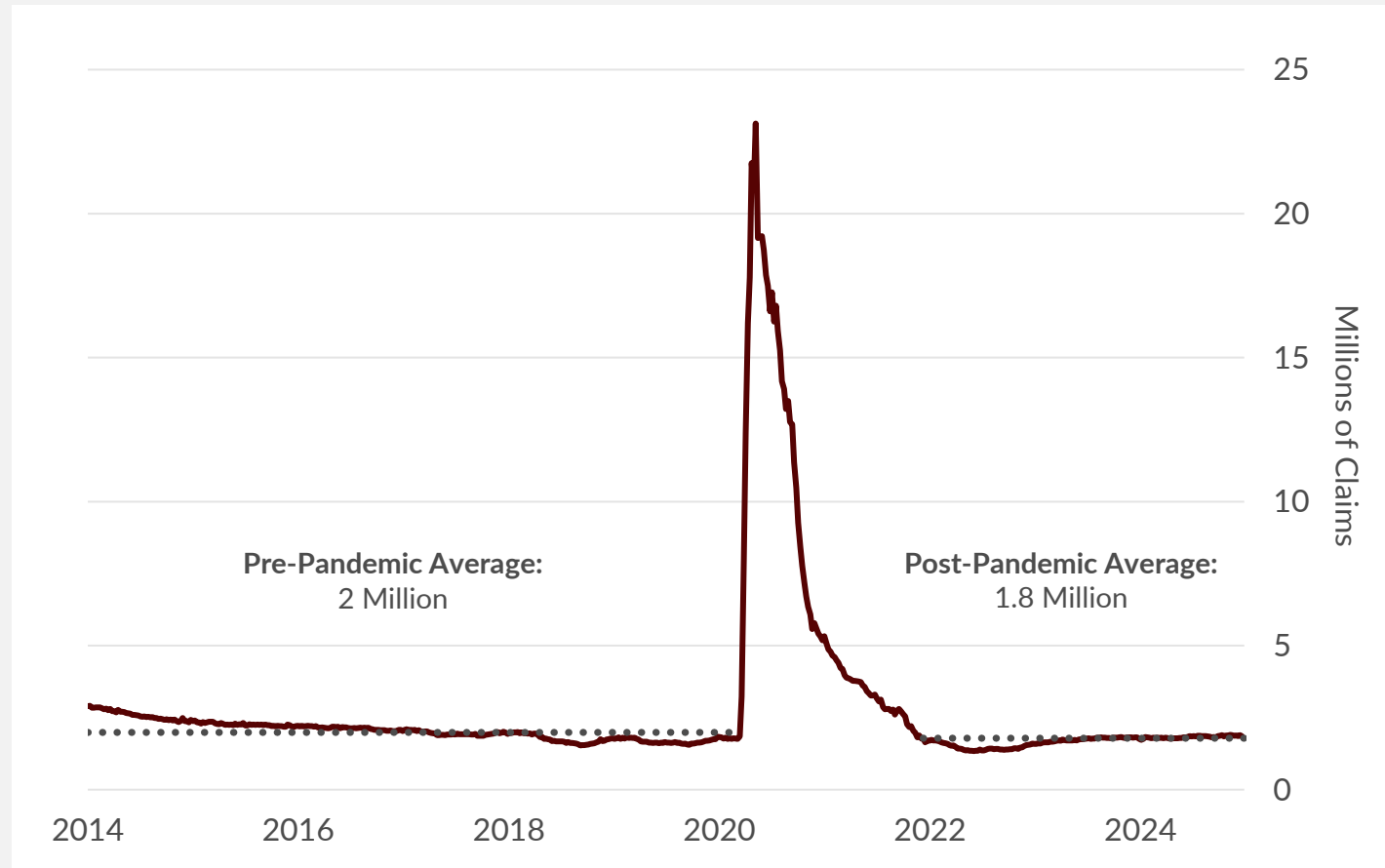
What is Bitcoin's role in the global economy and your portfolio?

Is Inflation Sticky or Moderating?

Rolling Average Core CPI



Mixed Signals in Employment Data



— U.S. Continuing Jobless Claims

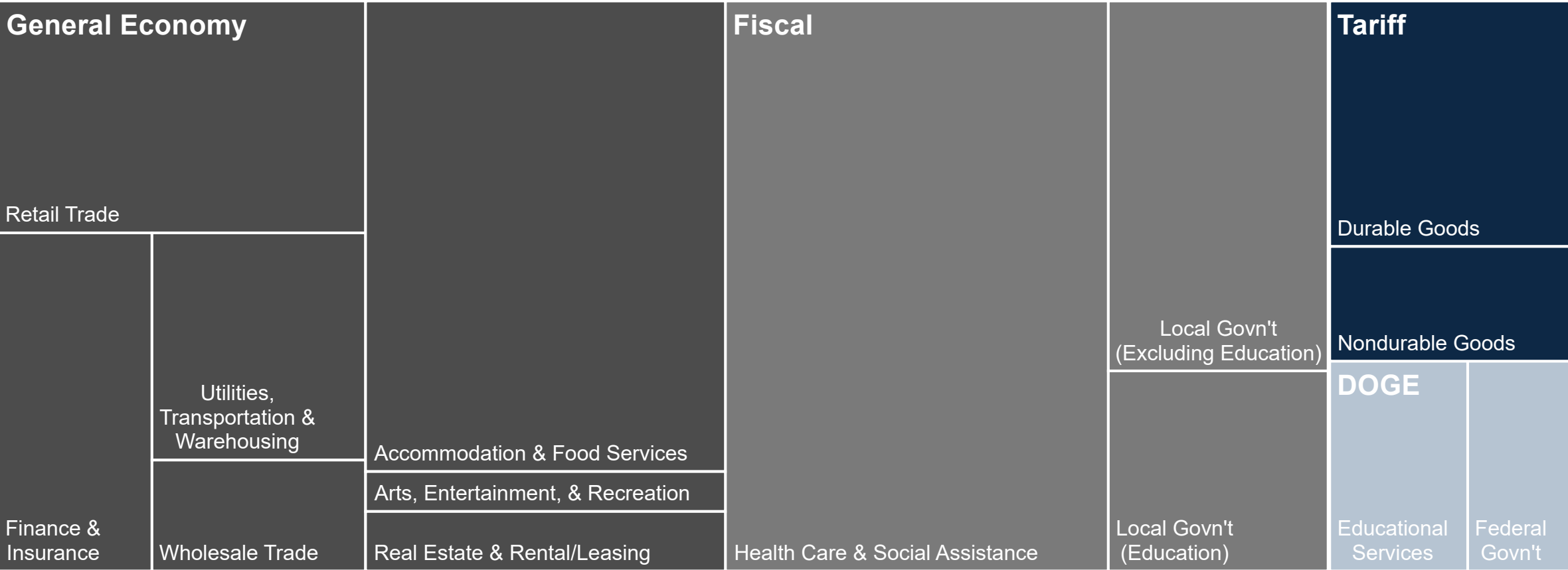
... Average Jobless Claims

Follow Initial and Continuing Claims

- Upside Risk
 - Lower Taxes and Regulation
 - Focused Net Immigration
- Downside Risk
 - Tariffs
 - Deportations
 - DOGE?

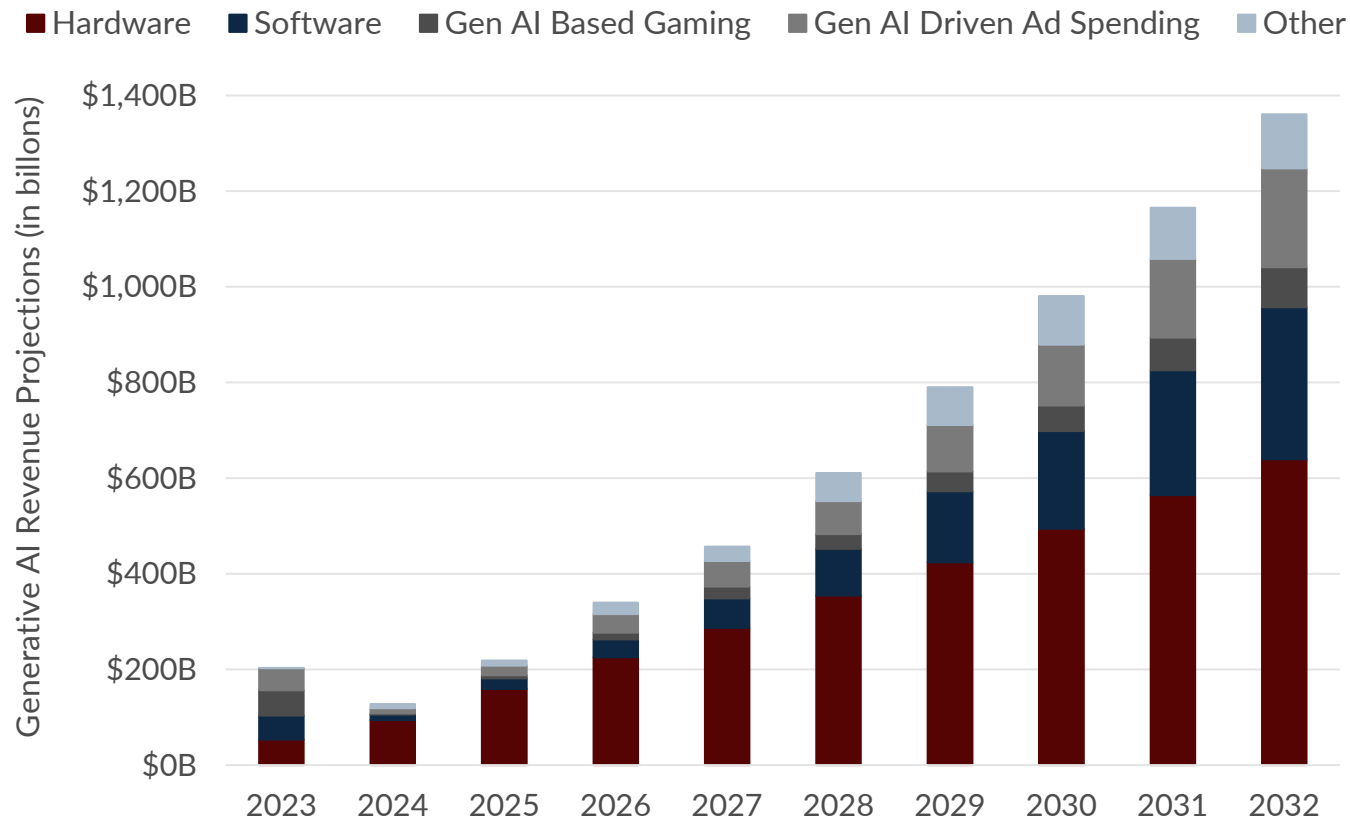
Where Will Trump's Economic Policy Affect Jobs?

A breakdown of JOLTS and risk by sector.



Source: Bureau of Labor Statistics (U.S. Job Openings by Industry Total Seasonally Adjusted); Bloomberg Finance L.P.
Box sizing is proportionate to the number of reported job openings in each sector as of Nov. 30, 2024.

Artificial Intelligence's Productivity Promise



Output Divided by Hours Worked

- Faster computing is already leading to process improvements in many industries.
- We are just scratching the surface when it comes to using large data sets to drive job efficiency.
- Technical improvements always lead to the loss of existing jobs and creation of new jobs.
- Tariffs may stifle productivity improvements and hours losses in targeted industries.

Pax Americana Returns: Peace Through Strength



Geopolitics in Focus: Dysfunction vs. Stability

Political Dysfunction

Might continue or resolve for the better.



Starmer



Macron



Trudeau



Putin



Xi



Lula



Yoon

Stability & Capitalism

The Three “M’s” safer bets for continued progress.



Modi



Meloni



Milei

Remember when we were worried about the U.S. election?

Currencies & Commodities

Even if you don't invest directly, currencies and commodities must factor into your analysis. Our base case factors in a strong dollar and a growing U.S. economy.



Currency

A strong dollar and a case of Bitcoin?



Metals

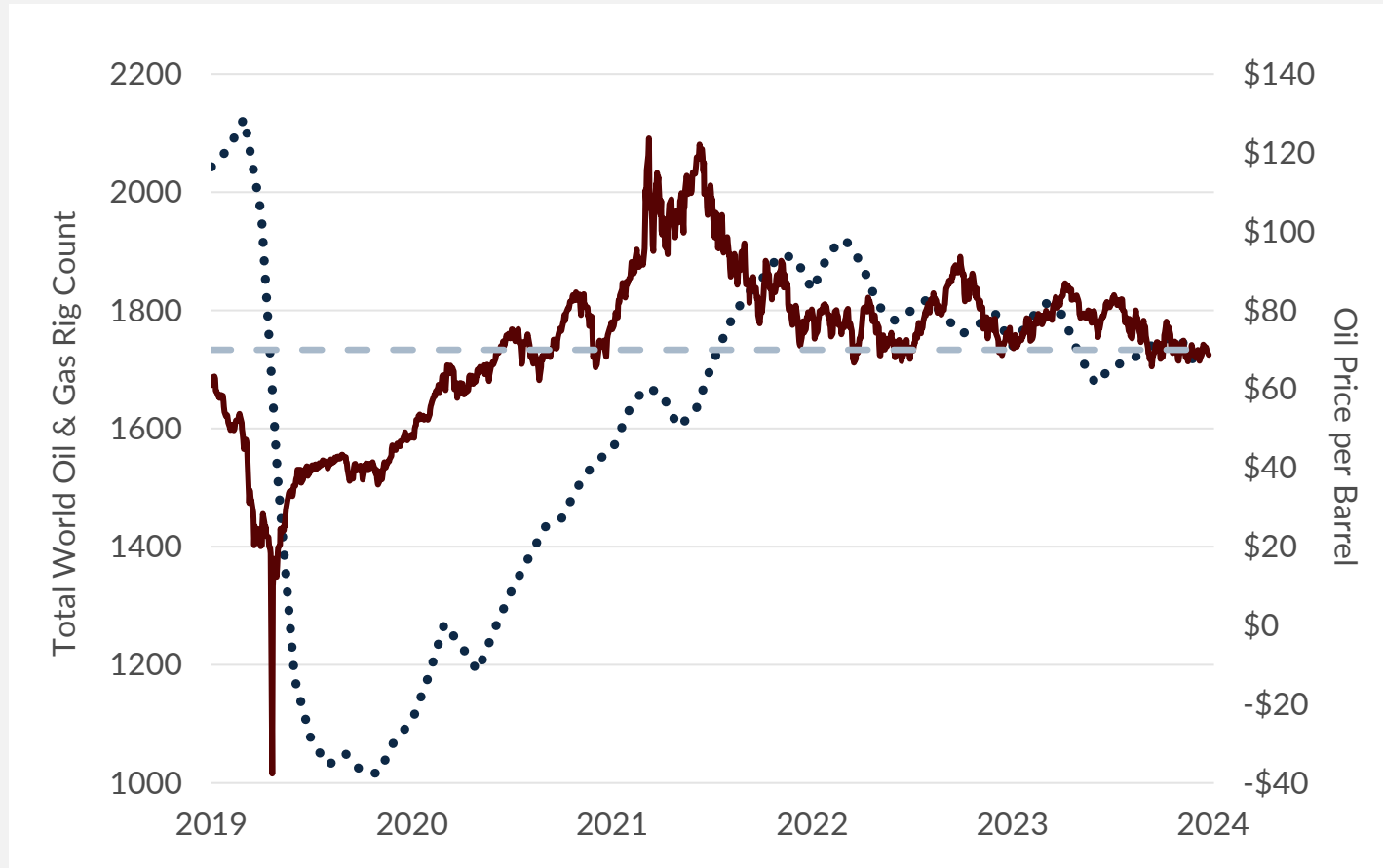
Industrial metals are abundant in a slowing global economy.



Agriculture

Weather played an outsized role last year.

Drill Baby Drill?



- Oil Price per Barrel
- ... Total World Oil & Gas Rig Count
- - - Biden Price Target

Supply Outstripping Demand

- China and European growth are slowing.
- The U.S. economy is not as dependent on oil for growth.
- The consensus is for a lower oil price.
- Why would oil companies agree to produce more crude under these conditions?

What's Our 2025 Outlook?

The “crystal ball” is imperfect. Think about the future probabilistically.

Less Likely	Most Likely
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?



The Grind

With inflation easing and growth on the rise globally, could 2025 hold the key to unprecedented opportunities—if conflicts finally come to an end?

Less Likely	Most Likely
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?



Recession

Is the U.S. on the brink of a recession with rising unemployment, reduced government spending, and a global slowdown?

Less Likely	Most Likely
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?



Stagflation

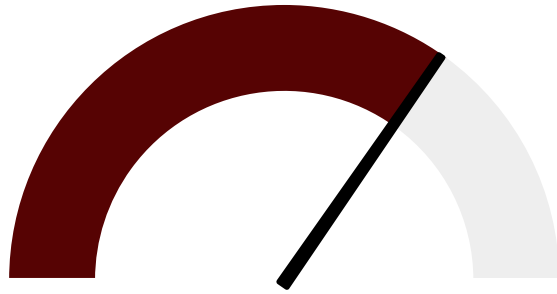
Could stubborn price increases and rising interest rates lead us into the dreaded stagflation scenario, where growth stagnates and inflation bites?

Macroeconomic Outlook for 2025

Financial asset prices likely “grind” higher, but not without execution risks.

Less Likely	Most Likely
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● 70% Likelihood

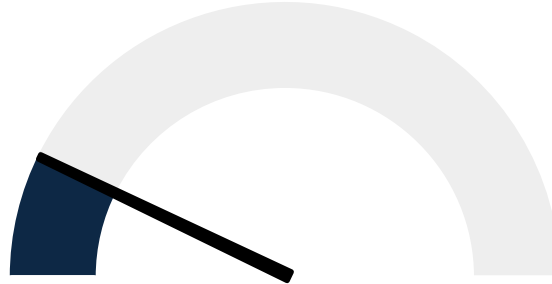


The Grind

With growth trends higher and global inflation lower, the path ahead won't be smooth, but ending conflicts could bring growth opportunities in 2025.

Less Likely	Most Likely
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● 15% Likelihood

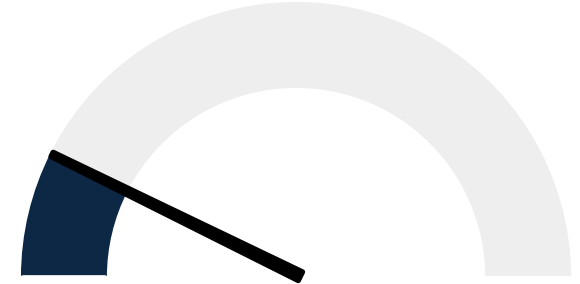


Recession

No one suspects a recession, but higher unemployment, slower government spending, and global economic slowdown could spread to the U.S

Less Likely	Most Likely
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● 15% Likelihood



Stagflation

The path to growth stumbles in Congress and the Fed ends the inflation fight too early. Inflation remains sticky above 3% and rates move higher.

Part 2 | The Markets & Your Investment Strategy

Winners, losers, and what to do.



U.S. Markets After Two Years of Strong Returns

Should you invest in AI, tech, and crypto now—or is it too late?



Global Markets: Value or Value Trap?

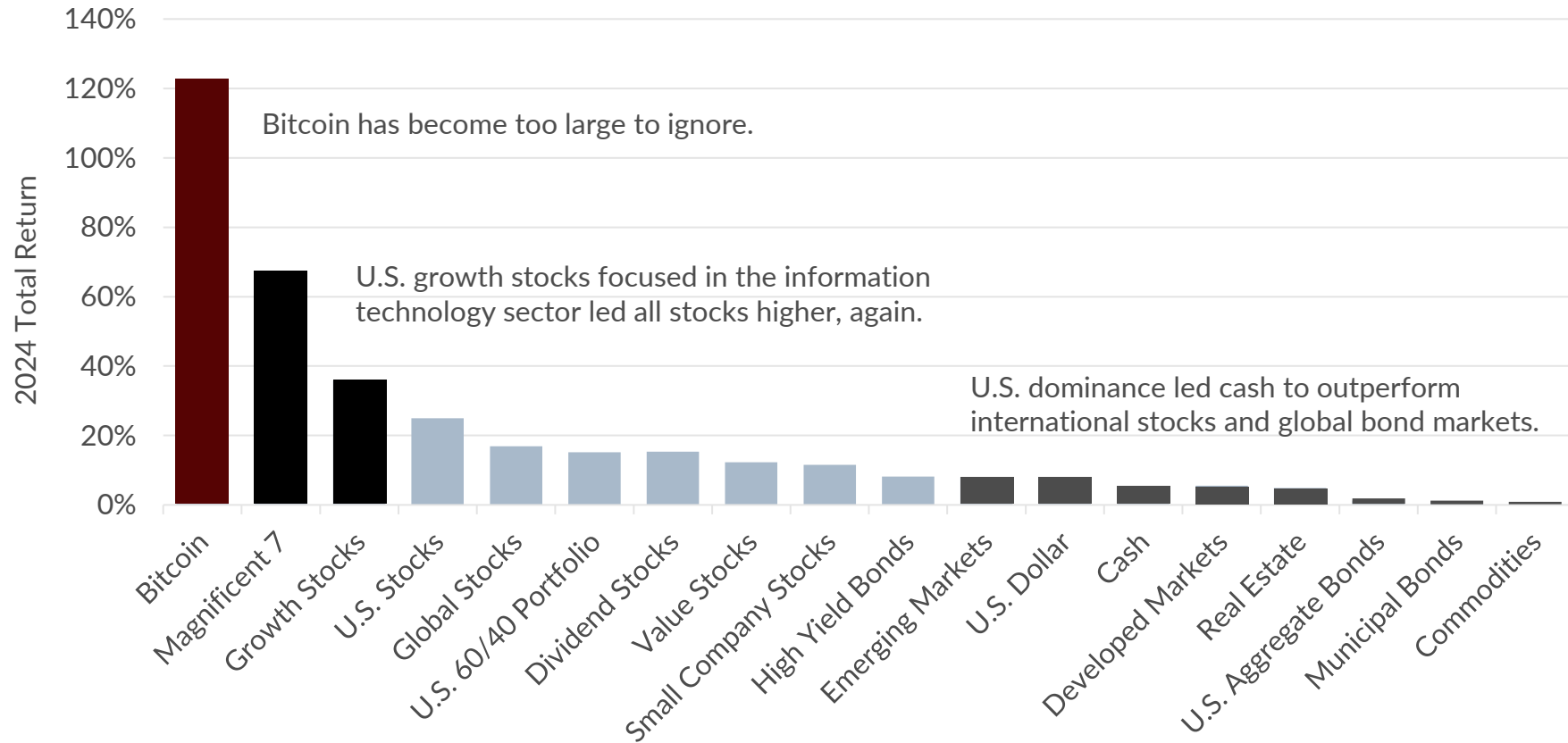
What signals indicate a pivot for international stocks in 2025?



Does Asset Allocation Matter Anymore?

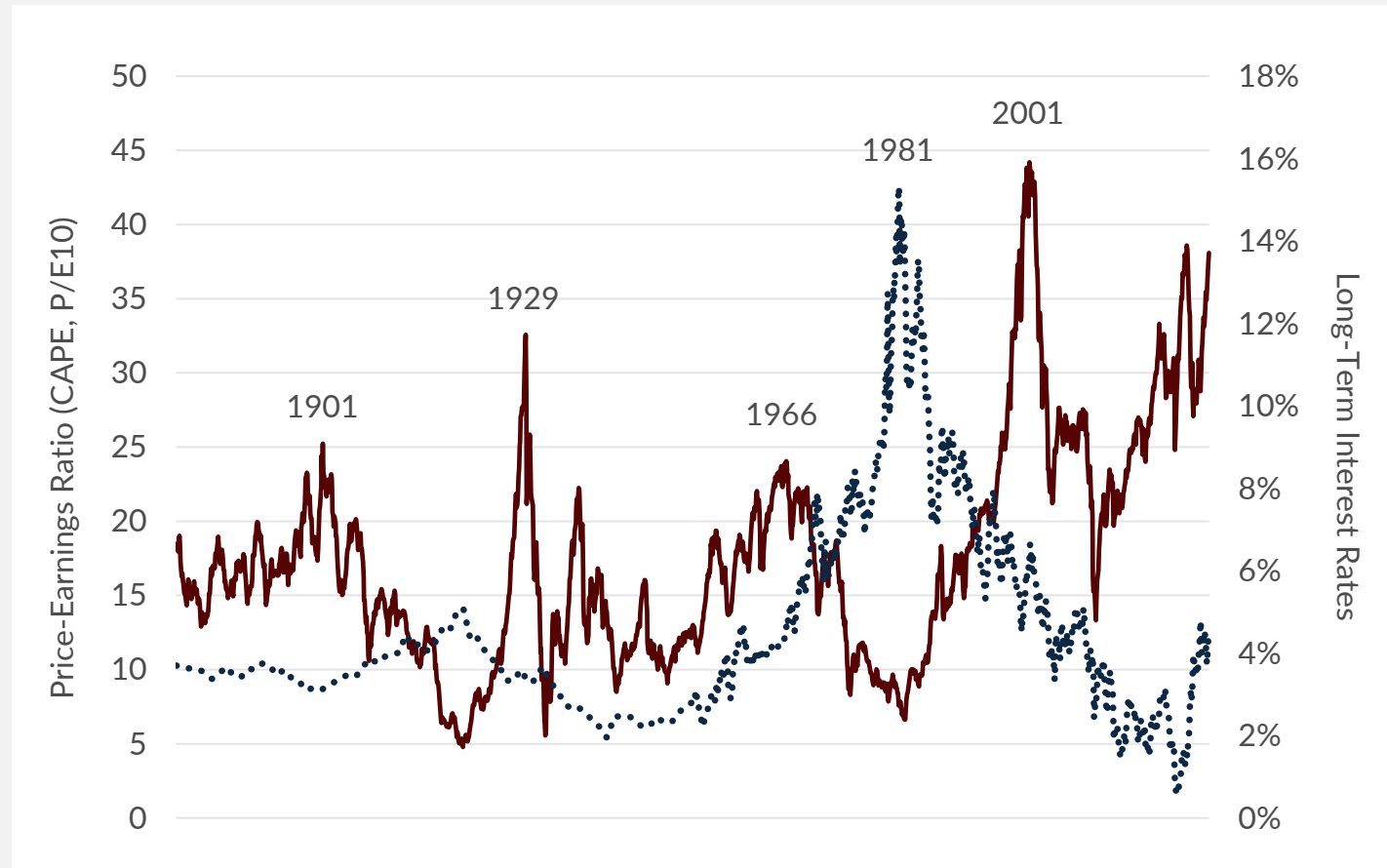
How to balance risks and opportunities in your portfolio?

Financial Markets



Source: Bloomberg Finance L.P., Dec. 31, 2023 to Dec. 31, 2024.

Price-to-Earnings Ratios: Here We Go Again!



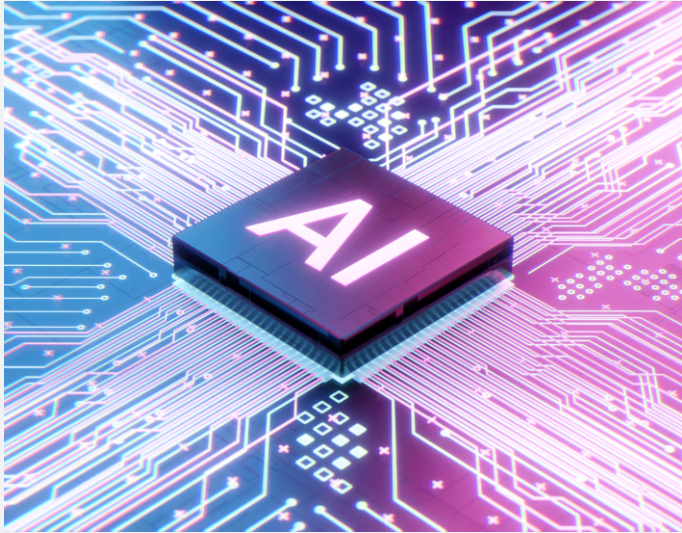
— Long-Term Interest Rates

... Price-to-Earnings Ratio

U.S. Stock Valuations Reflect Important Assumptions

- Growth and earnings accelerate with lower taxes and less regulation.
- Inflation continues to decline and long-term interest rates moderate.
- There will be no more bad news from the rest of the world.

Amid Lofty Valuations, Last Year's Winners Likely Win Again



Artificial intelligence drives the information technology sector higher with revenue and earnings growth.



Pharmaceutical companies with deep R&D pipelines and device makers benefit from lower regulation even with RFK Jr. leading the HHS.



Discerning consumers with discretionary income favor aspirational luxury and everyday low prices.

Emerging Winners Help Markets Grind Higher



Looser regulation, a normal yield curve, consolidation, and a pickup in M&A activity could make banks appealing.

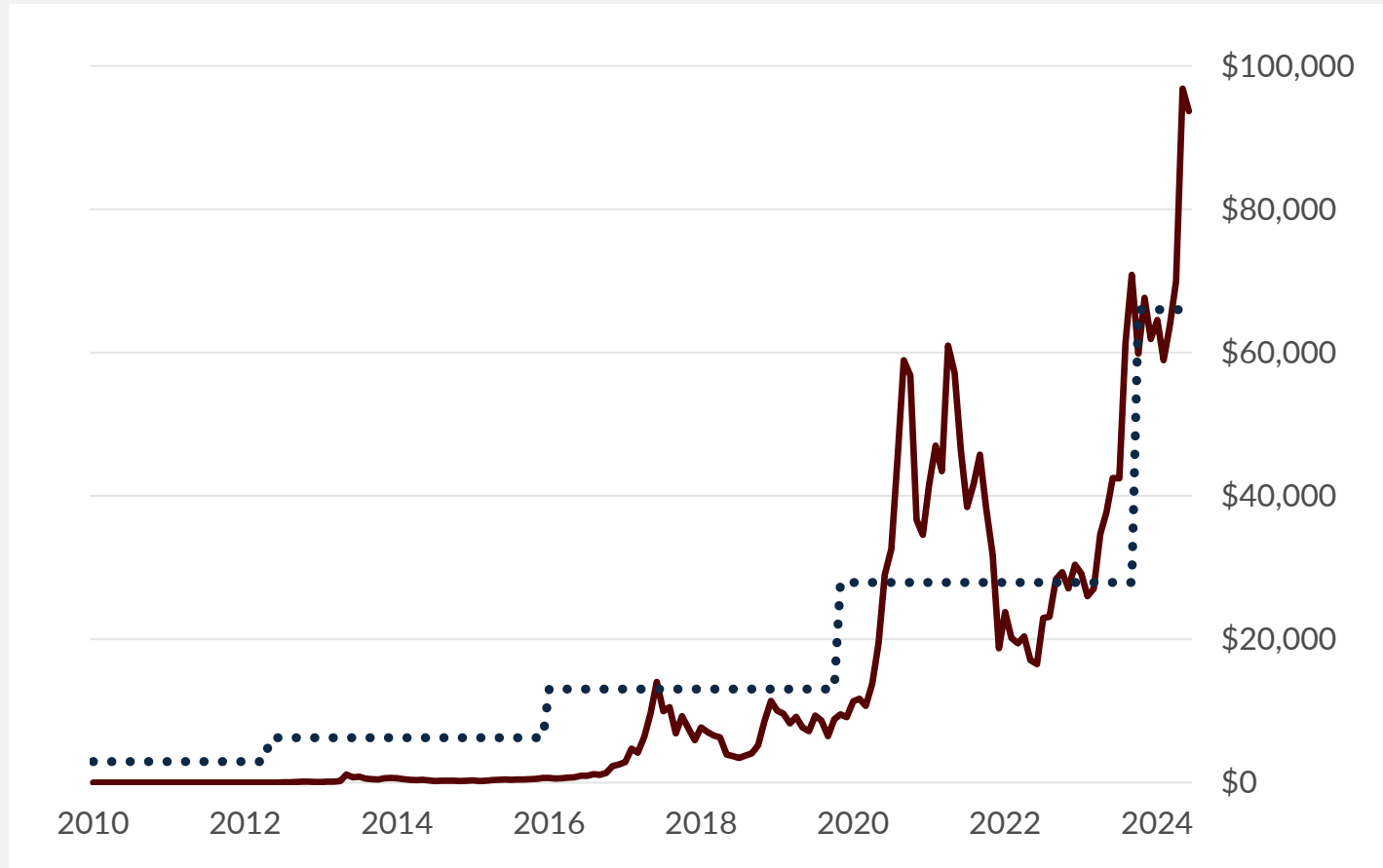


Companies are moving from training data to inference and making decisions with AI. A productivity boost and data-revenue unlock is coming.



With less regulation, lower taxes, and mild protectionism, classic value, turnaround stories, and acquisition targets can perform.

What About Bitcoin?



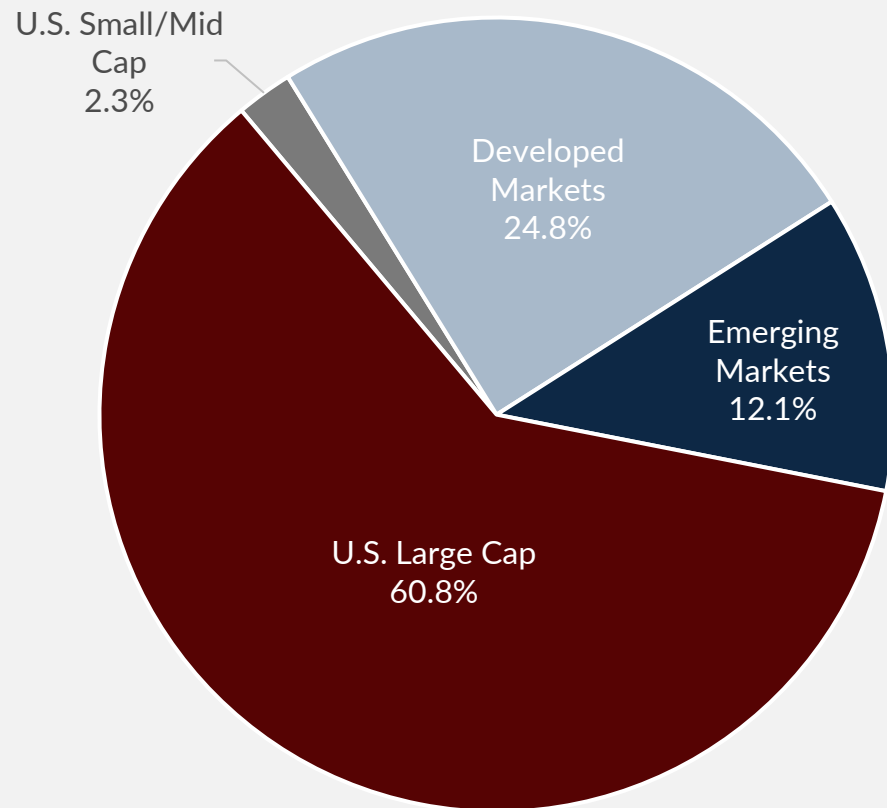
— Bitcoin Price

... Approximate Marginal Cost to Produce

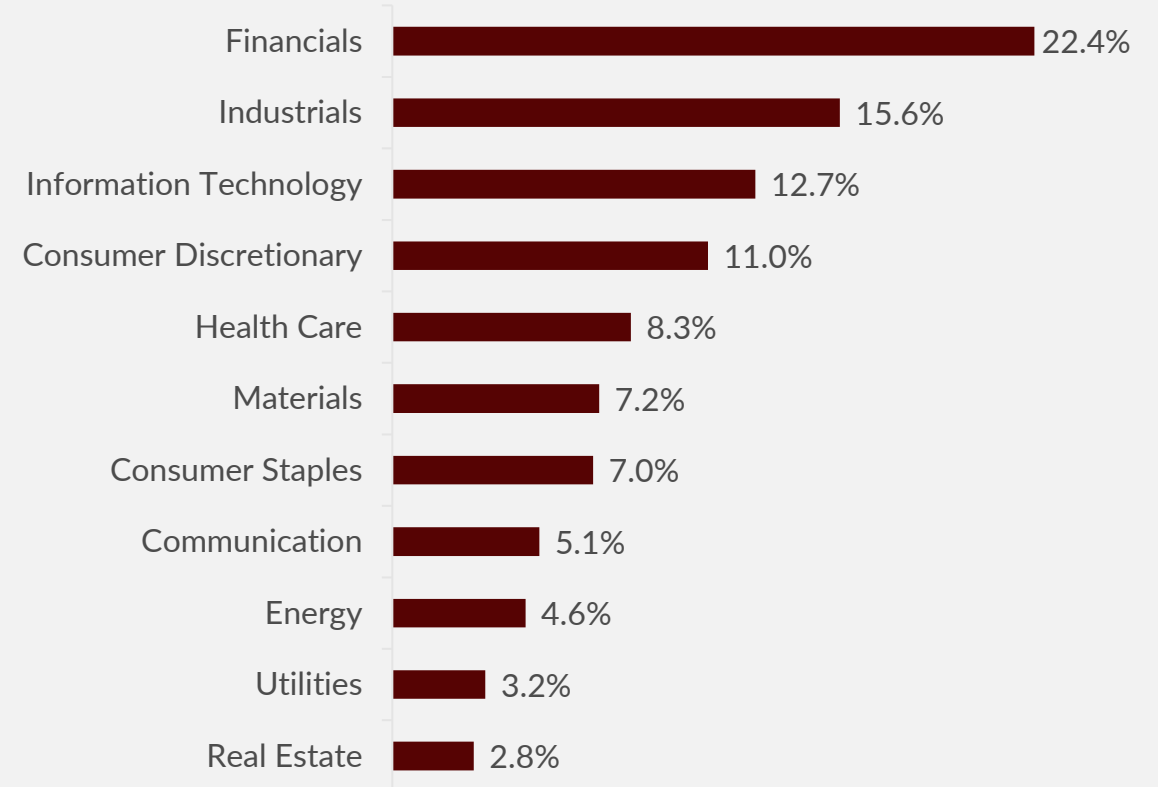
Here to Stay – So What Now?

- Friendlier government regulation and potential realization of blockchain use cases.
- Concord's proposed valuation methodology based around marginal production cost.
- Asset allocation placement is still questionable. What is it?

International De-Worsification?



International By Sector



Source: Bloomberg, L.P.; World Large-Mid-Small Index, Dec. 23, 2024; World ex-U.S. Large Mid Index, Dec. 23, 2024.

International: Real Value or Value Trap?

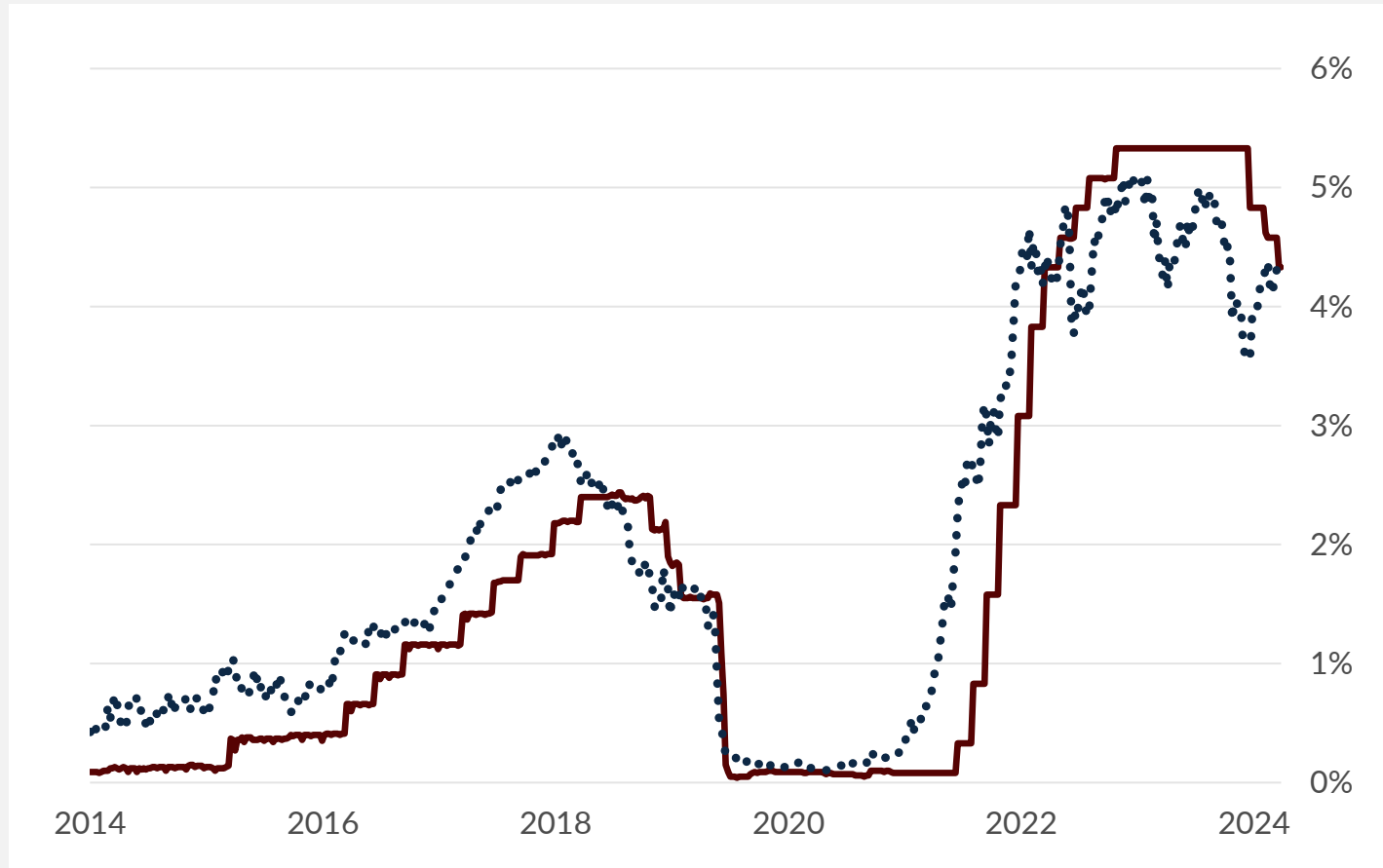
On the margin, certain sectors and countries can provide tactical opportunities.



Signals to Invest Internationally

- Strong dollar is the consensus. Weak dollar trades could be contrarian.
- Technical and fundamental ratios in Large Cap stocks look stretched.
- The end of conflicts in Europe and the Middle East (and possible Trump détente with China?) could spark investor enthusiasm.
- Lower volatility sectors and stocks may be a respite from the potential headline risk in the U.S.

The Federal Reserve: First Cut Was the Deepest

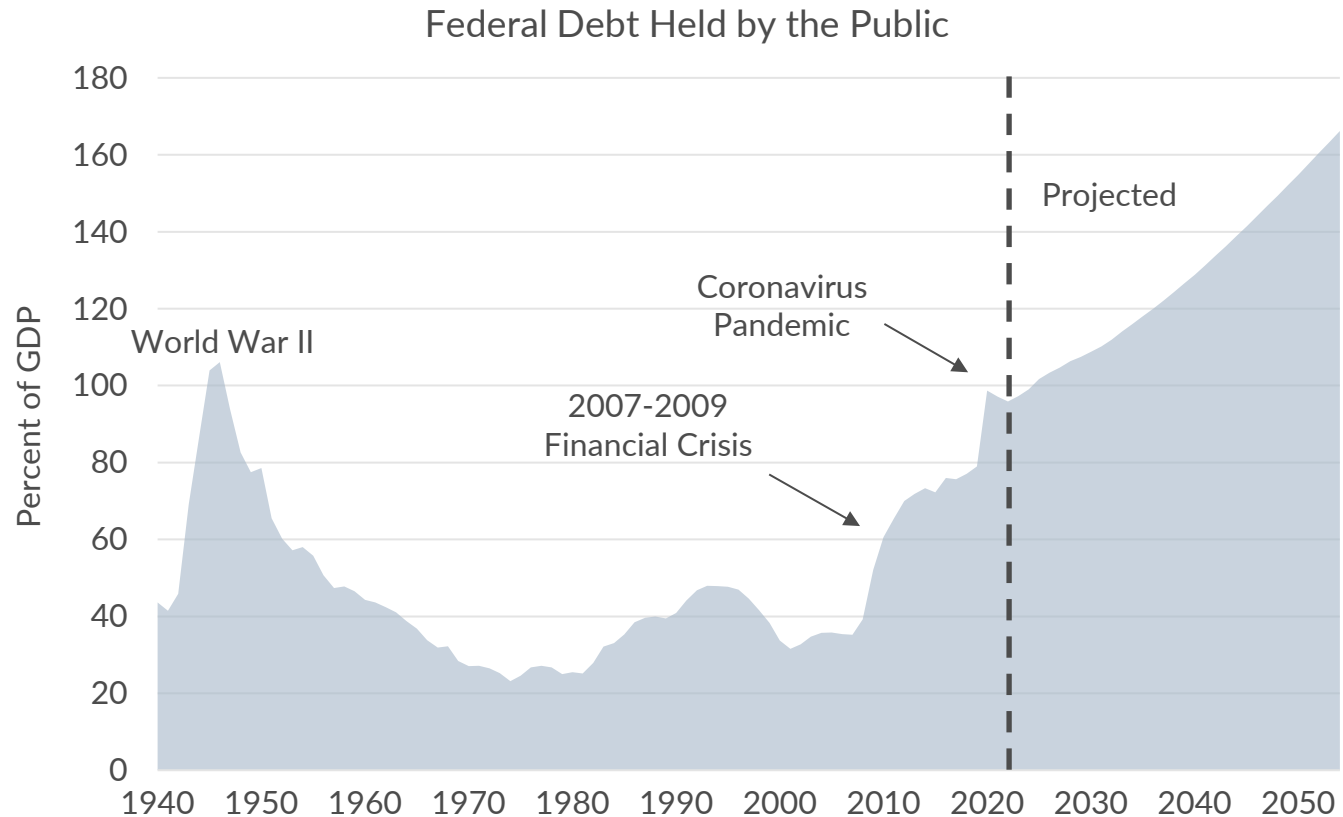


- Effective Fed Funds Rate
- ... 2-Year U.S. Treasury Yield

The Fed on Pause for Now

- Historically, the Fed Funds Rate (set by the Federal Reserve Open Market Committee) follows 2-year Treasury Note yields.
- Today, the Fed thinks unemployment and inflation risks are balanced.
- Monetary policymakers await Trump policy initiatives.

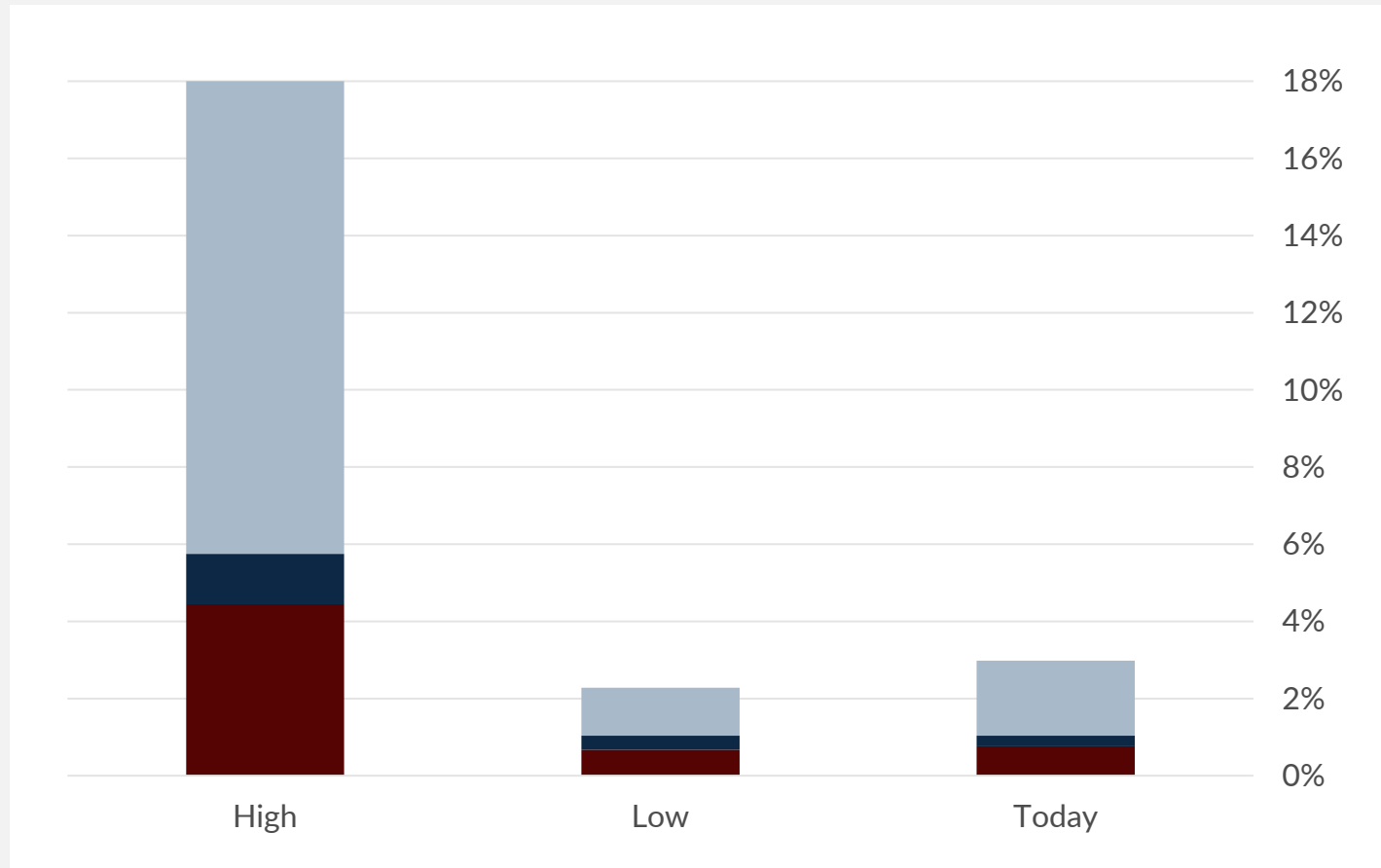
Perception Drives Long Term Interest Rates



Marginal Changes Have Macro Consequences

- Government policy that reduces or amplifies the trajectory of deficits and debt.
- Inflation slows towards the Fed's 2% target or remains sticky above 3%.
- The relative strength of the U.S. economy compared to the European Union, China, and other major economies.

Corporate Spreads Indicate Significant Strength



- High Yield
- BBB
- A or Better

Spreads Are Near 25-Year Lows

- Corporate spreads are the additional yield demanded to buy bonds that are guaranteed by companies instead of the government.
- A tight spread indicates that investors think the probability of default is low and the recovery of principal in default is high.

Source: Bloomberg L.P., High is Nov. 28, 2008, Low is Jun. 30, 2021, Today is as of Dec. 31, 2024. A or Better refers to the CSI A Index, BBB refers to the CSI BBB Index, High Yield refers to the CSI Barclays High Yield Index.

Headlines Can Drive Short-Term Price Moves



Upside Surprises

- AI hardware and software sales continue to accelerate.
- An end to conflicts in Europe and the Middle East.
- Regulatory reform swiftly transforms the business landscape.

Downside Surprises

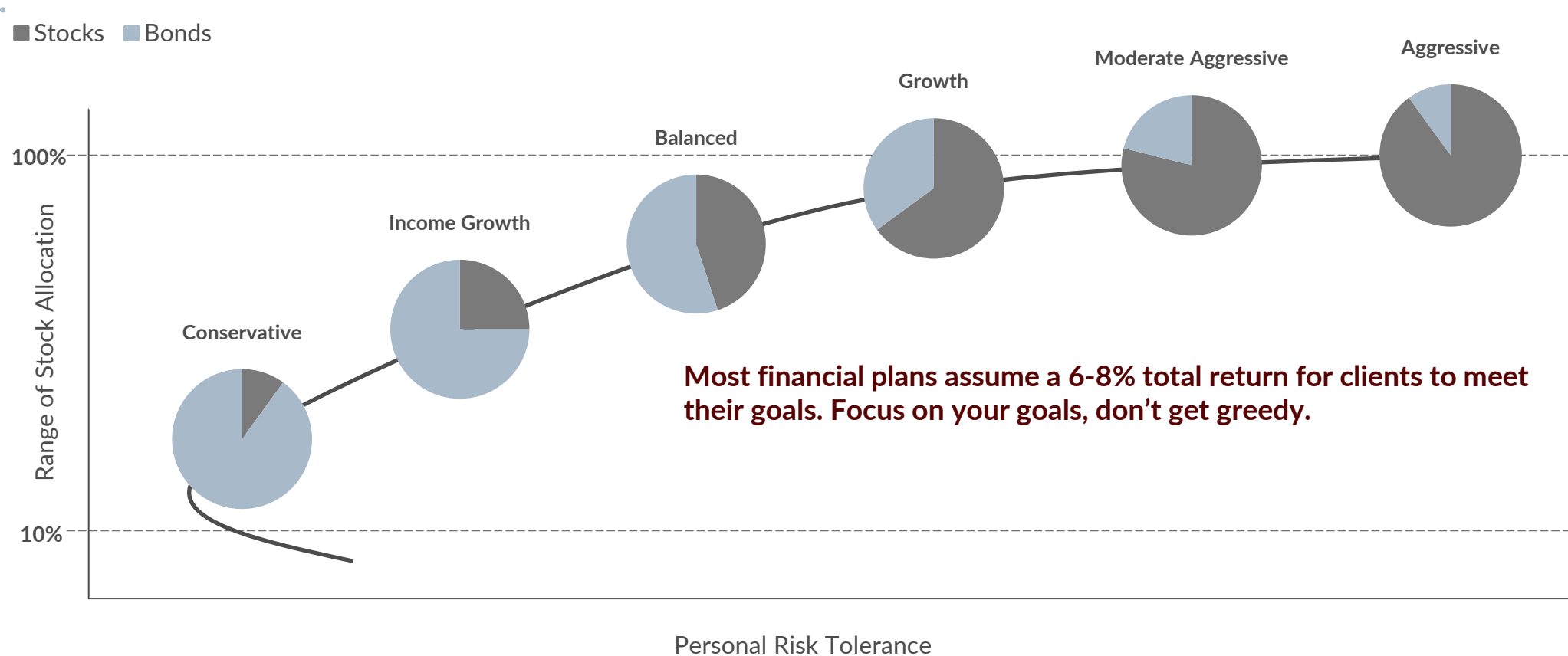
- Conflicts in the Middle East go in a different direction.
- Government spending decrease leads to higher unemployment.
- Sell off in high-priced stocks forces selling across the board.

Final Thoughts



- The U.S. economy is on sound footing with inflation and unemployment risks are balanced.
- The AI productivity revolution is just starting, and regulatory reform can unlock value in U.S. stocks.
- Headlines suggesting a reduction in geopolitical risk would help international stocks.
- Short duration bonds provide a source of income and capital to invest when headline risks shake up stock markets.

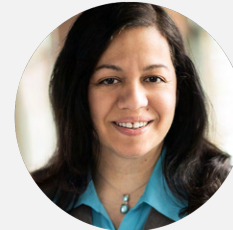
Asset Allocation: Focus on Your Risk Tolerance



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www.concordwealthpartners.com



800-838-4370



info@concordwealthpartners.com

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