

WEBINAR

2025 Outlook Webinar

A Deep Dive into CNR's Economic and Investment Outlook

December 12, 2024

In our 2025 Outlook webinar, City National Rochdale (CNR) leaders, Chief Investment Officer Charles Luke and Senior Economist, Senior Portfolio Manager Paul Single provided an update on the key themes and trends that will define the economy and financial markets in the year ahead, and actionable insights for portfolio positioning in this dynamic environment.

Charles Luke discussed the CNR economic forecasts, touching on how modest GDP growth is expected, supported by potential pro-growth fiscal policy, and that corporate profits are expected to show improving growth. While inflation pressures are expected to continue moderating, the multiyear Fed easing cycle is supportive of continued expansion, and structural pressures will likely keep longer-term Treasury yields higher.

Economic Forecasts

City National Rochdale Forecasts		2023	2024e	2025e	
<ul style="list-style-type: none"> • Modest GDP growth is expected, supported by potential pro-growth fiscal policy. • Corporate profits are expected to show improving growth. • Inflation pressures are expected to continue moderating. • The multiyear Fed easing cycle is supportive of continued expansion. • Structural pressures will likely keep longer-term 	Real Annual GDP Growth	2.5%	1.75% to 2.25%	1.75% to 2.25%	
	Corporate Profit Growth	1.0%	9.0% to 12.0%	10% to 14%	
	Headline CPI Year End	3.3%	2.50% to 3.00%	2.50% to 2.75%	
	Interest Rates	Federal Funds Rate	5.25% to 5.50%	4.25% to 4.75%	3.75% to 4.25%
		Treasury Note, 10-Yr.	3.88%	3.75% to 4.25%	3.75% to 4.25%

Gross domestic product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

e: estimate.

The Consumer Price Index (CPI) measures the monthly change in prices paid by U.S. consumers.

Sources: Bloomberg, proprietary opinions based on CNR Research, as of December 2024.

Information is subject to change and is not a guarantee of future results.

Regarding economic impacts of potential Trump administration policy, Charles Luke explained how pro-business and U.S.-based policy is positive but has created concern over rates and inflation. Overall, the policy mix will likely result in smaller reactions than any policy on its own.

Economic Impacts of Potential Trump Administration Policy

- Pro-business and U.S. based policy is positive but has created concern over rates and inflation.
- The policy mix will likely result in smaller reactions than any policy on its own.

Policy Change	Economic Impact			
	Growth (GDP)	Corporate Profits	Inflation	Interest Rates
	Positive = Higher		Positive = Lower	
Lower Tax Rates	Higher	Higher	Higher	Higher
Additional Tariffs	Lower	Lower	Higher	Higher
Deregulation	Higher	Higher	Neutral	Neutral
Increase in Federal Debt	Neutral	Neutral	Higher	Higher
Lower Immigration	Lower	Lower	Lower	Lower

Source: CNR Research, as of December 2024. Information is subject to change and is not a guarantee of future results.

CNR's global outlook for 2025 highlights economic growth driven by pro-business policies, Fed easing, consumer spending, and corporate profits. While Trump's policies may boost growth, they also raise concerns about debt and inflation. Geopolitical factors, such as instability in Syria and evolving U.S.-China relations, will shape the year, alongside accelerating enterprise-level adoption of AI, which is expected to drive spending growth.

Strong earnings and capital inflows should support high equity market valuations and sustain the rally. And finally, digital currencies are gaining momentum through ETF flows, while gold faces a potential price reversal if central bank buying slows.

Paul Single gave an economic update, touching on expectations around the pace of economic growth remaining strong heading into the new year. This can be characterized by strong consumer spending fueled by solid balance sheets, moderating inflation and labor gains. While the Fed is expected to continue easing monetary policy, it will be defensive as it figures out the impact of the new administration's social and economic changes. The anticipated policy changes can impact the Fed's focus areas of inflation (actual and

expectations) and labor. Since the administration's policy agenda is ambitious and sweeping, the implementation of its various parts is unknown.

Charles Luke then discussed the equity markets, noting that while overall market valuations remain elevated, specific sectors present more attractive opportunities due to better relative valuations. He mentioned that the S&P 500's 2025 performance will hinge on tax policy's impact on earnings, with potential trading ranges projected between 5800 and 6400, and small-cap stocks are gaining appeal, benefiting from their domestic focus, favorable valuations and sector diversification. However, sustained market progress will require broader participation in earnings and returns across sectors. His final takeaway on equity markets was regarding how the Fed's easing cycle is expected to provide a strong tailwind for equities, particularly in early 2025.

This webinar concluded with CNR's thoughts on the fixed income markets in the new year, touching on how corporate bond credit fundamentals continue to support the market and provide a look through to the health of corporate earnings. Bonds are back to being bonds as the correlation with stocks begins to normalize, and higher income may equate to more stability. While the cost to own corporate debt is high, there are precedents over which valuations have stayed expensive for years. Additionally, floating rate debt, particularly leveraged loans and private credit, are expected to continue to be good investments in 2025. For investors in high-tax states, municipal bonds remain a great option, and underlying ratings trends are positive.

Review Your Portfolio with Your Financial Advisor Today

City National Rochdale encourages you to review your investment portfolio with your advisor. Contact our financial professionals today to get help with your wealth planning needs.

Index Definitions

The Standard & Poor's 500 Index (S&P 500) is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity and industry group representation to represent U.S. equity performance.

Definitions

A consumer price index (CPI) measures changes in the price level of a market basket of consumer goods and services purchased by households. The CPI is a statistical estimate constructed using the prices of a sample of representative items whose prices are collected periodically.

Gross Domestic Product (GDP) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

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