Annual Equity Market Outlook

An Ameriprise Investment Research Group publication

Equity Research Team
December 18, 2024

2025 Equity Outlook

A Fresh(er) Start

As the S&P 500 made over 50 new all-time highs in 2024, markets climbed the proverbial 'wall of worry' that included big swings in interest rates, multi-year high stock market volatility, a divisive presidential election, and the looming recession that never came to fruition. Looking into 2025, we see reasons for continued optimism but also acknowledge a repeat from last year is unlikely. Reflecting this more cautiously optimistic tone, our 2025 S&P 500 price target of 6,500 reflects a gain of 7.4%. However, this year's catalysts take a different form, moving beyond the Mag 7 and traditional 'don't fight the Fed' theme. Specifically, we believe the incoming administration and the 119th session of Congress could create opportunities for investors leveraged to themes such as deregulation, 'made in the USA,' and positioning around potential tariffs. We also believe 2025 could be a year to focus on the emerging shareholder yield metric, which combines dividends (and dividend growth) and share buybacks. Shareholder yield took a back seat in 2024 as investors were attracted to the Magnificent 7 and anything AI-related to try and generate outsized returns (while potentially ignoring the risks). Finally, we believe attractive opportunities could be 'hiding in plain sight' with narrowly focused industries with attractive growth prospects versus the traditional large sectors of the market dominated by a handful of mega-cap companies.

Targets for 2025

Key Measure	2024 Actual	2025 Target	Implied Change
U.S. Real GDP	2.8%*	2.0%	-0.8 ppt
S&P 500 Index**	5,872	6,500	+10.7%
10-year Treasury Yield**	4.51%	4.25%	-0.26%
Fed Funds Target	4.25% to 4.50%	3.75% to 4.00%	-0.50%

Source: *Ameriprise Global Asset Allocation Committee. **as of 12/18/2024*

** Estimated, 2024 Actual based on year-end values*

Key Takeaways

- The Ameriprise Global Asset Allocation Committee's 2025 year-end target for the S&P 500 reflects an increase of 10.7% from current levels.
- The new administration likely requires a new playbook for investors with opportunities leveraged to deregulation, made in the USA, and navigating potential tariffs.
- The emerging Shareholder Yield metric incorporates dividends and share buybacks to reveal companies with a healthy return of capital and strong underlying operating fundamentals.
- Industries trump sectors in 2025 as certain narrowly defined areas of the market could offer more attractive growth opportunities than their respective sector.

Recommendations

- Position portfolios that can benefit from the incoming administration, new policies, and legislation.
- Gain exposure to companies with attractive levels of shareholder yield (dividends + buybacks).
- Look beyond the sector level and position into industries with positive macroeconomic tailwinds and attractive growth opportunities.

NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS OF INTEREST, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT. For further information on any of the topics mentioned, please contact your financial advisor.

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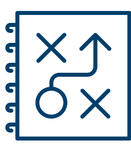
Theme: New Administration, New Playbook

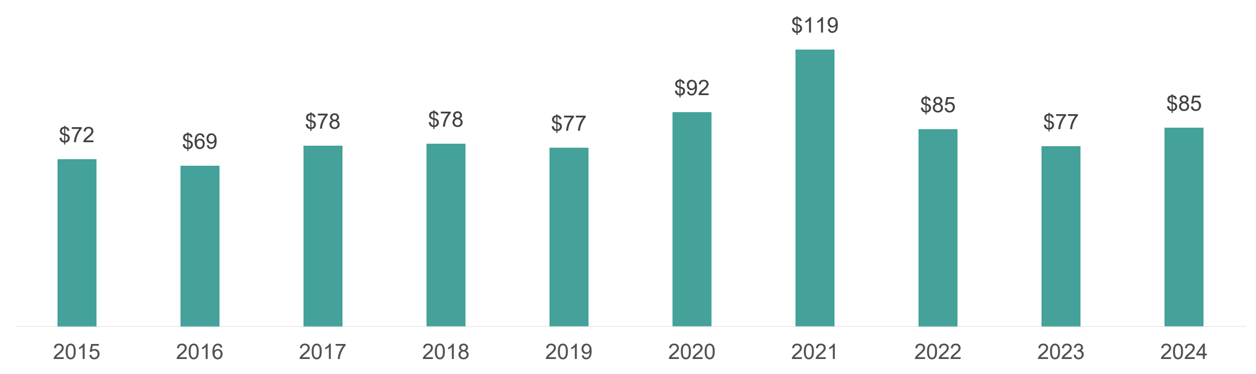


- Deregulation, Mergers, and Acqusitions (M&A)
- Made in the USA; Manufacturing and Higher Costs
- China Tariffs (Trade Excluding China)

The incoming 47th presidential administration and 119th Congressional term offer investors a new playbook for investing over the near and intermediate term. Although we are still weeks away from the official inauguration, much of the new administration's core cabinet choices have been announced, and we can begin to craft our expectations for policy decisions and potential outcomes for portfolio positioning. In addition to stated policy guidance, history (i.e., Trump's 2016-2020 term) can be a guide to help build an investment framework aligning with the new administration, underpinned by our expectations for the broad macroeconomic environment. However, we caution investors that the chasm between policy proposals (and campaign promises) and actual legislation is often wider than expected and is likely accompanied by increased volatility for stock investors. Below are three factors that we believe could help position your stock portfolio in 2025:

Deregulation and M&A Activity

One of the key winners in the deregulation theme is a potential ramp in merger and acquisition (M&A) activity. In our June *Equity Perspectives, "Let's Make a Deal,"* we opined the outlook for deal activity could experience an uptick due to improving visibility into the timing of interest rate cuts, the finality of the U.S. presidential election, increasing CEO confidence, solid corporate balance sheets, and private equity "dry powder." M&A activity struggled in 2023 due to the spring banking turmoil, rising inflation and interest rates, recession concerns, and a challenging regulatory environment. According to *Bloomberg News*, the Biden Administration's appointed Federal Trade Commission (FTC) and Department of Justice (DoJ) leaders set a record for merger enforcement activity. With the President-elect naming successors for both roles, we believe Wall Street's post-election bullishness for M&A has intensified. As *The New York Times* recently noted, "*…banks, lawyers, investors, and corporate executives with a wide range of political views said that despite mixed opinions on Mr. Trump's proposed policies overall, they see in his administration the greatest possibility for a boon to the business world in a generation or more."* **Goldman Sachs** CEO David Solomon projected dealmaking in 2025 could exceed the 10-year average. In our view, highly regulated sectors such as Energy, Financials, and Health could benefit from a potential M&A rebound.



Source: CFRA, LSEG Deals Intelligence, and American Enterprise Investment Services Inc. Data as of 09/30/2024.

Beyond the anticipated bump in M&A activity, a broader deregulation theme could impact various sectors. In the Energy sector, the potential reversal of the Clean Power Plan and easing of methane and vehicle emission standards could lead to increased production and lower compliance costs for companies. This deregulation could spur investment and innovation within the sector, resulting in economic growth and job creation.

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In the Financials sector, curbing the powers of the Consumer Financial Protection Bureau (CFPB) and reducing scrutiny in payment systems could reduce the regulatory burden on banks and financial institutions. This could encourage lending, improve profitability, and stimulate economic activity. Additionally, these changes could spur the development of new financial products and services, enhancing consumer choice and access to credit.

Health Care could also see significant changes, with potential modifications to the Affordable Care Act (ACA) aimed at increasing state flexibility and reducing federal oversight. Streamlining the drug approval process could accelerate the availability of new treatments and medications, improving patient outcomes. Greater access to experimental treatments could help patients with serious illnesses and drive medical advancements and innovation.

Made in the USA

Key tenets of the new administration include protecting American workers, aligning trade with policy, and continuing the effort to bring critical supply chains back to the United States. Additionally, there is a focus on securing raw material sources, particularly rare earth minerals, which are essential for advancing digital technologies and automation.

We anticipate that enhancing the processes initiated post-pandemic, such as those outlined in the JOBS Act, CHIPs Act, and IIJA Act, will be a central theme for investors in 2025. However, this is easier said than done, as many post-pandemic spending acts (including the Inflation Reduction Act) designed to support domestic supply chains and manufacturing have come under scrutiny and faced calls for spending rollbacks during the lead-up to the November elections. It remains unclear how reducing committed spending can initially result in positive policy outcomes.

Nevertheless, we foresee potential spending increases in energy production and global defense. As noted in a recent U.S. Commerce Department report, the majority of U.S. manufacturing has already transitioned to primarily a domestic operation.

> "In 2022, 80% of U.S. gross manufacturing output was compromised of Domestic Content, with 69% on intermediate inputs from domestic suppliers"
>
> U.S. Commerce Department "*2022: What is Made in America*" July 22, 2024

One of the most immediate impacts of bolstering U.S. national security through domestic manufacturing is the reduction of regulatory hurdles for crude oil and natural gas production. This initiative includes the ongoing enhancement and transformation of the U.S. electric grid to ensure it is robust enough to support the digital future, particularly with the increasing demands of artificial intelligence and data centers.

Furthermore, in a concerted effort to alleviate global tensions, particularly in regions such as Russia/Ukraine and the Middle East, NATO has initiated discussions on increasing the defense spending threshold. The current aim is to elevate the annual defense spending from 2.0% of GDP per country to 3.0% by 2030, with an interim target of approximately 2.5%. This proposed increase is viewed with considerable interest and deemed highly compelling.

Such measures are anticipated to positively impact the U.S. economy by enhancing national security and fostering a more secure and advanced manufacturing landscape. This strategy aligns with the administration's larger goal of ensuring the United States remains at the forefront of technological and industrial innovation, securing its pivotal role on the global stage.

Wood Makenzie's projected 92% growth in U.S. Mexican and LNG export capacity to ~130 billion cubic feet per day (bcfd) by 2030, is mostly due to a significant expected increase in LNG export capacity. The economics of U.S. LNG exports remain compelling, with international LNG prices averaging $7.66/mcf versus domestic prices of $3.80/mcf from 2019-2023, representing a 102% premium. Combined with ~11 bcfd of new export facilities under construction, this price advantage should support continued high utilization rates at U.S. LNG terminals. We believe the Trump administration could accelerate LNG export terminal approvals, contrasting with the Biden administration's recent pause on new permits.

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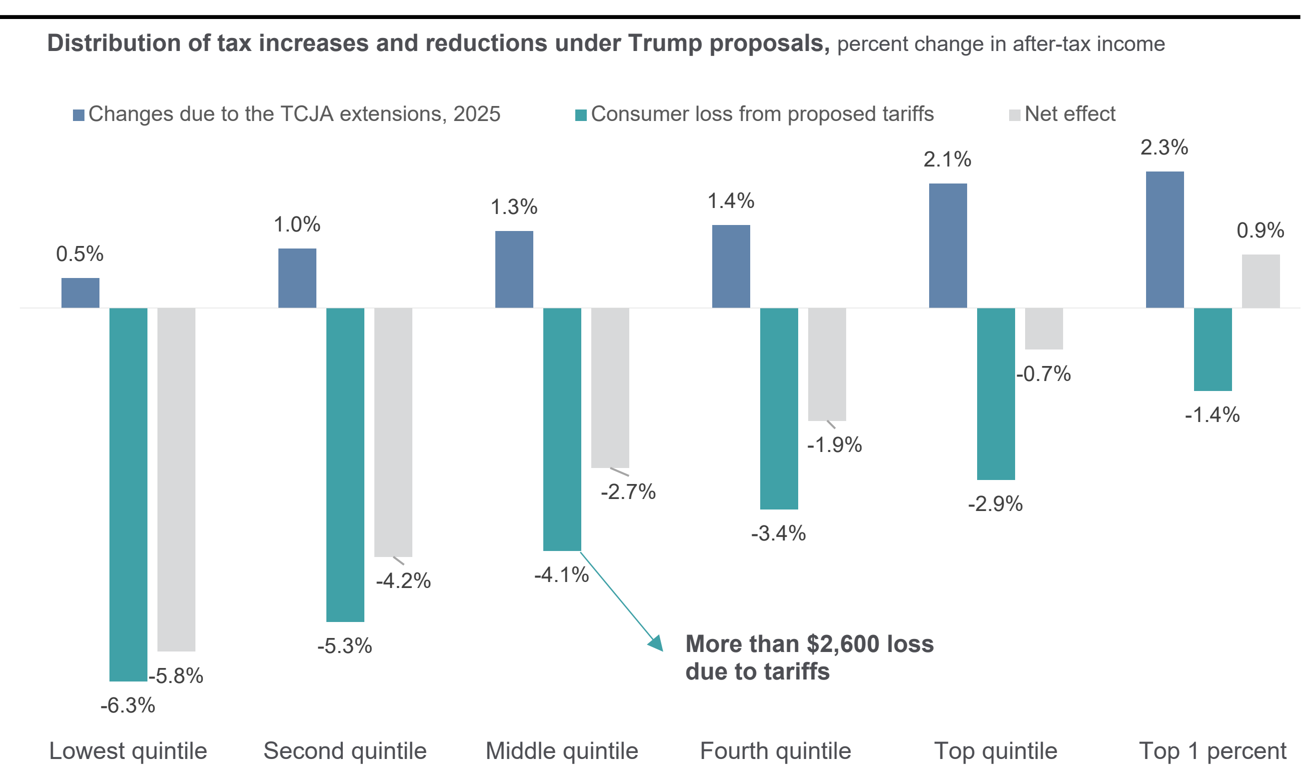
Tariffs: Tool or Tactic?

One of the new administration's cornerstone policies involves imposing additional tariffs on United States trading partners. President-elect Trump has articulated plans to institute tariffs ranging from 10% to 20% on all imports into the United States, alongside country-specific tariffs targeting China, the European Union, Canada, and Mexico. During his initial term, the President leveraged sections of the 1962 and 1974 Trade Acts to implement tariffs through Executive Order (EO), thereby circumventing Congressional approval. Notably, sections 232, 301, and 201 were employed to restrict imports of steel, aluminum, solar panels, and various goods from China and other nations. While provisions within the Trade and Tariff Acts (such as sections 122 and 338) could be invoked, we assess the likelihood of such extreme measures being adopted as low.

The Republican platform policy aims to protect American workers, revitalize domestic manufacturing, and re-establish critical supply chains within the United States. A pertinent question emerging from the discussion on tariff implementation is whether tariffs under the second Trump administration are a tool to significantly curtail imported goods from reaching the US or more of a tactic to achieve a more balanced trade policy. In our view, a bit of both but likely skewed to more of the latter and less of the former. While a stringent tariff policy may generate substantial media attention, *Ameriprise's Chief Economist*, Russell Price, has noted, "*A worst-case scenario on tariffs—such as 60% on China and over 10% on all other countries—seems very unlikely.*"

Trump's Bigger Tariff Proposals Would Cost the Typical American Household Over $2,600 A Year



Source: Peterson Institute for International Economics and American Enterprise Investment Services Inc.

For investors, a more aggressive tariff policy could be a near-term headwind, especially regarding Mexico, which is a major manufacturing hub for the United States. Since Trump's first term, import and export levels with Mexico have grown substantially, and implementation of the **United States-Mexico-Canada Agreement** (USMCA) in 2020, which replaced NAFTA, has been a direct benefit for Mexico. While the USMCA is open to revision on July 1, 2026, the president-elect has stated policy measures that directly involve Mexico to address illegal immigration and illegal drug flow across the

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US/Mexico border. We would view the hardest tariff line to be linked to Mexico, at least until summer 2026, when the USMCA can be renegotiated to reflect current conditions. Until then, U.S. manufacturing, especially the automotive sector, could experience headwinds until progress on policy measures becomes apparent.

President-elect Trump's proposed 25% tariff on Canadian and Mexican crude oil imports presents significantly different implications for U.S. refiners, with Canadian tariffs potentially more disruptive than for Mexico. Midwest refineries, which process about two-thirds of their capacity using Canadian crude, would be particularly vulnerable given limited cost-effective alternatives for heavy crude oil. Rockies refineries, which rely on Canadian crude for roughly half their feedstock, would face similar challenges, in our view. We believe the impact of Mexican crude tariffs would be less severe, as U.S. imports have declined significantly. Given these dynamics and Canadian Prime Minister Trudeau's meeting with Trump, we believe Canadian crude tariffs are less likely. Mexican tariffs, though possible, could be short-lived in our view since Mexico is a significant importer of U.S. natural gas.

Recommended List Selections

New Administration, New Playbook

Company Name	Exchange	Ticker	Price	S&P Sector	Analyst
Alphabet	NASDAQ	GOOGL	$195.42	Communication Svcs	Patrick Diedrickson
Darden Restaurants	NYSE	DRI	$165.46	Consumer Discretionary	Patrick Diedrickson
Life Time Group Holdings	NYSE	LTH	$23.40	Consumer Discretionary	Patrick Diedrickson
Red Rock Resorts A	NASDAQ	RRR	$48.06	Consumer Discretionary	Patrick Diedrickson
Expand Energy	NASDAQ	EXE	$96.75	Energy	Will Foley
Cardinal Health	NYSE	CAH	$115.82	Health Care	Chris Macino
Bank of America	NYSE	BAC	$45.05	Financials	Lori Wilking-Przekop
Goldman Sachs	NYSE	GS	$574.68	Financials	Lori Wilking-Przekop
JPMorgan Chase	NYSE	JPM	$238.36	Financials	Lori Wilking-Przekop
Visa	NYSE	V	$318.30	Financials	Lori Wilking-Przekop
Wells Fargo	NYSE	WFC	$70.81	Financials	Lori Wilking-Przekop
Deere & Company	NYSE	DE	$443.59	Industrials	Frederick Schultz
Generac	NYSE	GNRC	$165.11	Industrials	Frederick Schultz
Corning Inc.	NYSE	GLW	$47.76	Info Tech	Frederick Schultz

*Source: FactSet and American Enterprise Investment Services Inc. *Prices as of the close of trading on 12/17/2024.*

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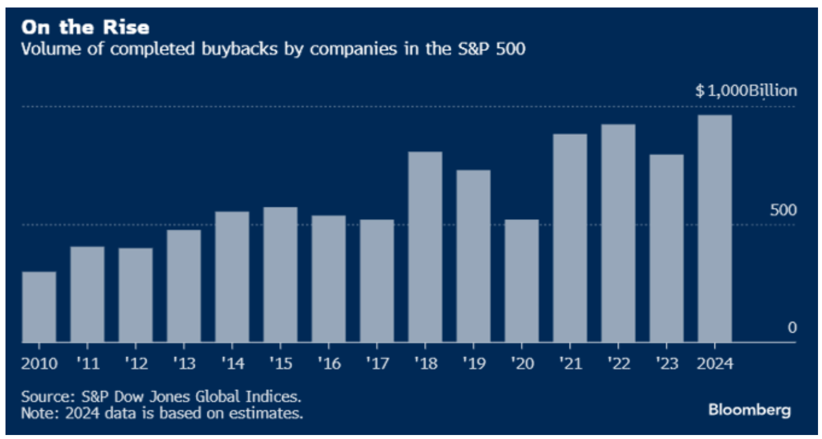
Theme: The Year of Shareholder Yield

- Dividends
- Dividend Growth
- Share Buybacks

S&P Dow Jones Indices (S&P DJI) estimates (based on preliminary data through 11/30) S&P 500 dividend payments grew 5.6% y/y in 2024, marking the 13th annual payment record for the benchmark index. With December historically one of the most active months for share repurchases, *Bloomberg* expects 2024 S&P 500 buybacks to set a new annual record approaching nearly $1 trillion, marking the biggest year for repurchases.



Source: Bloomberg and American Enterprise Investment Services Inc.

Given the strength of corporate balance sheets, the Committee's base case view of mid-teens y/y EPS growth for the S&P 500, and implications from the Presidential election, we believe 2025 could be another record year for capital returns. Although President Biden's 1% tax on share buybacks implemented in 2022 did not materially slow the pace, Democratic nominee Vice President Harris proposed raising the tax to 4%. We believe a 4% tax could have altered some companies' behavior. In its recently announced Q3'24 S&P 500 buyback commentary, *Howard Silverblatt, Senior Index Analyst* at S&P DJI, noted a higher buyback tax could be a possibility in upcoming budgetary discussions due to bipartisan support. Sliverblatt also opined a dividend tax of 2.0% to 2.5% could be a possible headwind for buybacks and, consequentially, the EPS impact of reduced share counts. Although a higher buyback tax is a risk, we believe companies will continue to use repurchases due to their inherent flexibility.

On the campaign trail and following his reelection, president-elect Trump expressed the desire to further reduce the corporate tax rate to 15% from 21%. Based on prior tax changes, we believe a lower corporate tax rate could bode well for both dividends and buybacks. However, that reduced rate may only apply to companies that make their products in America. The Committee for a Responsible Federal Budget estimates this could reduce U.S. tax revenue by roughly $200 billion over ten years. If the lower corporate tax rate were applied to "all" U.S. corporations, tax receipts could fall by about $460 to $675 billion over that same period. *Barron's* recently estimated a 15% corporate tax rate could potentially raise *"…[net] income and payouts [i.e., dividends] by approximately 7% to 8%, all else being equal."* Following the passage of the Tax Cuts and Jobs Act in December 2017, *The Associated Press* reported share buybacks rose sharply in 2018, with S&P 500 companies repurchasing ~$800 billion of stock, surpassing the prior record of nearly $590 billion in 2007.

In November 2024, the dividend yield on the S&P 500 Index hit a 20-year low amid the post-election rally. We opined the Index's concentration of the "Magnificent 7" accounts for roughly 34% of the Index factored into its falling yield. The S&P 500 currently yields 1.2%, while the S&P 500 Equal Weight Index yields 1.7%. Given the Index's construction and the potential for increasing buybacks, we believe shareholder yield could become a key metric for measuring shareholder returns in 2025. Shareholder yield provides a holistic view of a company's shareholder-friendly capital management initiatives by combining dividend and buyback yields. According to *Bloomberg*, "*Since 2000, buybacks have contributed more to shareholder yield than dividends in all but three years."*

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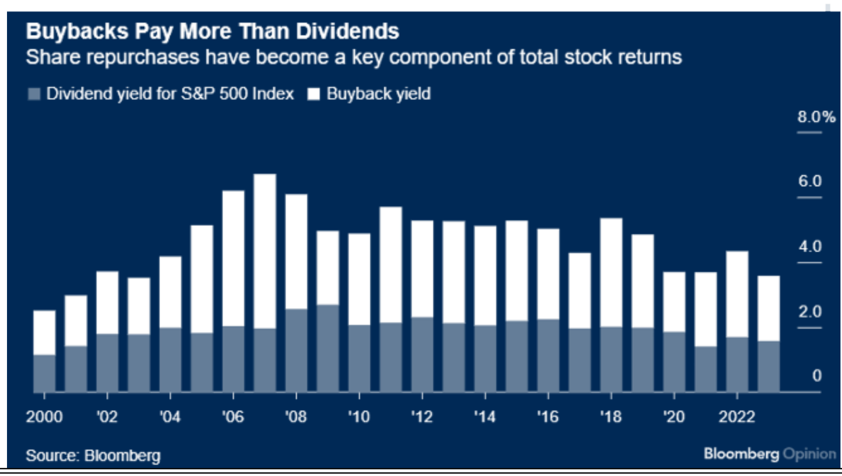
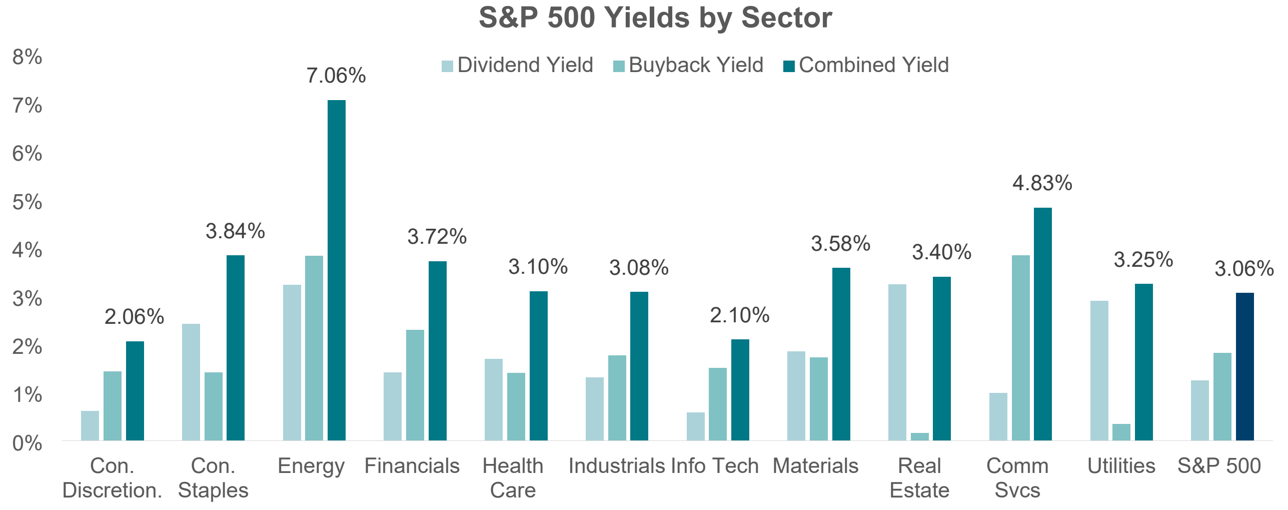


Source: Bloomberg and American Enterprise Investment Services Inc.

Unlike dividend yield (which is defined as an annual dividend divided by price), there is no standard definition for shareholder yield. S&P Dow Jones Indices assumes shareholder yield is (Total Dollar Value of Dividends + Total Value of Buybacks) divided by Market Value. The chart below, sourced from S&P DJI, shows the trailing 12-month yields as of 06/30/2024 for the S&P 500 and its 11 sectors.



Source: S&P Dow Jones Indices and American Enterprise Investment Services Inc.
Dividends based on indicated, buybacks based on the last 12-months ending Q3'24.

Favor Dividend Growth Over Dividend Yield: Echoing back to our *2024 Equity Market Outlook* report, in our opinion, not all dividend-paying equities are the same. We recommend investors focus on dividend growth stocks rather than searching for higher yields. The total return potential of higher-yielding stocks is often lower due to more limited price appreciation. When investing in dividend paying stocks, we favor resilient business models supported by recurring revenues, significant economies of scale, and solid free cash flow generation. In our view, companies with long track records of dividend growth often exhibit similar attributes. We advise avoiding higher yielding stocks in 2025 as weaker balance sheets and negative free cash flow generation could result in potential "value traps" during more volatile periods.

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Recommended List Selections

Shareholder Yield

Company Name	Exchange	Ticker	Price	S&P Sector	Analyst
Best Buy	NYSE	BBY	$87.48	Consumer Discretionary	Patrick Diedrickson
Darden Restaurants, Inc.	NYSE	SRI	$165.46	Consumer Discretionary	Patrick Diedrickson
General Motors	NYSE	GM	$51.15	Consumer Discretionary	Frederick Schultz
McDonald's Corporation	NYSE	MCD	$296.08	Consumer Discretionary	Patrick Diedrickson
Starbucks Corporation	NASDAQ	SBUX	$92.09	Consumer Discretionary	Patrick Diedrickson
TJX Companies Inc	NYSE	TJX	$123.06	Consumer Discretionary	Patrick Diedrickson
Keurig Dr Pepper Inc.	NASDAQ	KDP	$33.04	Consumer Staples	Patrick Diedrickson
Sysco Corporation	NYSE	SYY	$78.03	Consumer Staples	Patrick Diedrickson
Chevron Corporation	NYSE	CVX	$148.11	Energy	Will Foley
ConocoPhillips	NYSE	COP	$98.26	Energy	Will Foley
Bank of America Corp	NYSE	BAC	$45.05	Financials	Lori Wilking-Przekop
Goldman Sachs Group, Inc.	NYSE	GS	$574.68	Financials	Lori Wilking-Przekop
Raymond James Financial	NYSE	RJF	$157.90	Financials	Lori Wilking-Przekop
+Wells Fargo	NYSE	WFC	$70.81	Financials	Lori Wilking-Przekop
FedEx Corporation	NYSE	FDX	$277.43	Industrials	Frederick Schultz
Wabtec	NYSE	WAB	$198.19	Industrials	Frederick Schultz
Apple Inc.	NASDAQ	AAPL	$253.48	Info Tech	Andrew Heaney
Broadcom Inc.	NASDAQ	AVGO	$240.23	Info Tech	Andrew Heaney
Microsoft Corporation	NASDAQ	MSFT	$454.46	Info Tech	Andrew Heaney
TE Connectivity plc	NYSE	TEL	$147.95	Info Tech	Frederick Schultz
Regency Centers*	NYSE	REG	$75.50	Real Estate/REIT	Lori Wilking-Przekop
Enterprise Products*	NYSE	EPD	$31.29	Energy/MLP	Will Foley

*Source: FactSet and American Enterprise Investment Services Inc. Prices as of the close of trading on 12/17/2024. *REITs and MLPs have unique tax consequences. For additional information, please refer to the Company Note report.*

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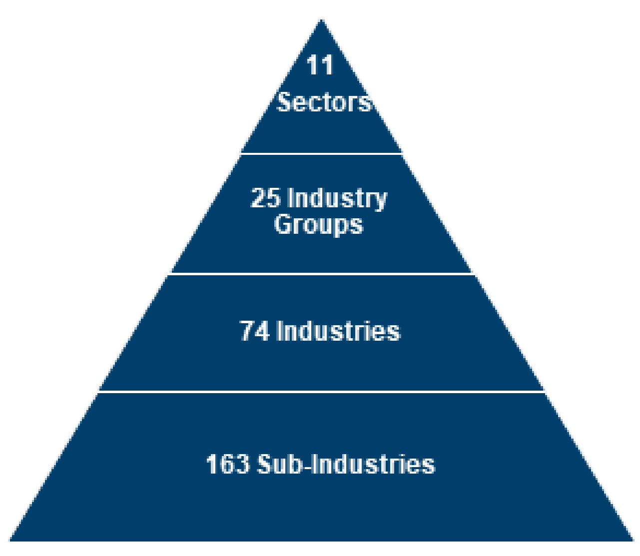
Theme: Industries Trump Sectors

- MedTech in Health Care
- LNG/Natural Gas in Energy
- Software in Info Tech
- Capital Markets in Financials

Granularity Could Benefit Investors in 2025

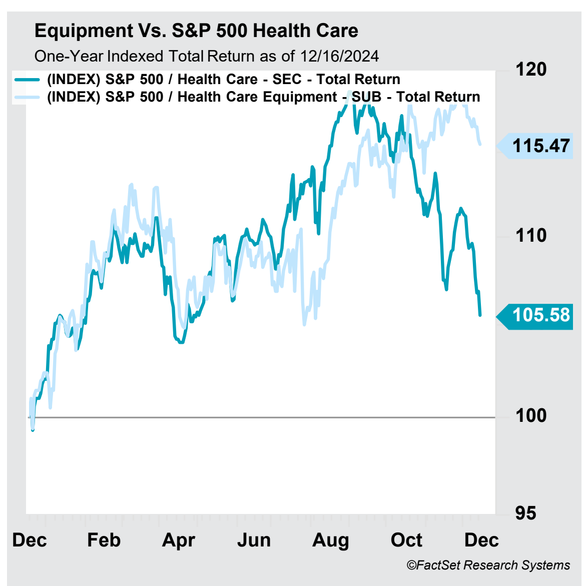


Source: S&P DJI and American Enterprise Investment Services Inc.

Investment analysts (ourselves included) spend countless hours determining how investors should allocate their equity exposure across the S&P 500's 11 broad sectors. S&P DJI uses the hierarchical Global Industry Classification Standard (GICS) to construct the U.S. benchmark. The chart at the right illustrates the S&P 500's GICS hierarchy.

While we believe this methodology can offer benefits, we believe 2025 could be the year of the industry as certain narrowly defined groups of companies could be better positioned versus larger sectors.

In our view, a broadening of leadership beyond a handful of mega-cap Tech names is an attractive market environment for investors to be more selective and make better tactical decisions. In the following section, we highlight specific industry groups that we believe are attractive versus their larger sector. This targeted approach also provides an opportunity to increase exposure to more thematic segments of the market without being tied to legacy and potentially slower-growth parts of the economy. Below we highlight specific industries that we believe are well positioned versus their larger sectors in 2025.



Medical Equipment (MedTech) versus the Health Care sector: According to Chris Macino, Health Care Analyst with Ameriprise Financial, the MedTech industry (~20% of the S&P 500 Health Care Index), stands out for its consistent innovation in platform technologies and robust selling strategies, which translates into strong organic revenue growth. MedTech companies typically prioritize capital reinvestment in both internal R&D and external M&A. While this approach is common across HC subsectors, we believe MedTech firms generally demonstrate solid execution, with capital investments more rapidly reflected in stock performance. Notably, MedTech has been largely unaffected by the 2022 Inflation Reduction Act (IRA), which has impacted pricing power in the Pharma, Biotech, and Managed Care subsectors since late 2022. This potentially affords MedTech companies greater pricing flexibility compared to HC subsector counterparts. Furthermore, MedTech products often benefit from a streamlined path to market. Unlike Pharma and Biotech drugs, which typically require multiple phases of clinical trials to establish safety, durability, tolerability, and efficacy, MedTech innovations (which do still require FDA approval) can often be brought to market more swiftly. We believe this accelerated timeline from development to commercialization represents a significant

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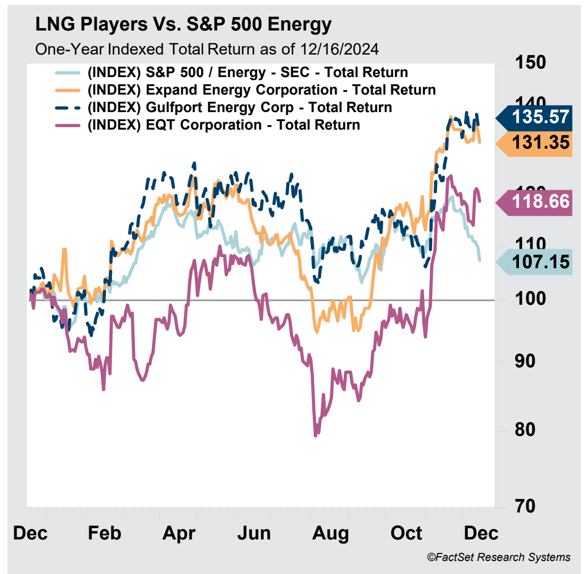
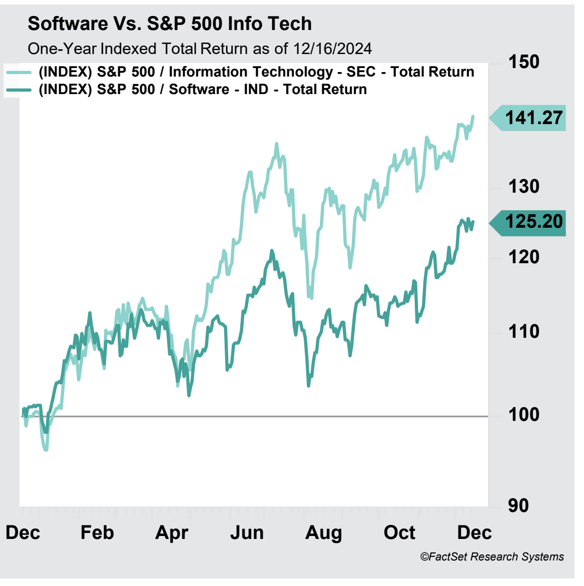
advantage for the MedTech subsector within the broader healthcare industry. Lastly, sentiment among MedTech firms toward the end of 2024 points to continued strength in procedure volumes, which we believe should bode well for strong industry growth in 2025.

LNG/Natural Gas versus the Energy sector: In our view, diverging supply-demand fundamentals could create distinct investment opportunities in the energy sector during 2025. We believe U.S. natural gas prices could reach approximately $4.00/mcf in 2025 (versus the year-to-date average of $2.37/mcf), driven by two significant catalysts: Wood Makenzie's projected 92% growth in U.S. Mexican and LNG export capacity to ~130 billion cubic feet per day (bcfd) by 2030, and increasing domestic demand from data centers requiring 30-50 gigawatts of additional power generation capacity, potentially adding ~3 bcfd (3% growth from 2024E) of natural gas demand by 2030. Conversely, we expect WTI crude oil to trade in the $60/bbl to $70/bbl range over the next 6-12 months (versus the year-to-date average of $75.82/bbl), reflecting weakening fundamentals. The International Energy Agency forecasts China's contribution to global oil demand growth declining to 20% in 2024-2025 from 70% in 2023, while non-OPEC supply growth of 1.5 mmbd could exceed global demand growth of 1.0 mmbd in 2025. In this environment, we believe natural gas-leveraged Exploration and Production (E&P) companies and pipeline operators could outperform the oil-leveraged integrated oils, E&Ps, pipelines, and oilfield services companies, particularly if OPEC+ compliance weakens and creates additional supply pressure. Note that the oil-leveraged sectors comprise the bulk of the S&P Energy Index.



Software (including Cybersecurity) versus the Tech sector: The Software industry is well-positioned to deliver accelerating growth in 2025, underpinned by its pivotal role in driving enterprise adoption of AI, cloud-native platforms, and as-a-service models. In our view, investor focus is shifting from hardware enablers to application developers, where the monetization of AI-driven solutions, including intelligent agents that enhance decision-making and operational efficiency, is expected to accelerate. Early traction in cybersecurity, where AI enhances automation and threat detection, demonstrates the industry's ability to deliver tangible ROI. However, intensifying competition from startups and pricing pressures in commoditized segments could weigh on margins. In our view, companies that address specific use cases, scale AI applications, and navigate geopolitical risks will be best positioned to capitalize on secular growth trends.



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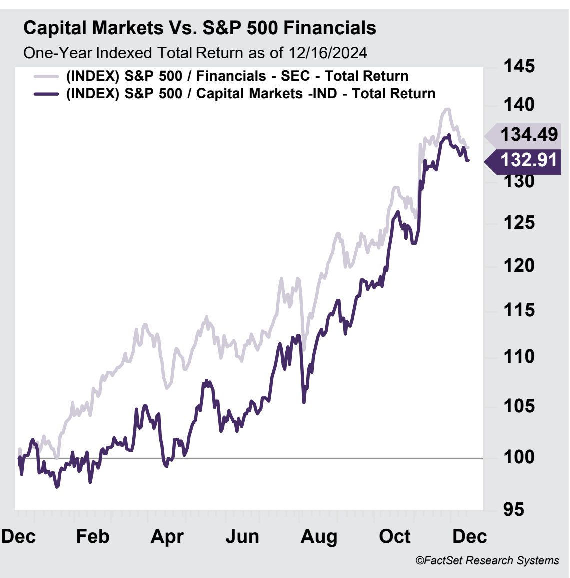
Capital Markets vs. the Financials sector: We believe the capital markets industry, which consists of several subindustries, including investment banks, brokers, and exchanges, could be poised for outperformance in 2025. Global merger & acquisition (M&A) activity has floundered since 2021 due to higher interest rates, economic uncertainty, and a more stringent regulatory environment. According to *Bloomberg Intelligence (BI),* announced M&A as a percent of global market capitalization hit a 20-year low in 1H'24. In our view, the Federal Reserve's September shift to reducing interest rates, record equity prices, easing recession concerns, and a potentially more "business-friendly" regulatory environment could spur an uptick in M&A activity. *Bloomberg's* consensus implies an 18% y/y increase in M&A advisory fees in 2025. However, the data provider signaled its bull case scenario analysis, which indicated that fees could rise by 50%, if CEO confidence strengthens following the U.S. election. We also anticipate a rebound in underwriting fees, fueled by a recovery in initial public offerings (IPOs) as several high-profile private companies such as StubHub, Chime, and Klarna are reportedly looking to go public. *S&P Global Market Intelligence* recently noted an analysis of Q3 earnings conference calls from the four largest publicly traded private equity firms pointed to a potential increase in transaction activity in 2025, excluding exits. In our view, the conference call chatter supports a likely IPO recovery.



Recommended List Selections

Industries Trump Sectors

Company Name	Exchange	Ticker	Price	S&P Sector	Analyst
Abbott Laboratories	NYSE	ABT	$113.29	Health Care	Chris Macino
Boston Scientific	NYSE	BSX	$90.43	Health Care	Chris Macino
Intuitive Surgical	NASDAQ	ISRG	$545.16	Health Care	Chris Macino
Stryker	NYSE	SYK	$370.81	Health Care	Chris Macino
EQT Corporation	NYSE	EQT	$44.20	Energy	Will Foley
Expand Energy	NASDAQ	EXE	$96.75	Energy	Will Foley
Gulfport Energy	NYSE	GPOR	$174.48	Energy	Will Foley
Cadence Design Systems	NASDAQ	CDNS	$311.35	Info Tech	Andrew Heaney
Fortinet, Inc.	NASDAQ	FTNT	$97.62	Info Tech	Andrew Heaney
Microsoft Corporation	NASDAQ	MSFT	$454.46	Info Tech	Andrew Heaney
Oracle Corporation	NYSE	ORCL	$169.71	Info Tech	Andrew Heaney
Snowflake, Inc. Class A	NYSE	SNOW	$170.81	Info Tech	Andrew Heaney
Synopsys	NASDAQ	SNPS	$511.87	Info Tech	Andrew Heaney
Goldman Sachs	NYSE	GS	$574.68	Financials	Lori Wilking-Przekop
Nasdaq	NASDAQ	NDAQ	$79.61	Financials	Lori Wilking-Przekop
CRH	NYSE	CRH	$97.23	Industrials	Frederick Schultz
Fortive Corp.	NYSE	FTV	$75.73	Industrials	Frederick Schultz
Quanta Services, Inc.	NYSE	PWR	$336.43	Industrials	Frederick Schultz
Verisk Analytics, Inc.	NASDAQ	VRSK	$280.22	Industrials	Frederick Schultz

*Source: FactSet and American Enterprise Investment Services Inc. *Prices as of the close of trading on 12/17/2024.*

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There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors.

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