



# **INVESTMENT STRATEGY BRIEF**

## **Resilience, Risk, and Opportunity**

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**STIFEL**

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## **Geopolitics/Politics**

The economy and markets have reacted to big changes in government policy.

**Tariffs and  
Trade Policy**

**OBBBA**

**Deregulation**

**Federal Spending Cuts/  
Workforce Reductions**

**Government Shutdown**

**Immigration  
Enforcement**

# GEOPOLITICAL DASHBOARD

## LEGEND

<span style="color: #4F7942;">■</span> <b>Certain</b>	Expected to happen; strong evidence or clear trends
<span style="color: #709A4E;">■</span> <b>Highly Likely</b>	Very probable; significant indicators suggest it will occur
<span style="color: #92B860;">■</span> <b>Likely</b>	Reasonable chance of happening; emerging signals present, uncertainty remains
<span style="color: #B8D9A0;">■</span> <b>Unlikely</b>	Uncommon; there are some signals, but it's not expected
<span style="color: #D9E8C0;">■</span> <b>Highly Unlikely</b>	Very rare; little to no evidence to suggest occurrence

The world is shifting from an era of globalization to one marked by increased localization and protectionism, increasing geopolitical risks, and uncertainty. The Stifel Geopolitical Risk Dashboard aims to identify and assess the likelihood and investment considerations of key geopolitical risks and events that have the potential to create market volatility over the next three to five years.

RISK	DESCRIPTION	LIKELIHOOD (3–5 YEARS)	INVESTMENT CONSIDERATIONS
<b>U.S.-China Competition</b>	Strategic competition for global leadership intensifies across various fronts, including technological, economic, and social influence.	<b>Certain</b>	Tariffs, trade restrictions, and protectionist policies will challenge companies reliant on China for supply chains and revenue. India and Mexico may benefit.
<b>Escalating Cold War(s)</b>	Emergence of competing geopolitical blocs with increasingly hostile actions, pushing tensions close to open conflict.	<b>Highly Likely</b>	Defense and cybersecurity companies may benefit from increased militarization and higher defense spending, while some corporations might deem certain regions as not investable.
<b>Cyberattack(s)</b>	A major cyberattack on the world's leading companies, government agencies, or infrastructure that paralyzes an entire industry or sector.	<b>Highly Likely</b>	Cybersecurity firms stand to benefit as demand for robust data protection and security measures rises. Increasing focus on and awareness of data privacy.
<b>U.S. Financial Instability</b>	Rising debt levels and higher interest rates trigger a painful Fiscal Transition and a sharp economic downturn.	<b>Likely</b>	Poor fiscal management may lead to diminished confidence in U.S. Treasuries and the U.S. dollar, both of which are pillars of global capital markets.
<b>Climate Policy Error</b>	Net zero commitments and regulations without economic and societal readiness spark inflation and an economic slowdown.	<b>Likely</b>	Look for companies focused on energy efficiency and innovative solutions for potential opportunities. Nuclear power is an example.
<b>Structurally Higher Inflation</b>	The Federal Reserve accepts inflation running hotter than its 2% target for a prolonged period of time.	<b>Likely</b>	Consider sectors and companies with strong pricing power and the ability to pass on costs or asset classes that can provide a diversification benefit or hedge against inflation.
<b>Introduction of BRICS Currency</b>	Brazil, Russia, India, China, and South Africa (BRICS) establish a new reserve currency backed by a basket of their respective currencies.	<b>Unlikely</b>	Potential decline in demand for U.S. dollars and a weakening in its value. Consider diversifying in markets outside the U.S.
<b>European Fragmentation</b>	Disagreements on key political and policy issues lead to a withdrawal from the European Union by a member nation.	<b>Unlikely</b>	Increased market volatility. Likely weakness in the euro as well as sectors impacted by trade disruptions.
<b>Aging Population Strain</b>	Longer lifespans drive up healthcare demand and cost, placing added pressure on budgets and economic stability.	<b>Unlikely</b>	Focus on investment opportunities arising from an aging population, including the increased demand for healthcare, leisure and travel, and financial services.

# GEOPOLITICAL DASHBOARD

(continued)

## LEGEND

<span style="color: #4F7942;">■</span> <b>Certain</b>	Expected to happen; strong evidence or clear trends
<span style="color: #709248;">■</span> <b>Highly Likely</b>	Very probable; significant indicators suggest it will occur
<span style="color: #92B060;">■</span> <b>Likely</b>	Reasonable chance of happening; emerging signals present, uncertainty remains
<span style="color: #B8D0A0;">■</span> <b>Unlikely</b>	Uncommon; there are some signals, but it's not expected
<span style="color: #D9EAD3;">■</span> <b>Highly Unlikely</b>	Very rare; little to no evidence to suggest occurrence

## Military Conflicts

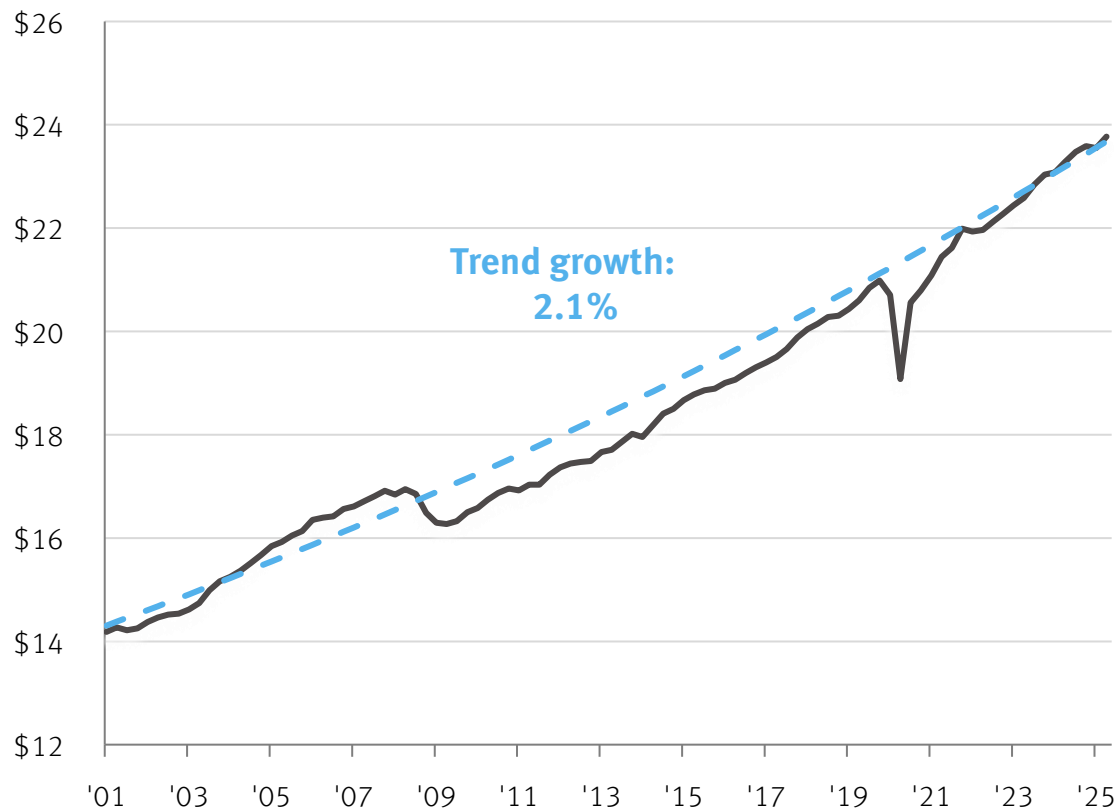
RISK	DESCRIPTION	LIKELIHOOD (3–5 YEARS)	INVESTMENT CONSIDERATIONS
South China Sea Military Conflict	Competing claims over territory escalate into military confrontation, drawing U.S. involvement.	Likely	More than \$3 trillion worth of global trade, or a third of maritime trade, passes through the South China Sea annually. A conflict would severely disrupt supply chains.
Middle East War	Israel and Iran conflict escalates from retaliatory strikes into full-scale war, forcing the U.S. to get involved.	Likely	Global oil market will be disrupted, driving up energy prices and impacting global supply chains. Defense and energy sectors would likely benefit.
Russia-NATO Confrontation	Accidental strike on a NATO member or Russia's interference in NATO countries provokes the alliance into a direct conflict.	Unlikely	This will likely lead to a spike in oil prices and a recession in Europe. Perceived safe-haven assets such as gold, U.S. Treasuries, and the U.S. dollar may benefit.
Indian-Pakistan Tensions	India and Pakistan tensions escalate into military conflict, disrupt regional stability, and draw in international powers.	Unlikely	A nuclear war is the worst-case scenario. India, the world's most populous country, is emerging as a "swing state" in the context of geopolitics.
China Invades Taiwan	China asserts its claim over Taiwan and attempts to achieve "reunification."	Unlikely	Severe disruption in global trade, potentially crippling the semiconductor industry given Taiwan's central role in chip production.
North Korea War	South Korea strikes preemptively, or North Korea becomes emboldened with support from Russia and/or China.	Highly Unlikely	There are several reasons why we think this is unlikely, including North Korea's lack of military capabilities and the focus on preserving the current Kim dynasty.



## **Economy**

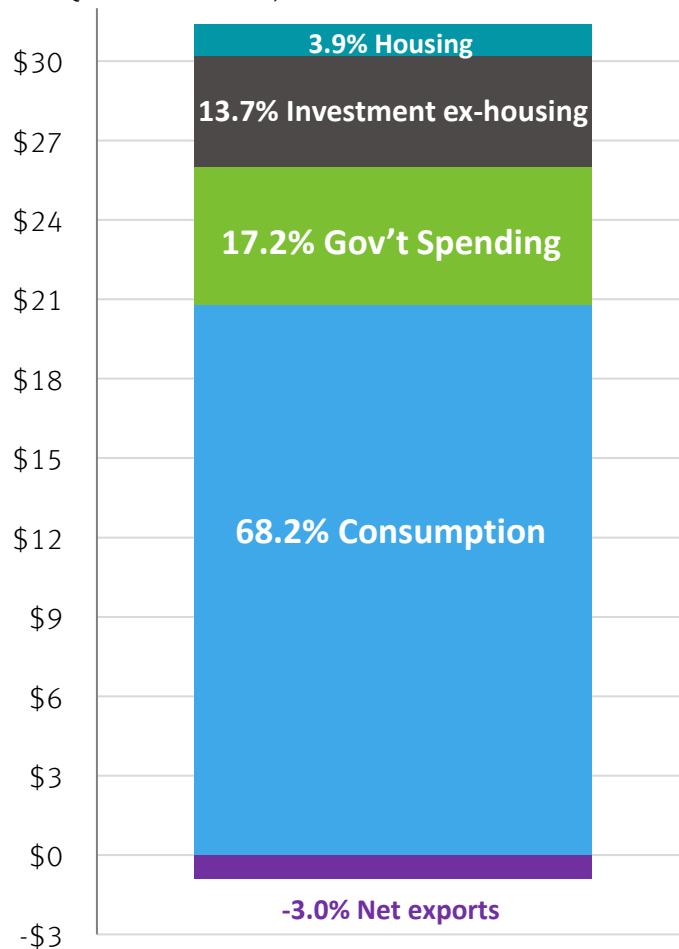
## Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



## Components of GDP

2Q25 nominal GDP, USD trillions

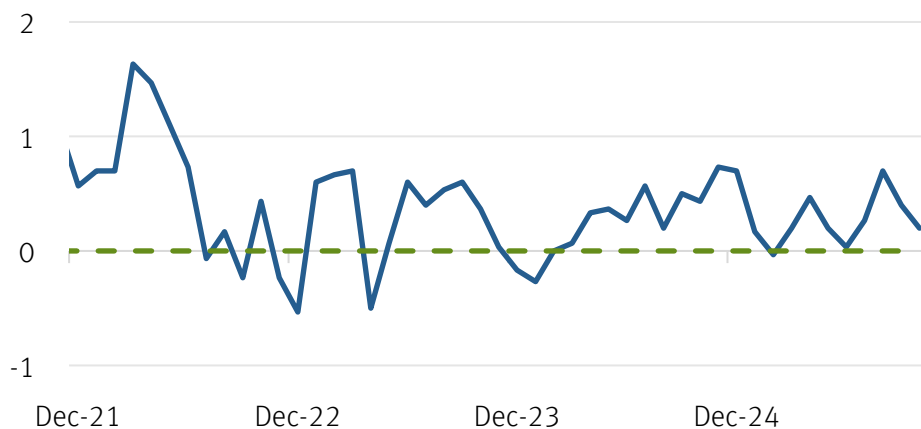


Source: Stifel CIO Office via Bloomberg, as of December 17, 2025.



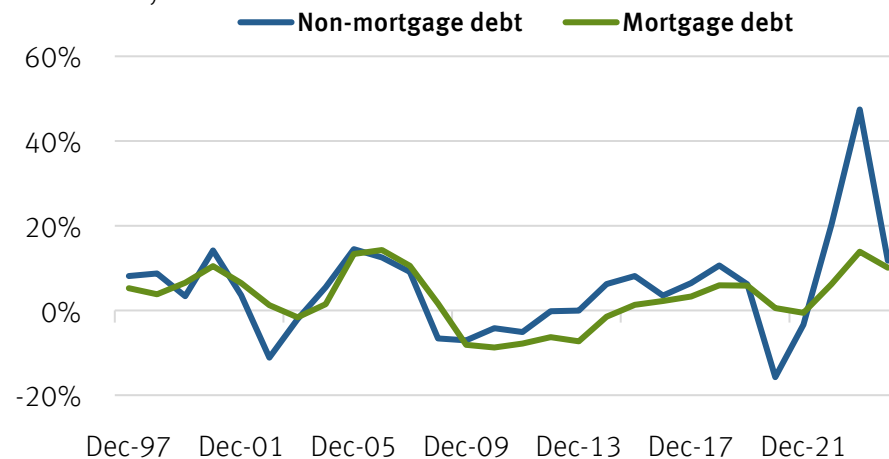
### Retail Sales

Month-over-Month, 3-month Moving Average

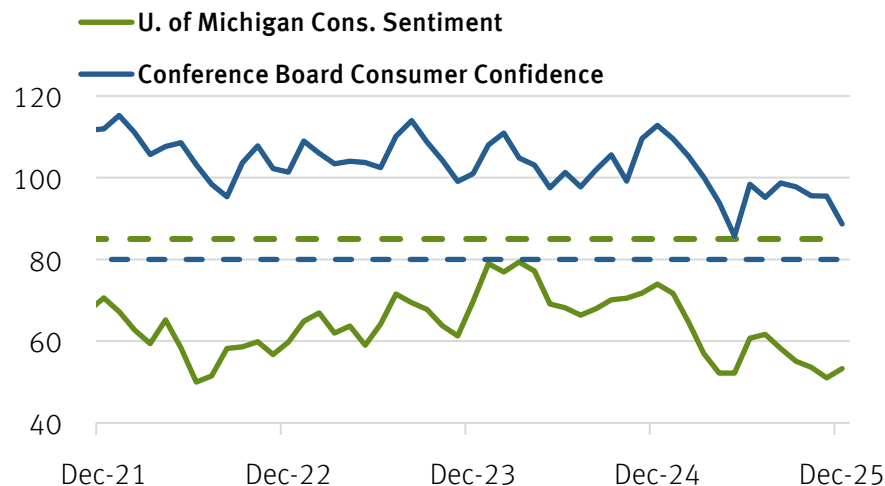


### Interest Paid on Consumer Debt

Year-over-year %

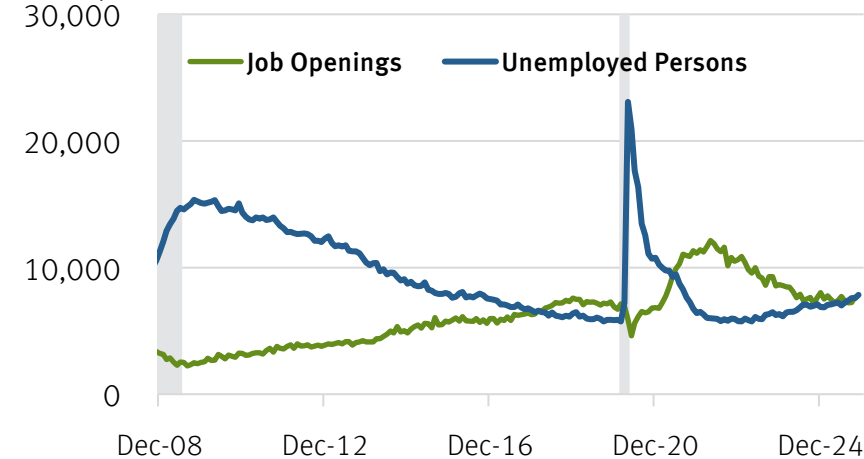


### Consumer Confidence and Sentiment



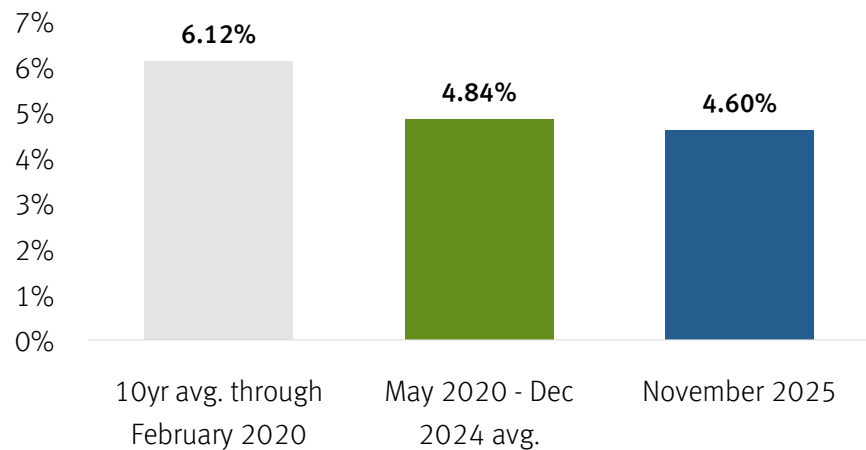
### Job Openings and Unemployed Persons

Monthly, in Millions

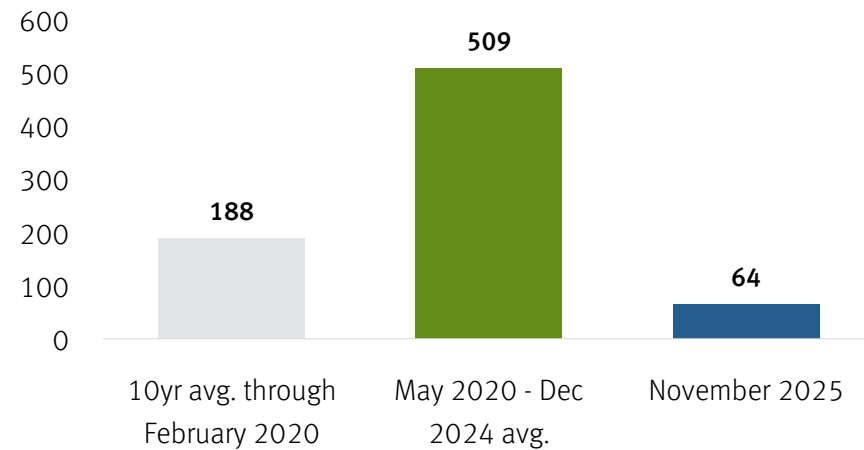


**Unemployment Rate**

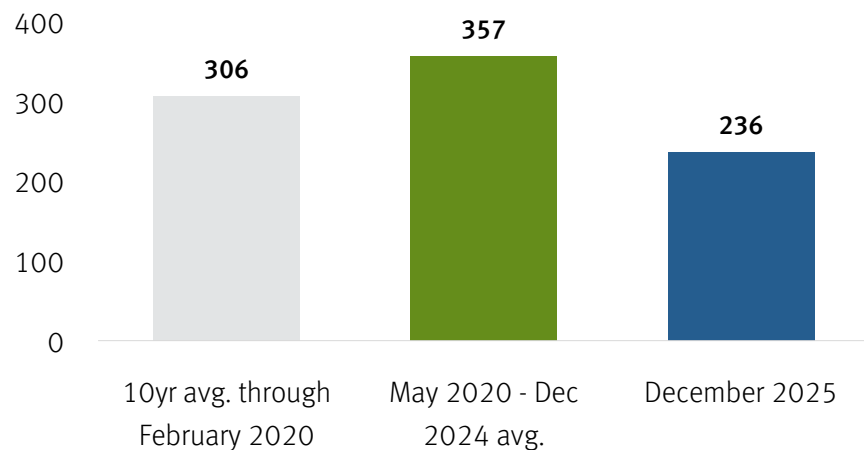
Monthly

**Nonfarm Payrolls**

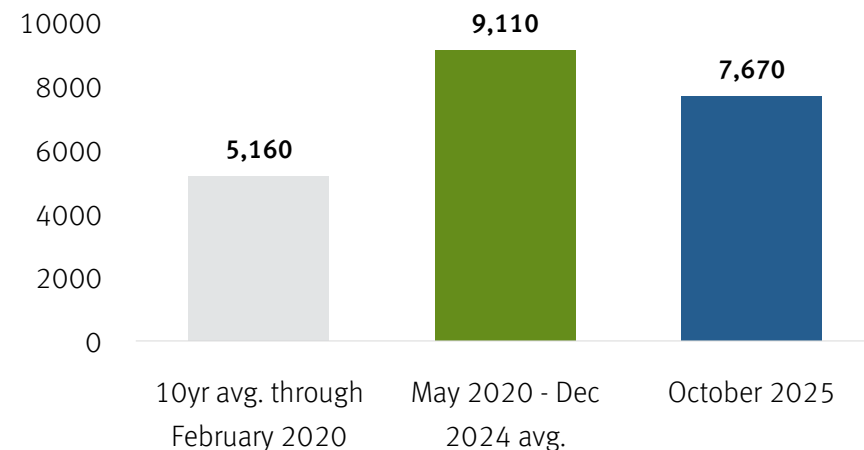
Monthly, thousands

**Jobless Claims**

Weekly, thousands

**JOLTS - Job Openings**

Thousands

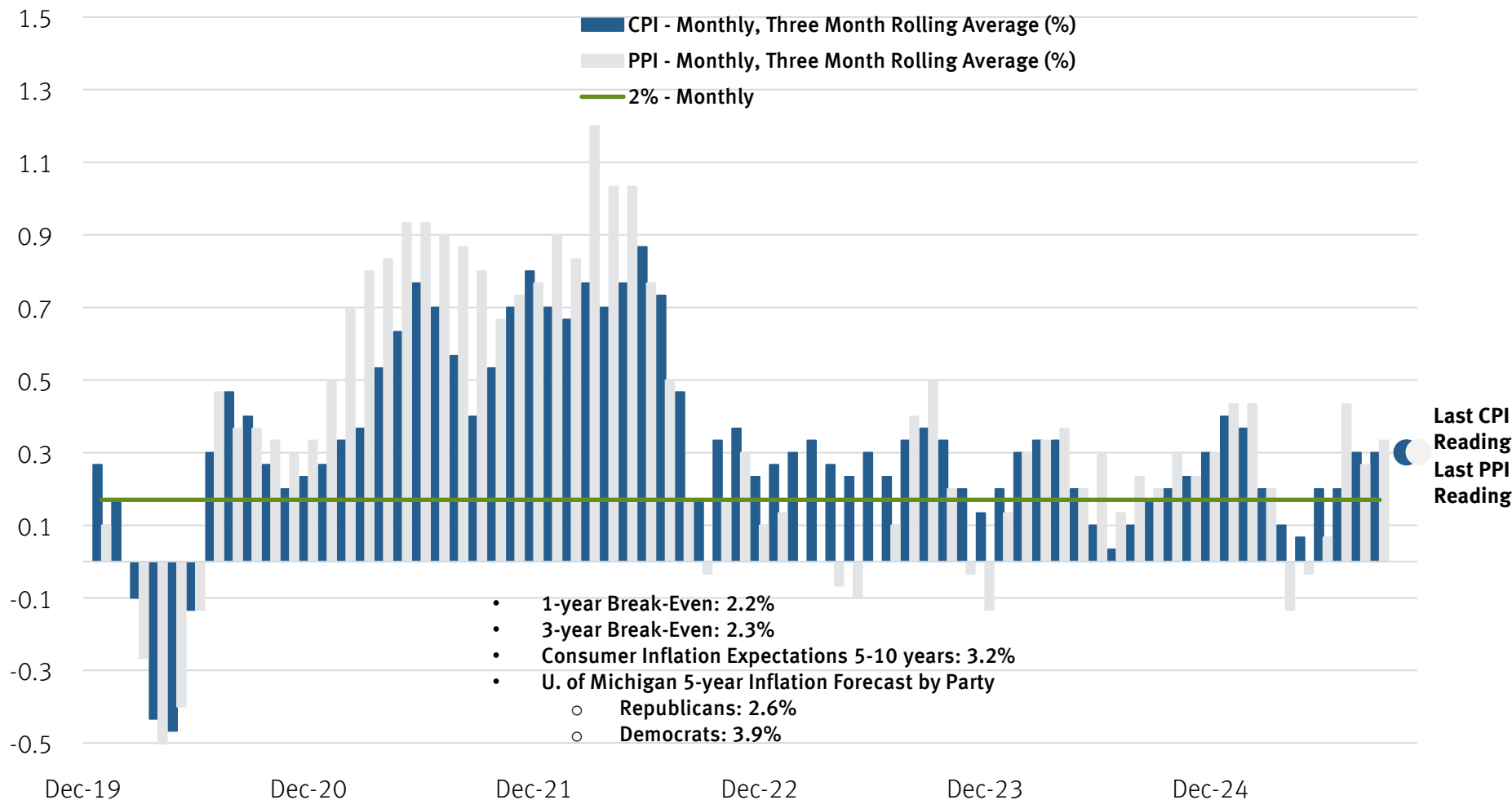


U.S. GDP	Date of Estimate	2024	Q3 2024	Q4 2024	Q1 2025	Q2 2025	Q3 2025	Q4 2025	Q1 2026	Q2 2026	Q3 2026	Q4 2026	2025	2026
Actual		2.8	3.1	2.4	-0.5	3.8								
January Consensus					1.9	2.0	2.0	2.0	1.8	1.9	1.8	1.9	2.1	2.0
Consensus	12/16/2025						2.9	1.0	2.1	1.9	2.0	2.0	2.0	2.0
Stifel	11/21/2025	2.8	2.1	2.2	0.3	0.6	2.8	2.1	2.1	1.8	2.2	2.4	2.0	2.3
Goldman Sachs	12/16/2025	2.8	3.0	1.8	-0.2	2.7	3.5	1.6	3.1	2.0	2.0	2.0	2.1	2.5
Capital Economics	12/12/2025	2.8	3.4	2.8	0.1	2.5	4.5	1.8	2.6	2.3	2.2	2.3	2.2	2.5
Strategas	12/15/2025	2.8	2.7	2.5	0.0	2.5	2.5	0.5	1.5	3.5	2.5	2.3	1.9	2.1
UBS	12/12/2025	2.8	3.0	2.0	0.4	2.5	2.7	0.6	0.8	2.4	1.7	1.8	1.9	1.7
Wells Fargo	11/21/2025	2.8	3.2	2.7	0.4	1.8	3.7	-0.1	3.4	2.2	2.5	2.0	2.0	2.4
Bloomberg Economics	12/1/2025	2.8	3.1	2.5	0.4	2.6	3.2	0.5	2.6	2.2	2.0	2.2	2.0	2.2
Barclays	12/12/2025	2.8	3.0	2.5	1.0	1.5	2.5	0.5	3.0	2.0	2.0	2.0	1.9	2.1
JPMorgan Chase	12/12/2025	2.8	3.2	2.8	0.0	2.5	3.0	1.0	2.0	2.0	1.5	--	2.0	2.0
Federal Reserve**	12/10/2025	2.5											1.7	2.3

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively. Stifel estimates based on Stifel sell-side Economics department estimates. \*\*Percent change from fourth quarter to fourth quarter one year ago. "Consensus Estimates" for time periods that have passed represent actual results and consensus estimates in grey shaded boxes represent first estimate of year.

Source: Stifel CIO Office via Bloomberg, as of December 16, 2025. Federal Reserve estimates are as of December 10, 2025.

## Monthly Inflation Trends



Source: Stifel CIO Office via Bloomberg, as of December 17, 2025

CPI = Consumer Price Index

PPI = Producer Price Index

~~October 29~~ December 10, 2025

Available indicators suggest that economic activity has been expanding at a moderate pace. Job gains have slowed this year, and the unemployment rate has edged up ~~but remained low~~ through ~~August~~; **September**. More recent indicators are consistent with these developments. Inflation has moved up since earlier in the year and remains somewhat elevated.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Uncertainty about the economic outlook remains elevated. The Committee is attentive to the risks to both sides of its dual mandate and judges that downside risks to employment rose in recent months.

In support of its goals and in light of the shift in the balance of risks, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 3-**1/2 to 3-3/4** ~~to 4~~ percent. In considering **the extent and timing of** additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. ~~The Committee decided to conclude the reduction of its aggregate securities holdings on December 1.~~ The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.

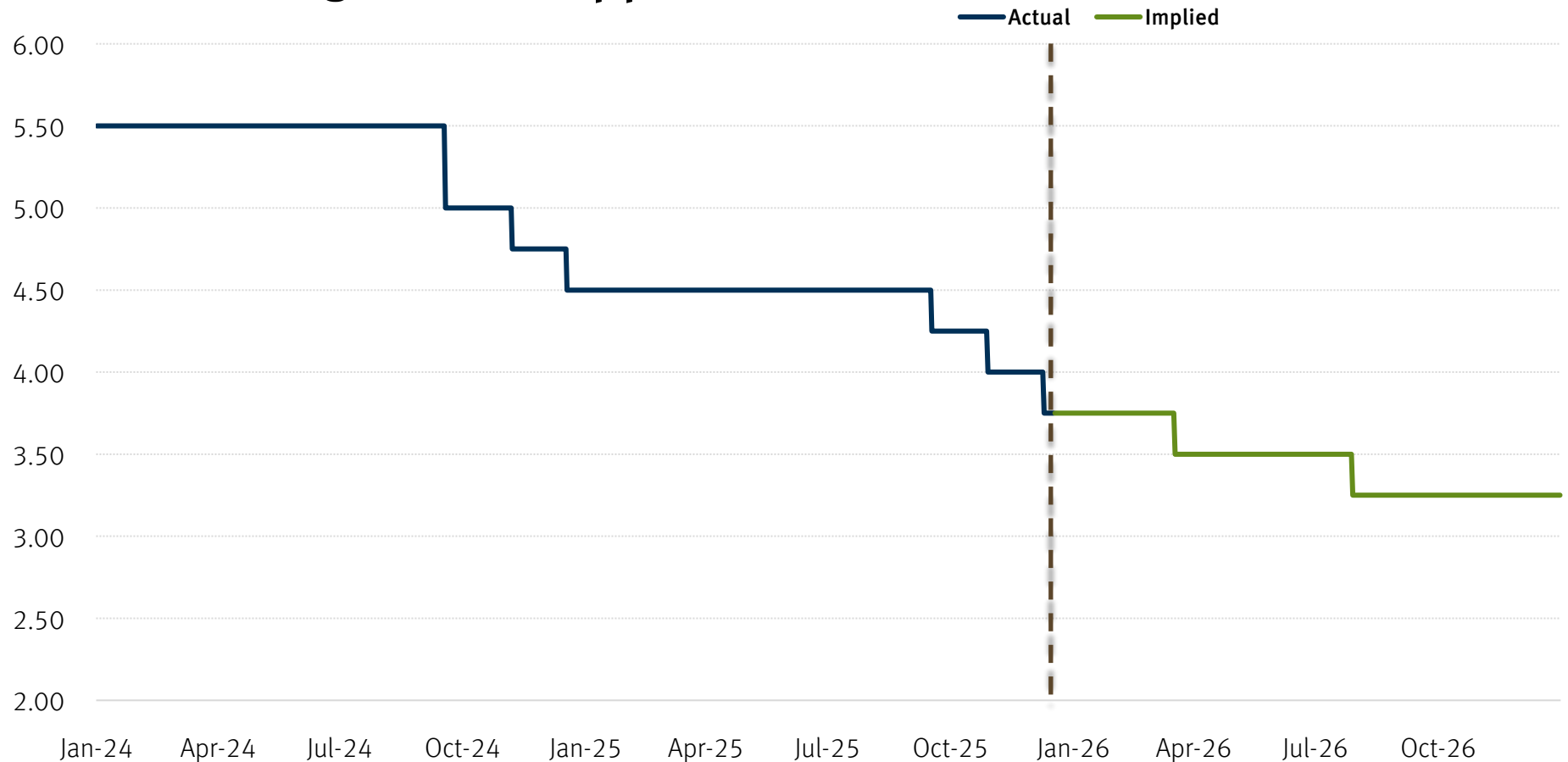
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments.

**The Committee judges that reserve balances have declined to ample levels and will initiate purchases of shorter-term Treasury securities as needed to maintain an ample supply of reserves on an ongoing basis.**

Voting for the monetary policy action were Jerome H. Powell, Chair; John C. Williams, Vice Chair; Michael S. Barr; Michelle W. Bowman; Susan M. Collins; Lisa D. Cook; ~~Austan D. Goolsbee~~; Philip N. Jefferson; Alberto G. Musalem; and Christopher J. Waller. Voting against this action were Stephen I. Miran, who preferred to lower the target range for the federal funds rate by 1/2 percentage point at this meeting; **and Austan D. Goolsbee** and Jeffrey R. Schmid, who preferred no change to the target range for the federal funds rate at this meeting.

Source: Stifel CIO Office

## Fed Funds Target Rate - Upper Bound



Source: Stifel CIO Office via Bloomberg, as of December 17, 2025

## Potential Pause Signals

Federal Reserve Statement

- Fed funds rate **cut by 25 basis points (bps)** to 3.50-3.75%.
- Will initiate purchases of shorter-term treasury securities.
- Slower job gains and higher inflation.

Press Conference

- Fed Chair Jerome Powell said, “We’re well positioned to wait and see how the economy evolves from here.”
- He also indicated that labor market risks tipped the scales to a cut, but officials don’t feel it is “mission accomplished” on inflation.
- Ultimately, Powell reiterated that the Fed will be data dependent going into the January meeting.

SEP: Year-End 2026

	PCE Inflation	Fed Funds Rate	Real GDP	
			2026	2027
September	2.6%	3.4%	1.8%	1.9%
December	2.4%	3.4%	2.3%	2.0%
<b>Change</b>	<b>-0.2%</b>	<b>0.0%</b>	<b>0.5%</b>	<b>0.1%</b>

- The SEP projections also show the potential for fewer cuts next year:
  - Projections show the likelihood of only one cut next year.
  - Fed funds futures are still pricing in two cuts in 2026, but then no change in 2027.

Market Implications

- Markets responded positively:
  - 10-year yield now 4.2%.
  - Peak equity market.

## Debt Added Since GFC

Households **\$6.2 trillion** *-20% of GDP*  
 Corporate **\$8.9 trillion** *7% of GDP*  
 Federal **\$29.2 trillion** *69% of GDP*

## 10-year Treasury Yield

Now **4.2%**  
 10 Years Forward **5.8%**  
 20 Years Forward **5.0%**

In a higher rate regime, the cost of debt will increase going forward for all segments of the economy: The Consumer, Business, Government

Government Debt

2024 Deficit: \$1.8 trillion  
 2024 Debt: \$36 trillion  
 Net Interest:  
 15% revenue  
 12% spending  
 33% discretionary

CBO Forecast 2034

2034 Deficit: \$2.6 trillion  
 2034 Debt: \$56 trillion  
 Net Interest:  
 18% revenue  
 14% spending  
 43% discretionary

Quotes

“The... federal government’s fiscal path... is on an unsustainable path... you’ve got a very large deficit... So, it’s important... they be dealt with. It is ultimately a threat to the economy...” – Jay Powell

“Any country can borrow money and drive growth, but it may not always lead to good growth, so I think America should be quite aware that we’ve got to focus on it more.” – Jamie Dimon

“We must work to get our fiscal house in order and adjust federal domestic discretionary spending that has grown by an astonishing 40 percent over the past four years.” – Scott Bessent

We remain optimistic that the U.S. will ultimately get through a fiscal transition stronger. But how much pain will we experience through the process, and when?



## Debt Stabilization Playbook: Austerity + Growth, Sequenced and Credible

**A path to evolve away from persistent deficits and debt buildup**

Depends on **growth, rates, inflation, and political will**

### **Current:**

- Deficit ~6.4% of GDP
- Debt ~122% of GDP

### **Goal:**

- Deficit  $\leq 3\%$  of GDP by 2035
- Debt ~60-80% of GDP by 2050

### **How We Get There**

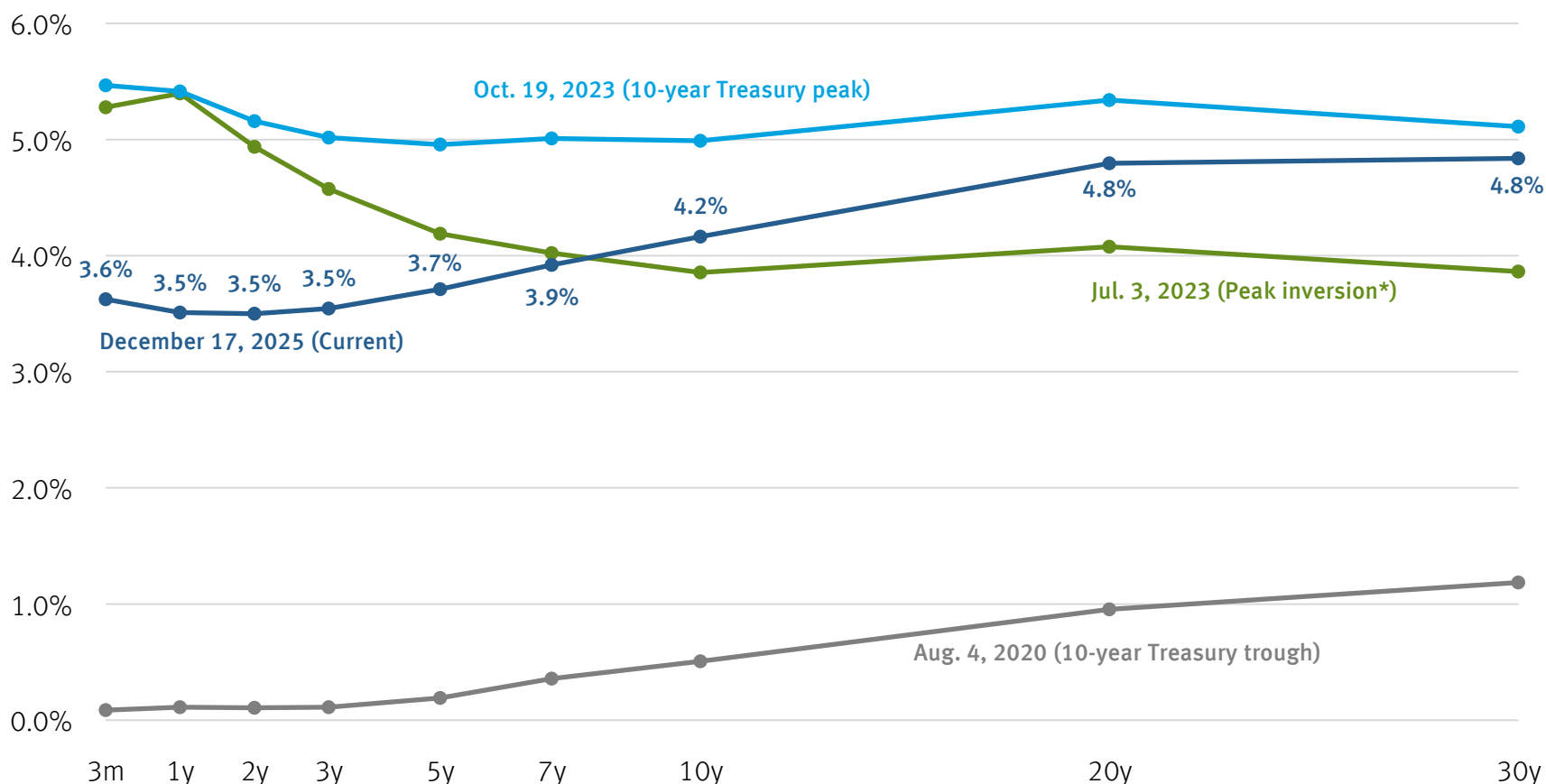
Requires deficit reduction of \$7.5–\$9 trillion for 10 years to keep debt roughly stable and then declining.

### **Requires Austerity:**

- Spending (~2/3 of adjustment): entitlement reform and efficiency gains
- Revenue (~1/3): tax increases and grow the economy/personal income

## **Markets**

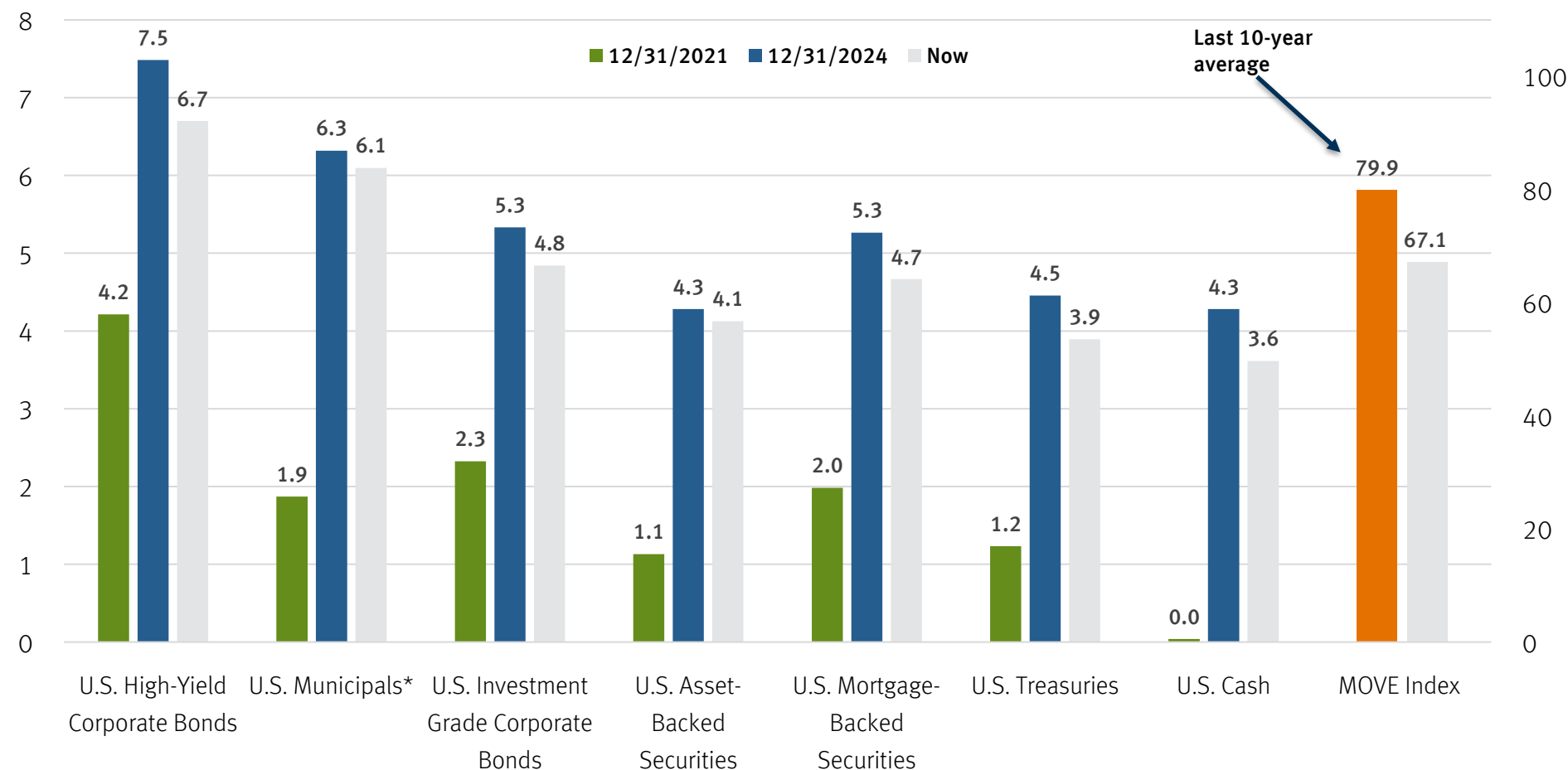
## U.S. Treasury Yield Curve



\*Peak inversion is measured by the spread between the yield on a 10-year Treasury and 2-year Treasury.

Source: Stifel CIO Office via Bloomberg, as of December 17, 2025

## Fixed Income Yield (Percentage)

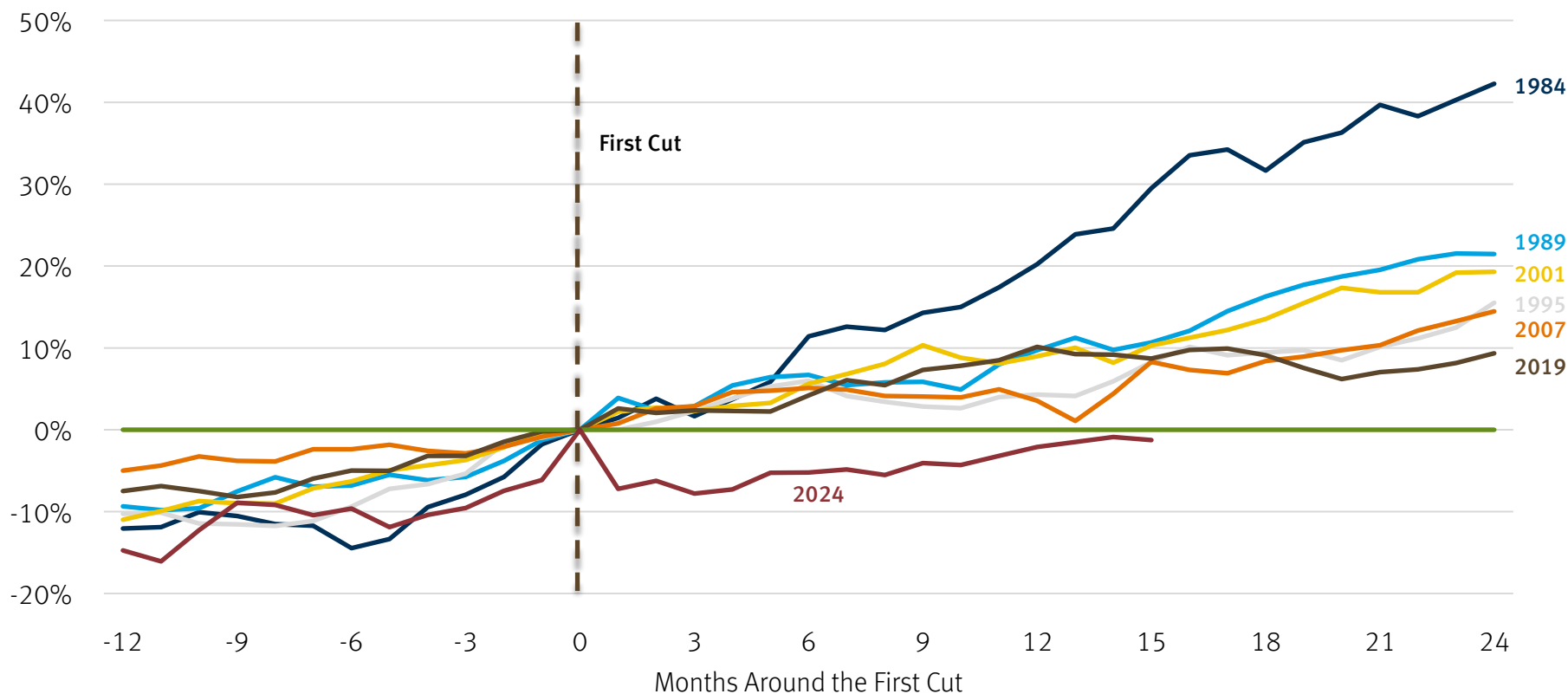


\*Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.  
Move Index is shown on right-hand scale.

Source: Stifel CIO Office via Bloomberg, as of December 16, 2025

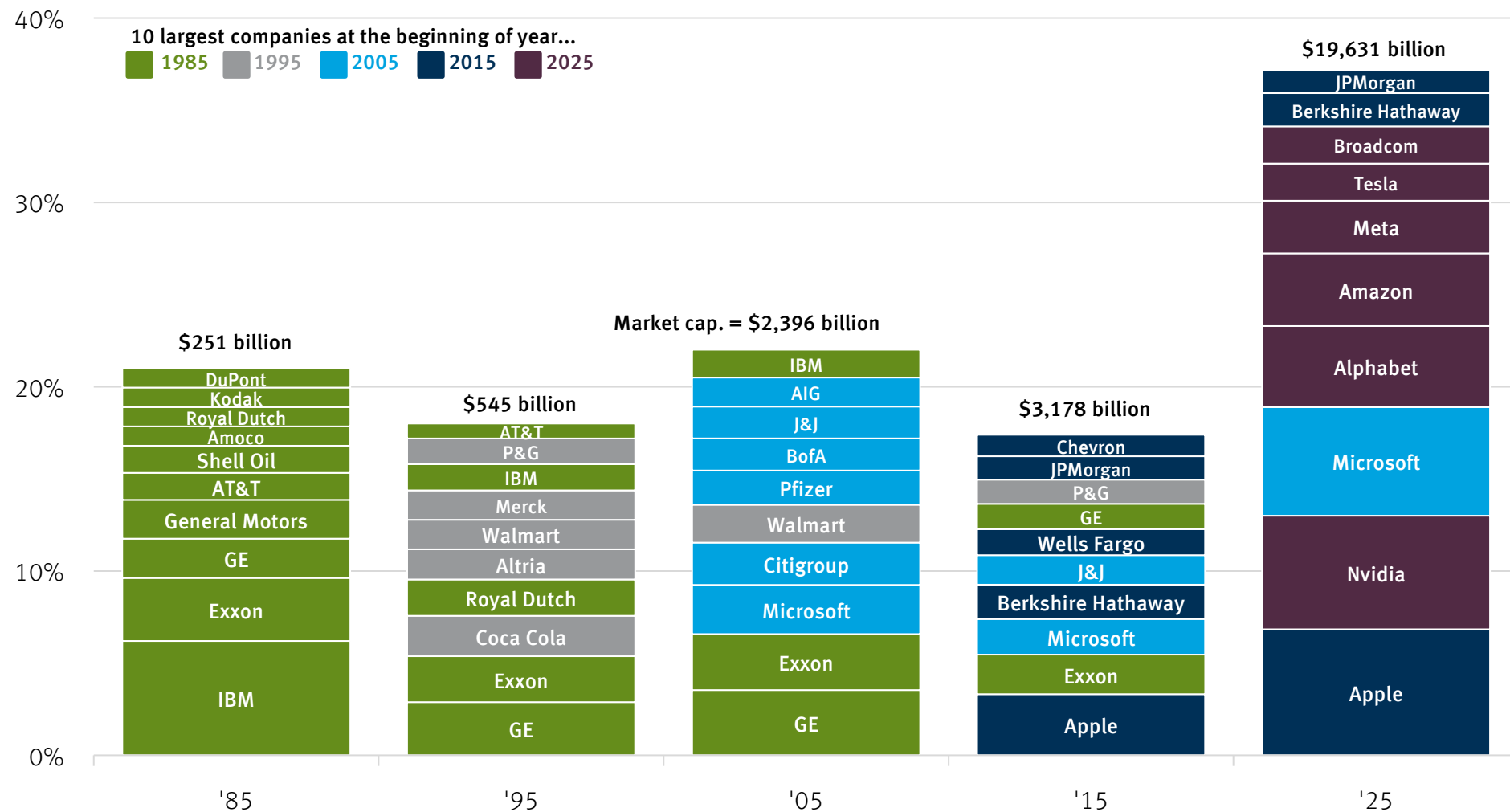
# U.S. Aggregate Index Returns Around the Start of Fed Cutting Cycles

% Total Return, Indexed to Zero at the First Cut



# Top 10 U.S. Companies by Market Capitalization

Percent of S&P 500 Market Capitalization as of the First Day of the Indicated Year



OUR FIVE  
INVESTMENT THEMES**FOURTH  
INDUSTRIAL  
REVOLUTION**

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

*Quantum Leaps*

*Rise of Bionics*

**SECURING  
STRATEGIC  
RESOURCES**

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

*Farm Fields  
Go Vertical*

*Nuclear Will  
Power the U.S.*

**SHIFTING  
DEMOGRAPHICS**

Changes in global population dynamics will bring about challenges and opportunities.

*Beating Cancer*

*Meet Your  
Digital Twin*

**THE NEW  
CONSUMER**

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

*The Sky's  
the Limit*

*Your Next Hire:  
An AI Agent*

**PRODUCTIVE  
COMPETITION**

Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

*Advanced Warfare:  
Humanoid Robots*

*Space Means  
Business*

## **Artificial Intelligence in Focus: Will AI Replace Work – Or Rewire It?**

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- Reskilling will be important as AI rewrites tasks at work and drives a reallocation of labor over time.
  - AI appears more additive than subtractive to the labor market.

## **Artificial Intelligence as a New Tailwind: Productivity, Power, and Profits**

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- Investments in AI are everywhere, but the key will be execution.
- We see a long runway for improved productivity and profits.

## **Artificial Intelligence in Healthcare: Early Results and Future Potential**

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- AI applications are quickly transforming the healthcare industry.
- Further adoption and scaling will hinge on trust, regulation, and integration.

## **Artificial Intelligence in the Digital Realm: Security and Finance**

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- Security and finance are digital-native areas poised to lead AI adoption.
- AI's momentum in security and finance is real, but success hinges on governance and execution.



## AI Has Gone Mainstream, With Adoption Pace Outstripping PCs/Internet

U.S. adults using GenAI

**45%**

**1/3**

of workers use it at  
least once a week

**10%**

of workers use  
it daily

## Early Economic Impact is Real, Longer-Term Expected to be Even More

**~5.4%**

Time saved per week  
by workers using  
GenAI

**>10%**

Companies reporting  
mature implementation  
of an AI strategy

**80%**

Companies expect AI to  
reshape their business  
by 2030

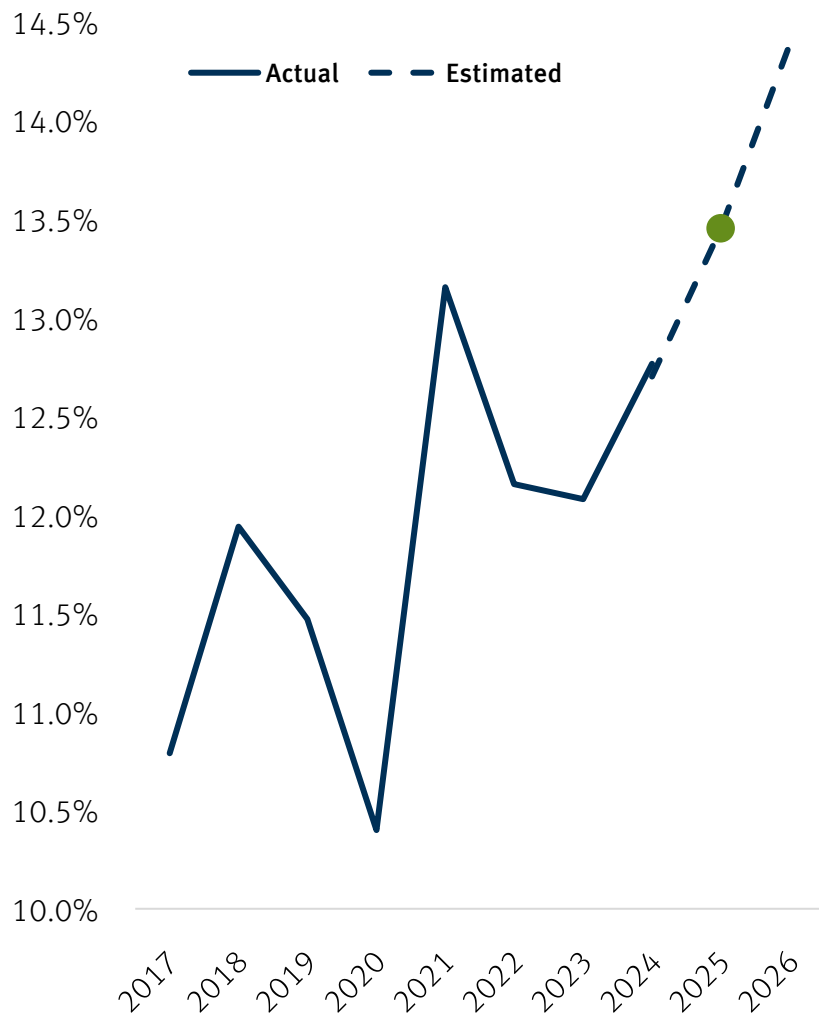
**41%**

The chance that a Fed  
model estimates the U.S.  
economy is in a new  
period of higher  
productivity growth

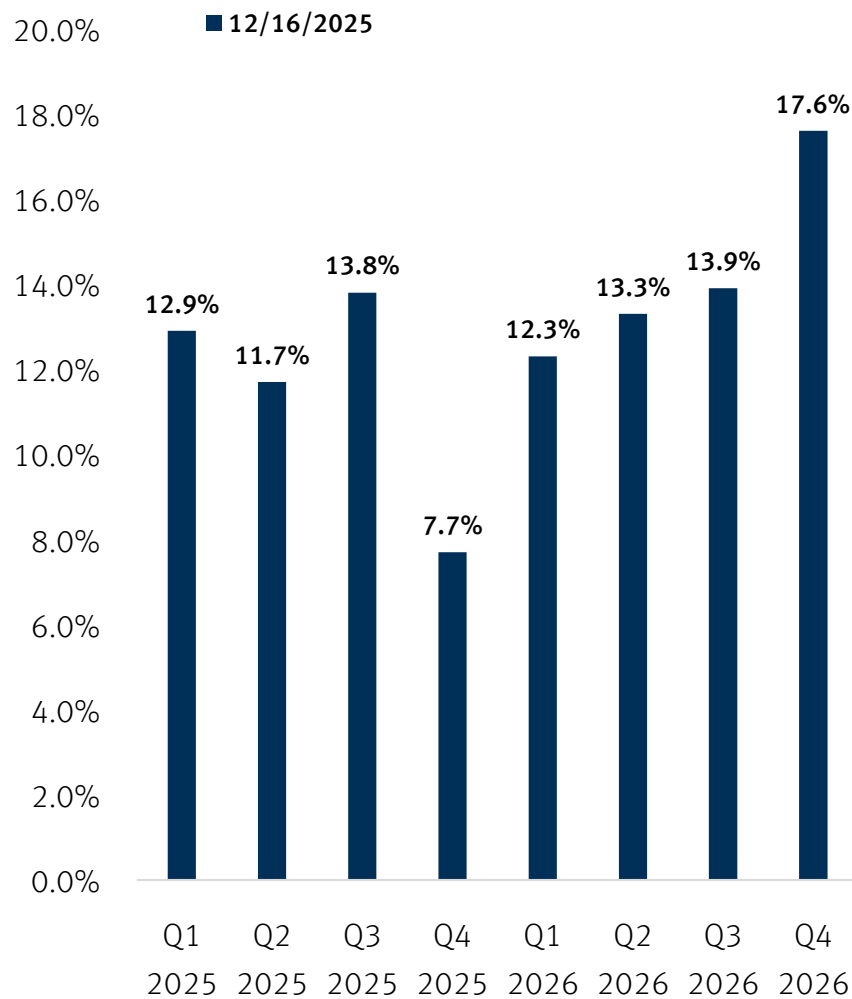
Source: Federal Reserve Bank of St. Louis, Federal Reserve Bank of Cleveland, World Economic Forum.

Generative AI is a type of artificial intelligence that can produce content such as audio, text, code, video, and images.

## S&P 500 Profit Margin

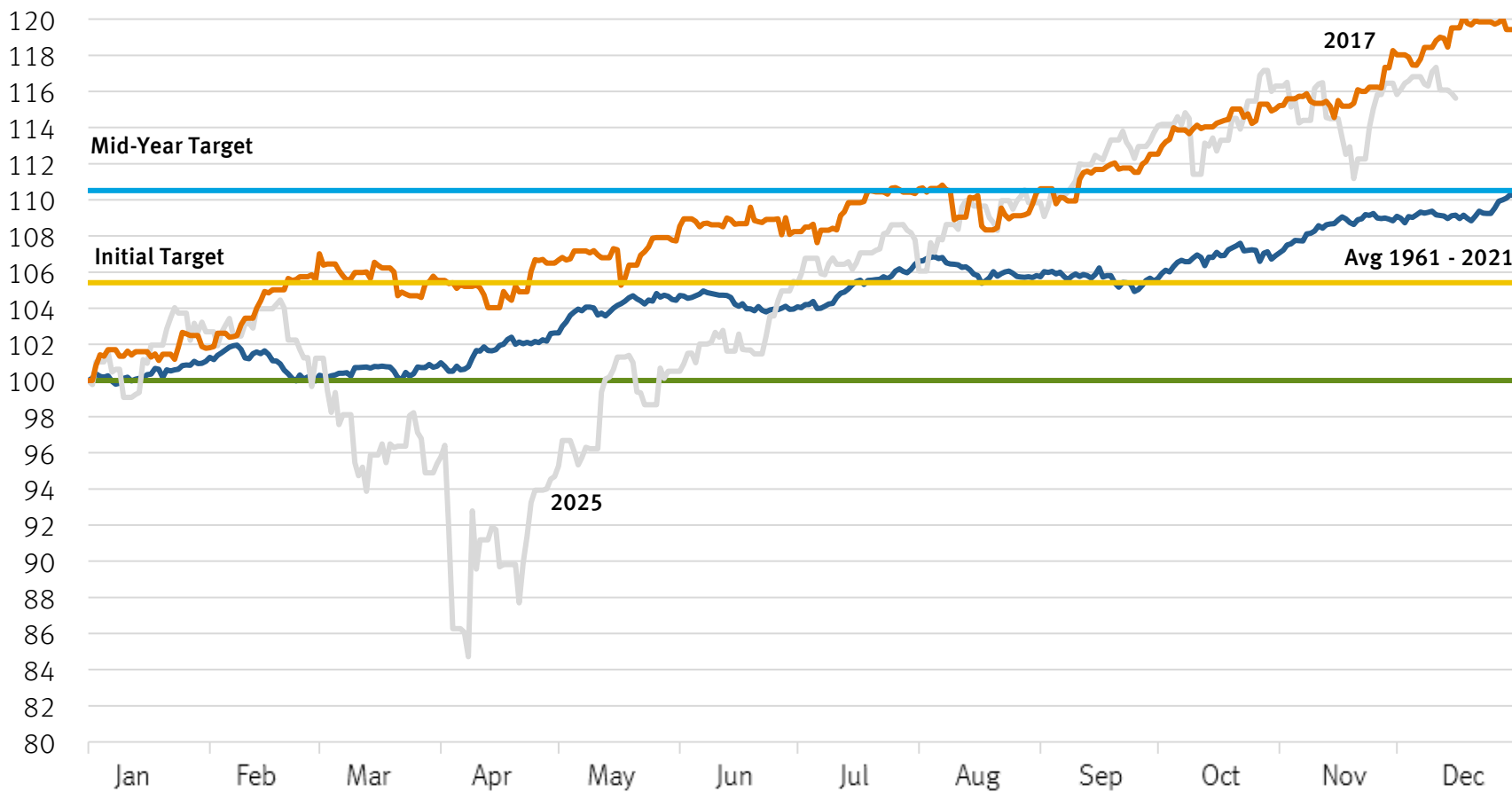


## S&P 500 EPS YoY %



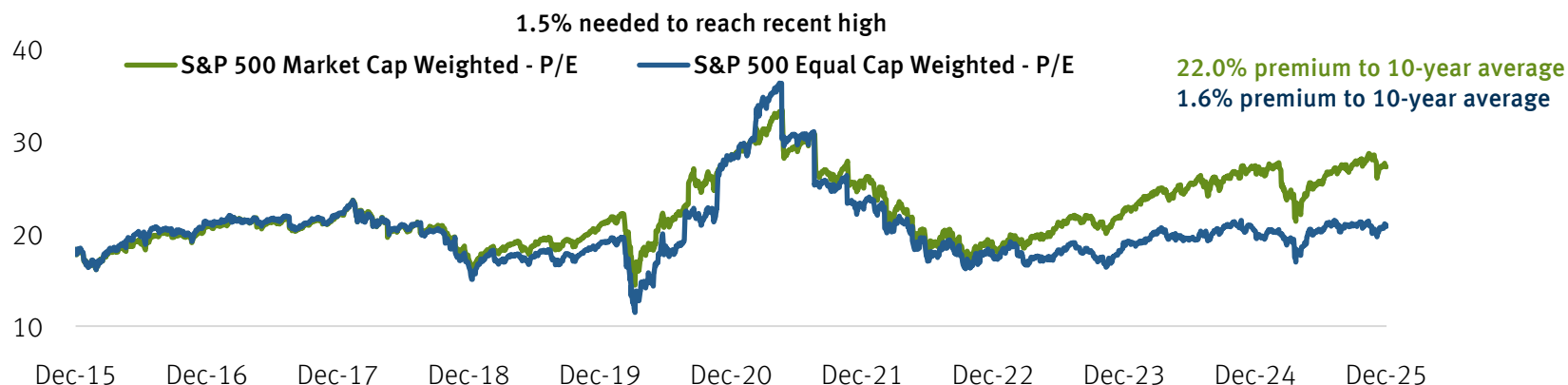
Index	2022	2023	2024	2025 YTD	Peak to Date	Last Year
S&P 500 Index	-18.1%	26.3%	25.0%	17.0%	-1.1%	13.4%
S&P 500 Eq. Weight.	-11.5%	13.8%	13.0%	11.4%	-0.6%	7.9%
S&P Quality High Dividend	-0.3%	5.5%	11.1%	3.7%	-1.2%	1.6%
S&P 500 Financials	-10.6%	12.1%	30.5%	14.3%	-0.7%	12.1%
KBW Reg. Banking	-6.9%	-0.4%	13.2%	9.5%	-0.6%	1.8%
Bloomberg U.S. 1000 Value	-2.5%	9.4%	13.6%	15.9%	-0.8%	13.4%
Bloomberg U.S. 1000 Growth	-27.5%	36.1%	28.9%	17.2%	-2.7%	12.6%
Bloomberg Magnificent 7	-45.3%	107.0%	67.3%	24.6%	-1.8%	18.1%
NYSE FANG+ Index	-40.0%	96.4%	51.0%	20.9%	-6.4%	14.7%
Bloomberg U.S. 2000	-20.1%	17.1%	12.0%	12.7%	-1.2%	6.5%
MSCI EAFE Index	-14.5%	18.2%	3.8%	29.4%	-0.7%	26.4%
MSCI EM Index	-20.1%	9.8%	7.5%	28.6%	-4.3%	25.4%
Bloomberg U.S. Agg	-13.0%	5.5%	1.3%	7.1%	-0.5%	6.2%

## S&P 500 Average Price Returns In First Year of Presidential Cycle



Source: Stifel CIO Office via Strategas Research Partners and Bloomberg, as of December 16, 2025.

	EPS	S&P 500 P/E						Current S&P 500 Index Level
		24x	25x	26x	27x	28x	29x	
	<b>\$290</b>	6,960	7,337	7,540	7,830	8,242	8,410	8,700
	<b>\$280</b>	6,720	7,084	7,280	7,560	7,958	8,120	8,400
Consensus 2025 EPS →	<b>\$269</b>	6,451	6,800	6,989	7,258	7,640	7,795	8,064
	<b>\$260</b>	6,240	6,578	6,760	7,020	7,389	7,540	7,800
	<b>\$250</b>	6,000	6,325	6,500	6,750	7,105	7,250	7,500
Consensus 2024 EPS →	<b>\$239</b>	5,742	6,053	6,221	6,460	6,800	6,939	7,178
	<b>\$230</b>	5,520	5,819	5,980	6,210	6,537	6,670	6,900



## Earnings

- For 2025, analysts are projecting earnings growth of 12.3%, down from 14.3% at the beginning of the year.
- For 2026, the forecast has been revised slightly upward to 14.4%, compared to 13.6% at the beginning of the year.

EPS = Earnings Per Share

\*Source: Stifel CIO Office, FactSet, and Bloomberg, as of December 16, 2025

## **Fun Facts: Stifel Bits**



**\$11.8 billion:** The record-breaking amount of online sales on Black Friday this year, up 9.1% from 2024.

**57%:** The percentage of U.S. shoppers who say they expect to spend the same or more this holiday season compared with last year.

**\$50 - \$60 million:** The budget per-episode of Stranger Things season 5.

**21%:** The percentage of Americans who have taken a trip solely for food.

**47%:** The percentage of Gen Z workers currently on track to have enough funds to maintain their current lifestyle in retirement.

**33109:** The richest zip code (Fisher Island in Miami Beach, Florida) in the U.S.

## **Looking Forward**



# OUTLOOK 2026

**Report & Video:** January 7, 2026

**Client Webinar:** Date to be determined

**Outlook 2026 articles/topics include:**

- 2025 Year in Review
- Outlook 2026 (Crossing Thresholds)
- Washington Policy and Political Outlook
- Geopolitical Risk Dashboard
- The U.S. Fiscal Trajectory
- AI and the Next Productivity Revolution
- Allocation Insights

## WHERE TO FIND STIFEL GUIDANCE

*The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients. You can find all of our Stifel Guidance at:*

***stifelinsights.com***

MARKET SIGHT | LINES

### The Fed Cuts Rates... and Signals a Possible Pause

The Federal Reserve held its final meeting of 2025, cutting its benchmark Fed funds rate by 0.25%. Fed officials had been talking about the two elements of its dual mandate – maximum employment and stable prices – with officials holding mixed views. The Fed's Summary of Economic Projections – the SEP – reinforces this and signals they may pause cuts for a while.

[READ](#)



### A Diversity of Thinking: The Fed Will Debate, But Will it Cut?

Market Sight|Lines

The Federal Reserve will hold its final meeting of the year, with voting members more divided than usual as they begin the two-day meeting. In some ways, a diversity of thinking – and healthy, well-informed debate – can be good, lowering the chances, perhaps, of policy error. At present, futures markets point to a quarter-point cut, but more muted action in 2026.

[READ](#)



### Cracks in the Markets

Investment Strategy Brief

After a strong run since April, signs of strain are emerging across markets. Economic fundamentals remain resilient, but investor sentiment has softened amid valuation concerns and policy uncertainty. We examine where cracks may be appearing – and what they could signal for the path ahead.

[WATCH](#)



### U.S. Reshoring and Nearshoring: A Sustainable Economic Tailwind

Market Sight | Lines

Investors are increasingly worried about market levels and the possibility of an artificial intelligence (AI) "bubble." Despite the worries, however, during earnings calls and elsewhere, executives are highlighting a powerful, long-term positive theme: making more in America. What began as a reaction to pandemic-era disruptions has evolved into a structural reindustrialization cycle that will shape U.S. investment, employment, and infrastructure in the decades ahead.

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VIDEO | PODCAST | NEWSLETTER



VIDEO | PODCAST | NEWSLETTER



## INVESTMENT THEMES

The following table summarizes our thinking across various asset classes and regions.








 Underweight
  Neutral
  Overweight

EQUITY	ASSET CLASS	CHANGE	CURRENT			COMMENTS
						
	U.S. Equity vs. Non-U.S. Equity	=				We guide investors to be diversified between U.S. and non-U.S. equity, maintaining a neutral allocation versus our Strategic Asset Allocation. U.S. equity valuations are elevated. However, continued economic growth and innovation along with falling policy uncertainty may continue to boost sentiment. Outside the U.S., attractive valuations are offset by geopolitical tensions and sluggish economic growth, softening their appeal.
	U.S. Large Cap vs. U.S. Small Cap	→				We are moving from an underweight to a neutral stance on U.S. large caps in our active portfolios, closing our prior overweight to small caps. The recent outperformance of small caps has narrowed valuation support, while large caps continue to benefit from durable earnings growth, balance sheet strength, and structural tailwinds from AI.
	U.S. Large Value vs. U.S. Large Growth	=				We believe investors should be diversified across both value and growth styles. We expect returns to broaden out beyond the Magnificent 7 and have a preference for quality companies and those that are expected to benefit from our long-term investment themes. Value offers attractive relative valuations and benefits from higher yields, while growth continues to gain support from innovations like AI.
	Non-U.S. Developed Markets vs. Emerging Markets	=				Both developed and emerging markets remain vulnerable to idiosyncratic risks and headwinds from geopolitical tensions, economic challenges, and an "America First" agenda from the incoming Trump administration. Despite ongoing stimulus, China continues to grapple with structural challenges stemming from its high debt levels and aging population, compounded by persistent issues in its real estate market.
	Europe vs. Japan	=				Japanese equities have given back some of their gains recently, but we believe there is still the potential for relative outperformance. Japan's domestic deflation along with corporate governance reform are likely to enhance shareholder value in the medium-to-long term. In Europe, policy uncertainty in France and Germany, weaker Chinese growth, and the Russia-Ukraine war remain headwinds for the growth outlook.

## INVESTMENT THEMES (CONTINUED)

The following table summarizes our thinking across various asset classes and regions.

 Underweight
  Neutral
  Overweight

	ASSET CLASS	CHANGE	CURRENT			COMMENTS
FIXED INCOME	U.S. Investment Grade vs. U.S. High Yield	=				We are neutral between investment-grade and high-yield bonds. High-yield corporate spreads are tight, leaving little margin for error, but corporate fundamentals remain strong, and the rate cutting cycle should mitigate some of the downside risks. In investment grade, we expect returns to be primarily driven by carry, offering steady income in a stable rate environment.
	Government vs. Corporates/Agency MBS	←				We are moving to an overweight stance in investment-grade corporates and agency mortgage-backed securities within passive fixed income portfolios. Yields remain compelling, and spreads provide a favorable carry advantage amid declining policy rates. Investment-grade corporate fundamentals are strong, and agency MBS offer high-quality income with the potential for attractive risk-adjusted returns relative to Treasuries.
	Duration	=				We view duration as a diversifier in a multi-asset class portfolio given the macroeconomic uncertainty and volatility in yields, and so we remain neutral on duration as compared to the overall market. Investors holding cash should consider extending duration.
ALTERNATIVES	Private Assets	=				For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of private equity, private debt, and/or private real estate can be considered as part of a diversified portfolio.
	Hedge Funds	=				For investors interested in alternative investments and able to handle less liquidity who have conviction about manager skill, exposure to hedge funds can be a helpful part of a diversified portfolio. This is especially true in volatile, low-return environments.



Past performance is no guarantee of future results.

Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Neither Stifel nor its associates render legal or tax advice. Please consult with your legal and tax advisors regarding your particular circumstances.

Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices.

Rebalancing may have tax consequences, which you should discuss with your tax advisor.

**Alternative Investments or Non-Traditional Assets** – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

**Real Estate** – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

**Commodities and Futures** – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

**Hedge Funds** – *Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.*

**Venture Capital** – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

**Limited Partnerships** – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

**Bonds** – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

**Duration** – Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

**Standard Deviation** – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

**International and Emerging Markets** – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

**Private Equity** – *Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.*

**Short Positions** – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral, and the manager might have to close out that short position at an inopportune time to limit any further losses.

**Small Company Securities** – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

**Structured Investments** – Structured investments can be an integral part of a well-diversified portfolio and an important complement to traditional investments. Recommendations of structured investments are subject to alignment of the client's investing needs with the specific features offered and the client's ability and willingness to bear the liquidity and issuer-default risks that may be associated with a particular investment.

**Bloomberg U.S. Treasury Bills 1-3 Months Index** includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value.

**Bloomberg U.S. Corporate IG Index** is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

**Bloomberg U.S. Aggregate Corporate Index** is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

**Bloomberg U.S. Corporate High Yield** is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

**Bloomberg U.S. Government Bond Index** is an unmanaged index considered representative of fixed-rate, investment-grade U.S. Government debt.

**Bloomberg Global Aggregate** This index provides a broad-based measure of the global investment-grade, fixed-rate debt market.

**DXY Index** is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

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

**S&P 500 Equal Weight Index** is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

**S&P 500 Financials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

**Bloomberg U.S. 1000 Value Index** provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

**Bloomberg U.S. 1000 Growth Index** provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

**Bloomberg U.S. 1000 Index** is a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

**Bloomberg U.S. 2000 Index** is a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

**MSCI EAFE Index** captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**MSCI Emerging Markets (EM) Index** captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Morgan Stanley Market implied pace of hikes index (MSPOKE)** is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

The **MSCI World Index** is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets.

The **Bloomberg Magnificent 7 Total Return Index** is an equal-dollar weighted equity benchmark consisting of a fixed basket of 7 widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

The **Economic Policy Uncertainty Index** quantifies the level of uncertainty surrounding economic policy decisions. It combines data from newspaper articles, federal tax code expirations, and forecasts from economic forecasters. A higher index value suggests greater economic risks due to policy ambiguity, potentially leading businesses and consumers to delay decisions..

**Wilshire 5000 Index** is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States.

**VIX Index** shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

**EURO STOXX 50** is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone

**Cash & Cash Equivalent** is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

**U.S. Government Bonds** is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

**U.S. Corp IG Bonds** is represented by the Bloomberg U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

**High-Yield Bonds** is represented by the Bloomberg U.S. Corporate High Yield Bond Index, comprised of U.S. Dollar denominated, high-yield, fixed-rate corporate bond market securities.

**U.S. LC (Large Cap)** equities is represented by the Bloomberg U.S. 1000 Index, comprised of a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

**U.S. SC (Small Cap)** equities is represented by the Bloomberg U.S. 2000 Index, comprised of a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

**S&P 500 Quality High Dividend Index** is designed to measure the performance of S&P 500 members that exhibit both high quality and high dividend yield characteristics.

**Moderate Bench** stands for moderate benchmark portfolio return which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg U.S. Agg Gov/Credit).

**MSCI AC World Index** is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

**Bloomberg U.S. Government/Credit Bond Index** is comprised investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

**KBW Nasdaq Regional Banking Index** seeks to reflect the performance of U.S. companies that do business as regional banks of thrifts.

**NYSE FANG+ Index** is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

**NCREIF Property Index** is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.

**MOVE Index** measures U.S. bond market volatility by tracking a basket of OTC options on U.S. interest rate swaps. The Index tracks implied normal yield volatility of a yield curve weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year, and 30-year constant maturity interest rate swaps.

**National Federation of Independent Business Small Business Optimism Index** measures the overall optimism and outlook of small business owners regarding the economic conditions, sales expectations, hiring plans, and capital expenditures. It provides valuable insights into the sentiment of small businesses, which are a vital component of the U.S. economy.

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