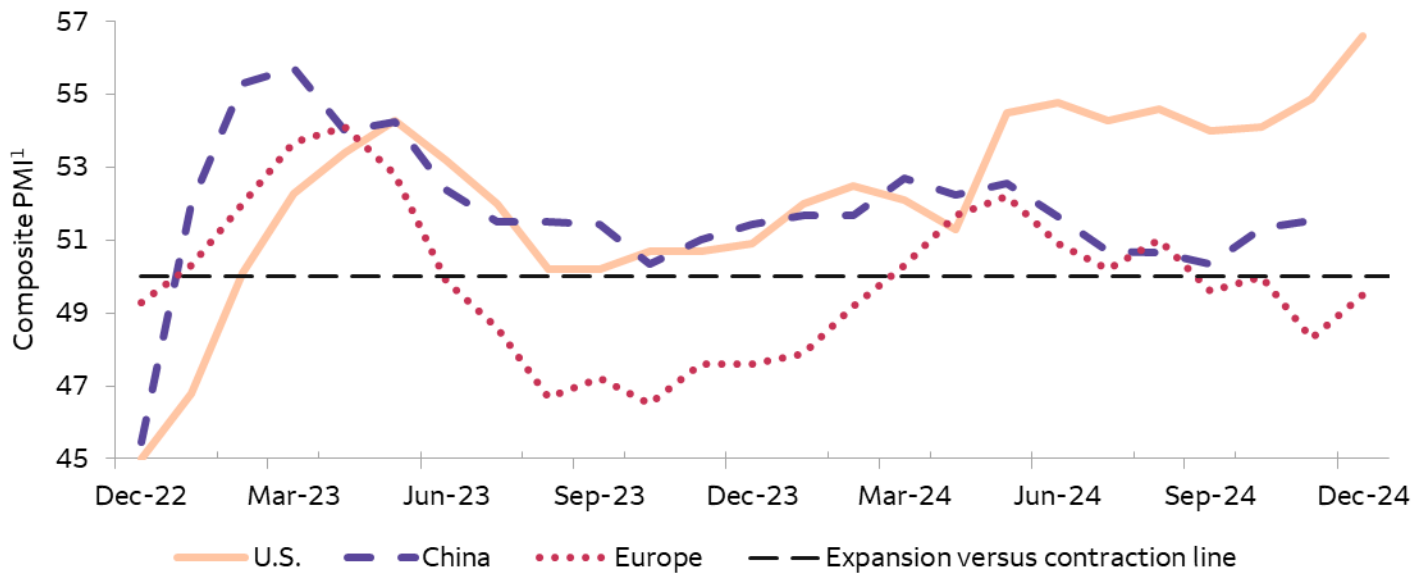


Chart of the Week

Weekly analysis of key themes in markets

January 7, 2025

Positioning for more U.S. exceptionalism in 2025



Sources: Wells Fargo Investment Institute, S&P Global, Inc., China Federation of Logistics & Purchasing, and Caixin Global. Data as of December 19, 2024. U.S. and eurozone data available through December 2024; China data available through November 2024. 1. Percentage of respondents reporting increased economic activity, based on the composite purchasing managers' indexes (PMIs).

We expect U.S.-led global economic growth to extend into 2025

Looking back on 2024, U.S. economic growth once again surprised to the upside while overseas economies saw another challenging year. The chart above illustrates this dichotomy, showing that a broad measure of economic activity in the U.S. was firmly in expansionary territory throughout 2024. Elsewhere, recent stimulus initiatives helped stabilize China's economy into year-end while the eurozone remained weighed down by a weak manufacturing sector.

Turning ahead to 2025, we expect the U.S. to sustain its leading-edge role in global growth, supporting our preferred tilt toward U.S. assets in diversified portfolios. We believe the U.S. economy and markets will continue to outperform the rest of the world due to relatively stronger demographics, more potent fiscal stimulus, less regulation, and a more dynamic technology sector fueling greater investment spending growth.

What it may mean for investors

We favor Communication Services, Energy, Financials, and Industrials, and, more generally, cyclical and growth-oriented sectors over defensive stocks. Meanwhile, our preference in fixed income is to consider adding intermediate (3 – 7 years) and longer maturities as yields rise. Lastly, we still believe exposure to a broad basket of commodities is prudent and can serve as a hedge against inflation as tight supply-demand conditions support price gains in 2025.

Jennifer Timmerman, Investment Strategy Analyst

Excerpted from Investment Strategy (December 30, 2024)

Investment and Insurance Products: ▶ NOT FDIC Insured ▶ NO Bank Guarantee ▶ MAY Lose Value

Risk Considerations

Each asset class has its own risk and return characteristics. The level of risk associated with a particular investment or asset class generally correlates with the level of return the investment or asset class might achieve. **Stock markets** are volatile. Stock values may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. **Sector investing** can be more volatile than investments that are broadly diversified over numerous sectors of the economy and will increase a portfolio's vulnerability to any single economic, political, or regulatory development affecting the sector. This can result in greater price volatility. **Foreign investing** has additional risks including those associated with currency fluctuation, political and economic instability, and different accounting standards. These risks are heightened in emerging markets. **Bonds** are subject to market, interest rate, price, credit/default, liquidity, inflation, and other risks. Prices tend to be inversely affected by changes in interest rates. The **commodities markets** are considered speculative, carry substantial risks, and have experienced periods of extreme volatility. Investing in a volatile and uncertain commodities market may cause a portfolio to rapidly increase or decrease in value which may result in greater share price volatility.

Definitions

Purchasing Managers' Indexes (PMIs) track sentiment among purchasing managers at manufacturing, construction, and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

An index is unmanaged and not available for direct investment.

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