

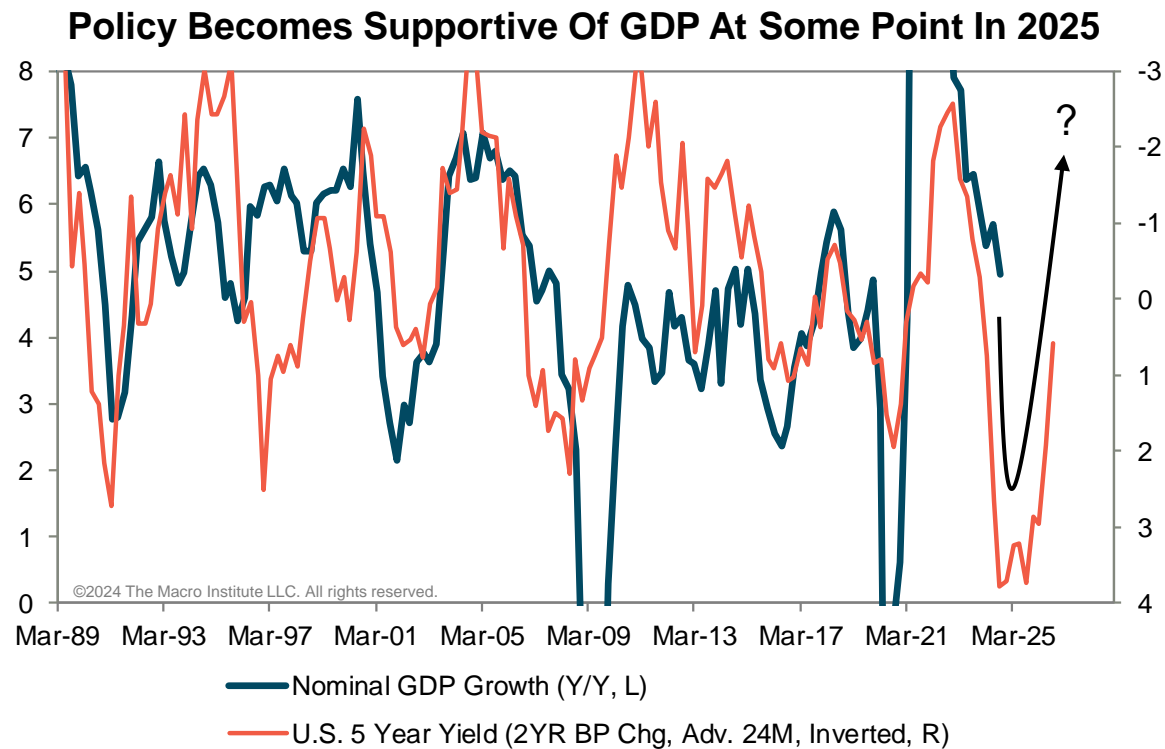
A Few Thoughts On The 2025 Outlook

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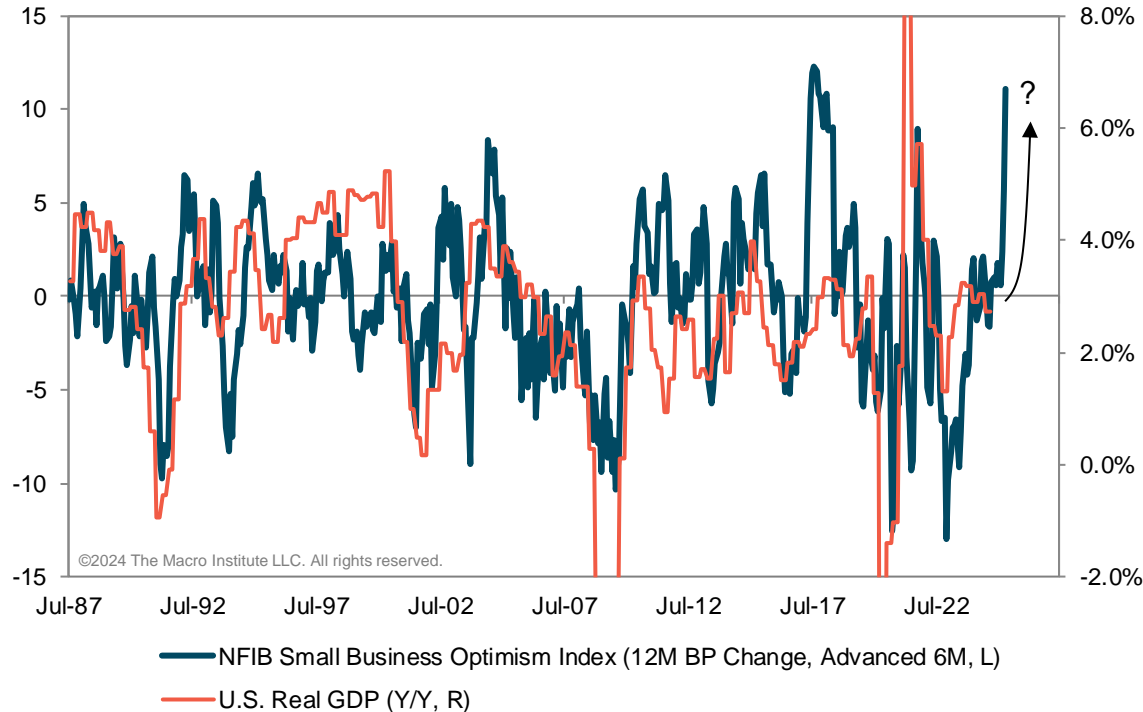
December 2024

Fed Stimulus Set To Intensify Economic Growth In 2025

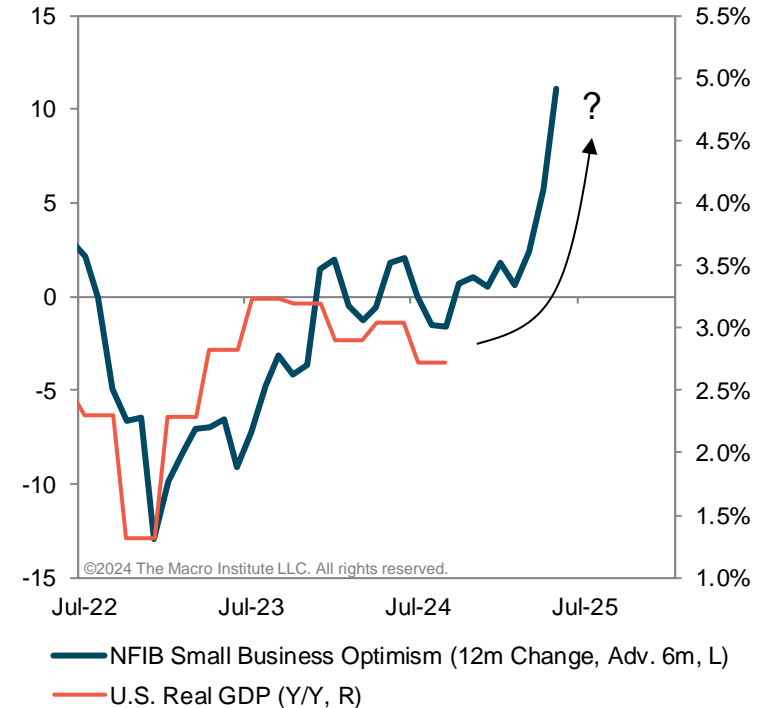


NFIB's Small Business Optimism Points To An Even Stronger Economy In 2025

↑ Small Business Optimism = ↑ GDP Growth Ahead?

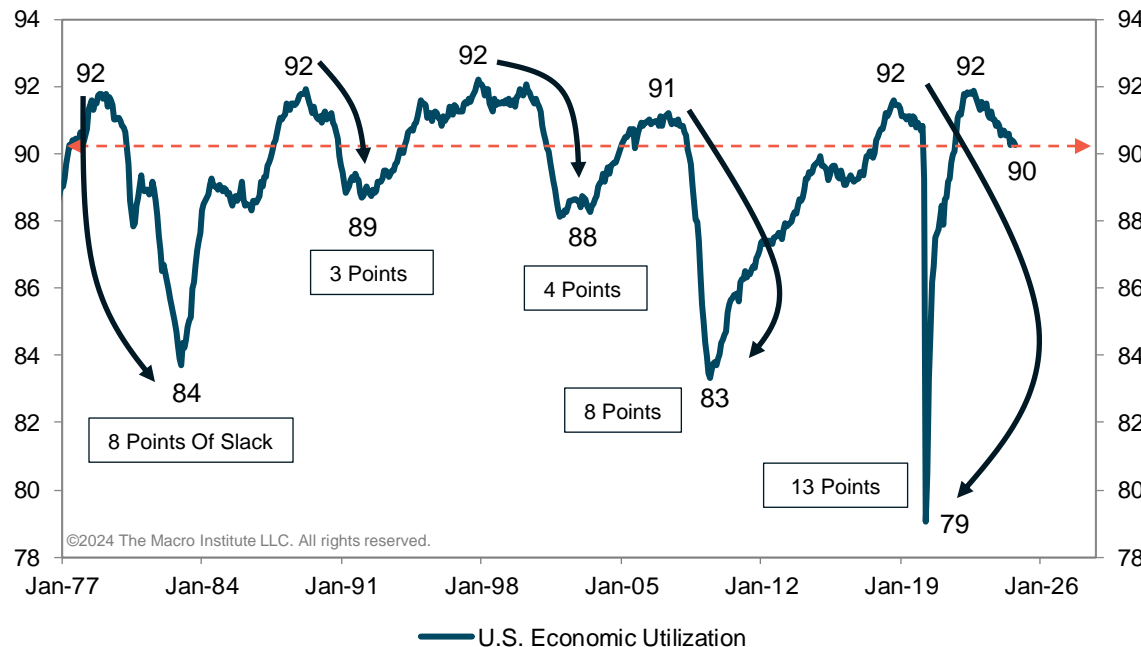


Accelerating Growth In 2025?



Dearth Of Excess Capacity Set To Alter Economic Recovery Playbook

Lack Of Excess Capacity Already Inflationary



| Regime | Description | Avg. Change In Core CPI |
|--------|-------------|-------------------------|
| 1 | EU Above 90 | +1.0% |
| 2 | EU Below 90 | -1.3% |

Economic Utilization (EU) is the extent to which an economy is being used relative to its maximum potential.

$$\text{U.S. Eco Utilization} = (\text{Manufacturing \% of GDP}) \times (\text{Capacity Utilization}) + (\text{Services \% of GDP}) \times (\text{Employment Rate})$$

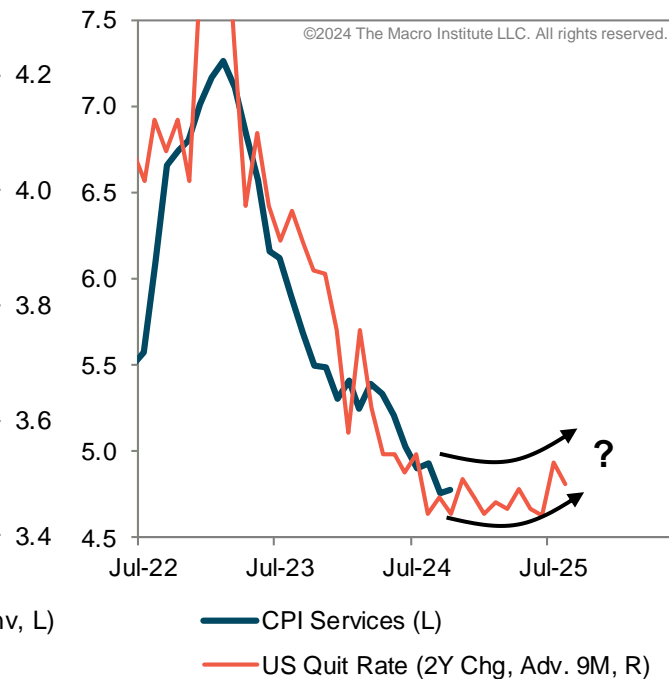
A Few Thoughts On The 2025 Outlook

Tighter Labor Markets Eventually Lead To Higher Inflation

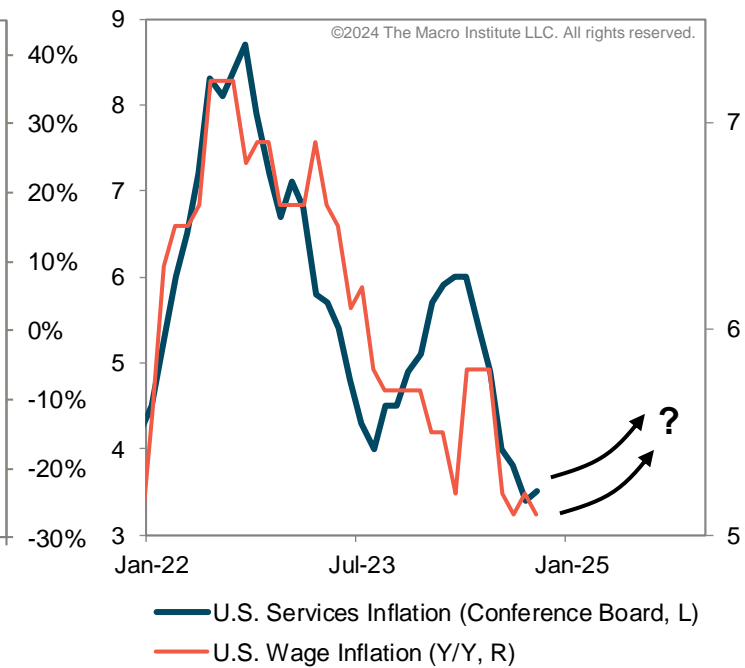
Tighter Labor Markets Ahead?



↑ Quit Rate = ↑ Core Inflation

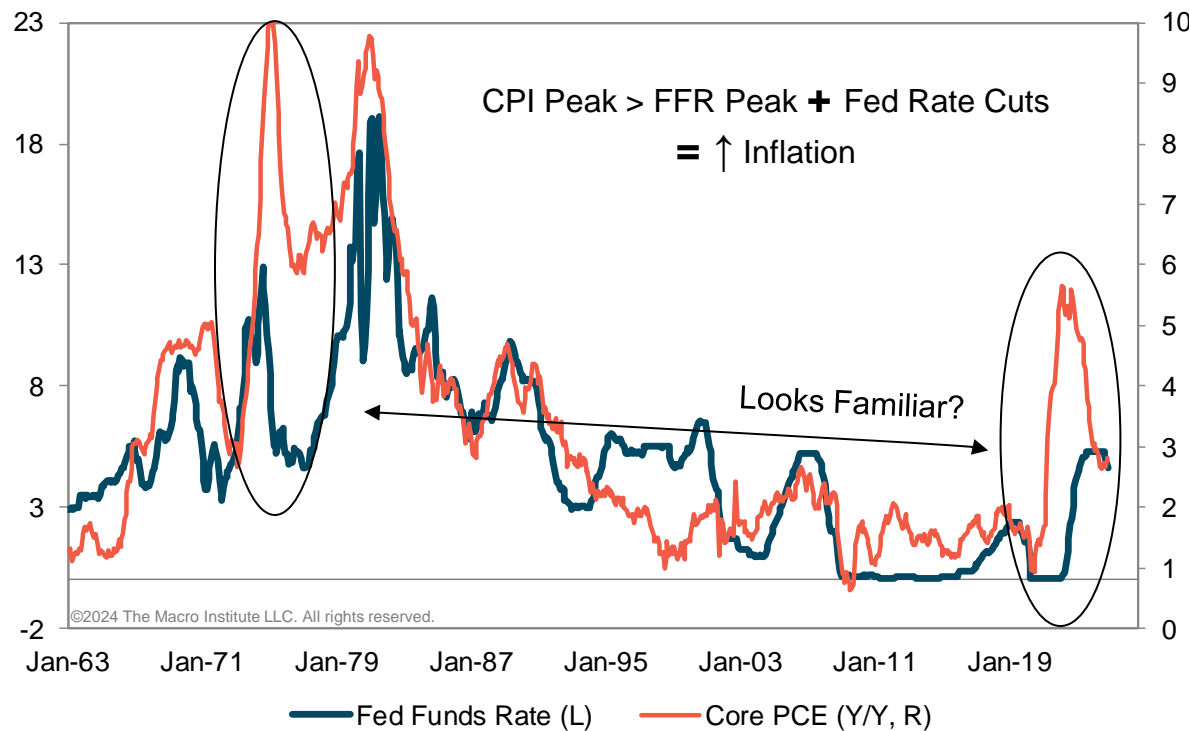


Higher Wage Inflation Ahead?



On Deck: Fed Turns Hawkish And Tightens Policy Again In 2025?

Higher Inflation \cong Fed Tightening Ahead



“Supply and demand imbalances related to the pandemic and the reopening of the economy have continued to contribute to elevated levels of inflation.”

- FOMC Statement, Dec. 15, 2021

Expect a similar statement from the Fed again in 2025.

A Few Thoughts On The 2025 Outlook

The Three Most Important Macro Trends In The Coming Year



Stronger Economic Prospects

An opportunity for small caps and cyclicals



Recovery In Inflation

Favors companies with pricing power



Fed Tightening/ Higher Interest Rates

A problem for growth stocks and early cyclical sectors

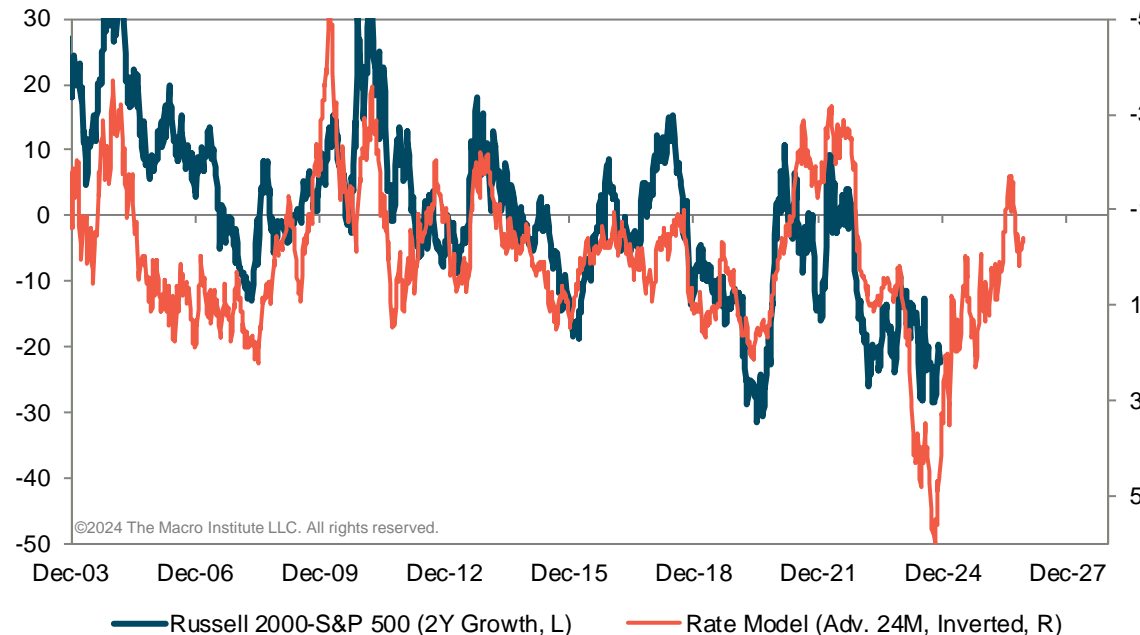
Three Key Macro Influences For 2025

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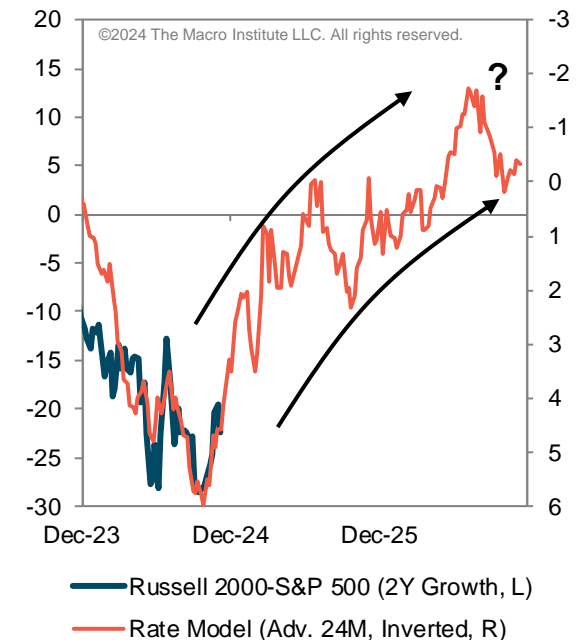
A Few Thoughts On The 2025 Outlook

In Summary: Policy Turns Supportive For (Some!) Equities

A Recovery In Small-Cap Cyclical Stocks ...



... Throughout 2025?!



TMI CLIENT 2025 OUTLOOK CALL ANNOUNCEMENT

Wednesday, January 8th
10:30 ET

The Great Inflation Comeback Of 2025

Host: Francois Trahan

Registration is required for attendance:

[Register](#)

For any additional questions:
research@themacroinstitute.com