# US market outlook for 2025: Navigating uncertainty and trends



As the new year unfolds, attention is turning towards the outlook for the US market and broader global economic landscape in 2025. Analysts and investment managers are reflecting on the trends that emerged during 2024 and projecting how they may continue to influence investment decisions moving forward.

The S&P 500, a bellwether for US equities, recorded an approximately 30% increase over the past year, indicating a resurgence in investor confidence despite previous recessionary fears. The 'Magnificent Seven'—a term referring to key tech giants including Apple and Nvidia—have particularly dominated discussions, with these companies fiercely competing for the title of the most valuable in the world.

However, the potential return of Donald Trump to the presidency raises questions about how his proposed policies, particularly aggressive tariffs, may affect both domestic and global economic dynamics. David Page, head of macro research at AXA Investment Managers, articulated that 2025 will be shrouded in policy uncertainty. He noted that Trump has put forth a mix of growth-oriented proposals alongside stringent measures like reduced migration and tariffs. Page stated, “For now, there is significant uncertainty about the scale of implementation, with the immediate market reaction playing down some of the more growth-restricting policies.” He predicts that underlining strong economic fundamentals, the US economy could grow by 2.3% in 2025, followed by a decline to 1.5% in 2026. Inflation is anticipated to ease to 2.8% before potentially rising again in 2026 to 3.2%.

George Dent from BNY Mellon offered a more optimistic perspective, suggesting that market resilience following the pandemic, combined with central banks entering a rate easing phase and positive yields in bond markets, could stimulate consumer spending. Dent described the scenario as a ‘soft-landing’ for the market, although he acknowledged the looming threat of inflation, exacerbated by aggressive policy decisions that could inflate prices further.

Meanwhile, Hugh Gimber, a global market strategist at JP Morgan Asset Management, indicated that the ongoing trends in artificial intelligence (AI) would continue to shape investment strategies in 2025, independent of political shifts. He expressed concerns regarding the valuation gap between leading tech firms and the broader market, suggesting that either the overall AI ecosystem would need to catch up or face a reversal of fortunes. Gimber articulated, “Cheaper valuations and less demanding earnings expectations outside of mega-cap tech suggest that even AI bulls should position for further broadening across sectors in 2025.”

Fidelity International’s Salman Ahmed highlighted the transformative potential of a Republican victory for the US economy, implying a shift towards more inward-focused fiscal policies that could have wider global implications. This, combined with a robust labour market and solid consumer balance sheets, creates a scenario Ahmed labelled as "reflation." He noted that more expensive fiscal policies and proposed high tariffs could lead to increased inflation by mid-2025.

Conversely, Amadeo Alentorn from Jupiter voiced caution regarding the psychological factors driving US investment behaviour. He highlighted that equity markets are heavily influenced by sentiment and are currently at risk of overconcentration, especially as nearly a third of S&P 500 tracker investments flow into the 'Magnificent Seven.’ Alentorn remarked, “Such an investor is therefore taking a bet on technology stocks and a growth investment style.” He stressed that investors need to make informed decisions rather than blindly following market trends, warning that even passive investments require active consideration.

As market participants prepare for 2025, the interplay of technology trends, economic policies, and investor sentiment presents a complex and evolving landscape. Investing strategies will likely need to adapt to this environment as companies and policymakers navigate the dual pressures of growth and inflation.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://ca.rbcwealthmanagement.com/vernon.branch/blog/4431010-US-equity-returns-in-2024-Premium-performance> - Corroborates the S&P 500's significant gains in 2024, including the impact of AI and economic data on the market, as well as the Fed's rate cuts and inflation trends.
2. <https://www.blackrock.com/us/individual/insights/taking-stock-quarterly-outlook> - Supports the optimistic outlook for 2025, the impact of the election on market uncertainty, and the favorable economic backdrop with low unemployment and consumer resilience.
3. <https://www.ftportfolios.com/Commentary/EconomicResearch/2025/1/8/the-sp-500-index-in-2024-a-market-driven-once-again-by-the-mag-7> - Details the dominance of the 'Magnificent Seven' tech giants in the S&P 500, their earnings growth, and the concentration of market performance in these companies.
4. <https://markets.businessinsider.com/news/stocks/mega-cap-tech-stocks-earnings-chart-magnificent-7-nvidia-ai-2025-1> - Provides data on the earnings growth of the 'Magnificent Seven' tech companies, their outperformance compared to the broader S&P 500, and expectations for future earnings growth.
5. <https://ca.rbcwealthmanagement.com/vernon.branch/blog/4431010-US-equity-returns-in-2024-Premium-performance> - Mentions the potential impact of Donald Trump's policies, including tariffs, on economic dynamics and inflation.
6. <https://www.blackrock.com/us/individual/insights/taking-stock-quarterly-outlook> - Discusses the market's reaction to policy uncertainty and the potential for tax cuts and deregulation under a new administration.
7. <https://www.ftportfolios.com/Commentary/EconomicResearch/2025/1/8/the-sp-500-index-in-2024-a-market-driven-once-again-by-the-mag-7> - Highlights the narrow market performance where only a small percentage of stocks outperformed the S&P 500 Index in 2024.
8. <https://ca.rbcwealthmanagement.com/vernon.branch/blog/4431010-US-equity-returns-in-2024-Premium-performance> - Explains the role of AI in driving market trends and the performance of AI-related stocks in 2024.
9. <https://markets.businessinsider.com/news/stocks/mega-cap-tech-stocks-earnings-chart-magnificent-7-nvidia-ai-2025-1> - Details the significant earnings growth of Nvidia and other tech giants due to the AI revolution.
10. <https://www.blackrock.com/us/individual/insights/taking-stock-quarterly-outlook> - Addresses the strong economic fundamentals, including low unemployment and consumer resilience, which could support market growth in 2025.
11. <https://ca.rbcwealthmanagement.com/vernon.branch/blog/4431010-US-equity-returns-in-2024-Premium-performance> - Mentions the Fed's hawkish comments and renewed concerns about inflation towards the end of 2024, which could impact market sentiment in 2025.
12. <https://news.google.com/rss/articles/CBMijgFBVV95cUxNWExRcUhTUHRCM0hWcktZcUNVekgzUlJIYWxIbHFpcV9qWFQwVXZkOVBBamY2Y2F4aUIwdGVQbElJaUxDNGV1cnZoVlBxcWFiaDZWa05NalFMemd3YzBueFc5VGp4dkk2SnBTTEMxcFlpUFVWMWlYQ29fMnQyMXRmb3hLRldDc0tFa09SczFB?oc=5&hl=en-US&gl=US&ceid=US:en> - Please view link - unable to able to access data