

Global Research Marketing

Ten Macro Themes for 2025: Equity upside but not in a straight line

Investment Strategy

This is a redaction of a 37 page report published on December 3, 2024. Please reach out to your BofA Securities representative or Merrill Global Wealth Management financial advisor for more information.

1) Further upside for the S&P likely, it could come quickly

US Equity Strategist Savita Subramanian expects potential upside to 6666 for the S&P 500 by 2025 year end as earnings growth accelerates to 13%. Growth should broaden—consensus expects 96% of companies to grow EPS by 4Q25, a record high. Michael Hartnett expects a Q1 overshoot in equities but is more cautious thereafter.

2) Improved US productivity helps growth but policy mix plays a critical role for US and rest of world

Given the recent productivity improvements, the US Economics team expects higher US growth, inflation and policy rates than consensus. Trumponomics 2.0 policy mix likely better for the US than the RoW but risks around the forecasts are unusually large.

3) US bond yields to remain in a range

In 2025, Mark Cabana expects a relatively tight range for the 10Y, similar to 2024, and expects to end the year at 4.25%. Our forecast is built from relatively robust US econ macro projections. We expect to trade the 10Y range around 4-4.5% tactically.

4) Key commodities including oil to weaken

Given that commodity demand growth is mostly an EM story, the new US policy mix casts a bearish cloud on raw materials. Fundamentals point to oversupplied markets in 2025 for oil and grains but more finely balanced for metals.

5) USD strength through 1H25, then depreciation

Alex Cohen expects USD strength to continue into the first half of 2025, around which time upside drivers should wane amid a less certain policy/growth outlook.

6) EM faces short term risk, then likely improvement

Tariffs not yet priced into EM so the imposition likely sends markets lower, but a buying opportunity may present itself once the news is out, especially if USD peaks as strategy expects.

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7) US Cyclical should outperform

Savita also lists 9 reasons that cyclical strength should continue in 2025 including: Red sweep, productivity/efficiency focus, tight capacity after a decade of underspend, and light positioning – the crowded trades are secular growth and defensives.

8) Credit issuance strengthens, HY spreads make new lows

Our Credit Research team expects strong positive total returns for credit markets across the globe next year, the third year in a row of performance. They expect the ECB to be the most dovish of them all, favoring Euro IG credit. Yet, they expect the US economy to be the strongest of them all, favoring US high-yield and loans.

9) Chinese growth to weaken, easing to offset tariffs

Helen Qiao expects real GDP growth to decelerate to 4.5% in 2025. This is largely unchanged from the mid-year view and we expect domestic demand stimulus to offset tariff impact with a lag.

10) EU equity downside through mid-year, then recovery

EU Strategy sees 7% downside to the Stoxx 600 followed by a recovery to close to current levels. They turn tactically overweight Europe equities vs. global.



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