Annual Outlook

A Year of Transformation

Introduction: The Era of Transformation

Like the journey of a butterfly, the financial markets of 2024 have undergone a metamorphosis, emerging stronger and more dynamic than ever before. We are witnessing the unfolding of a new economic era, shaped by mega forces like Artificial Intelligence (AI), electrification, and unprecedented global political shifts. These forces are not fleeting trends—they are redefining how we think about growth, risk, and opportunity.

At **Seaview Investment Managers**, we believe 2024 marked the beginning of a significant transformation. As the butterfly sheds its cocoon to take flight, so too must investors adapt to thrive in this ever-evolving landscape. This document reflects on the defining themes of 2024 and explores how they will shape the opportunities and challenges of 2025.

THE EGG

Foundations of Change

2024

The egg represents potential, where the groundwork is laid for future transformation. For the U.S. economy in 2024, this "fertile ground" was defined by **economic resilience**, **political shifts**, and a complex dance of **inflation**, **interest rates**, and **investment trends**.

1. Economic Groundwork and Inflation Dynamics:

At the start of 2024, optimism about a rapid rate-cut cycle was fueled by significant disinflation in late 2023. Core PCE inflation fell sharply from 4.7% in May 2023 to 3.04% by December. However, the "last mile" of disinflation proved challenging:

- Inflation fluctuated early in the year, hovering near 3% until cooling input costs and deflating **goods prices brought it to 2.63% in June**.
- The Federal Reserve's bold moves in the latter half of the year, including a significant **50-basis-point rate cut in September**, reflected a cautious balancing act between fostering growth and managing long-term inflation risks.

Despite this, the "higher for longer" narrative seems to have prevailed. Fed Chair Jerome Powell's December comments confirmed a restrained approach, with only two rate cuts expected in 2025, compared to market expectations of four. This policy pivot **reinforced expectations of sustained elevated rates**, shaping the macroeconomic conditions for the years to come.

2. Resilience Amid Challenges:

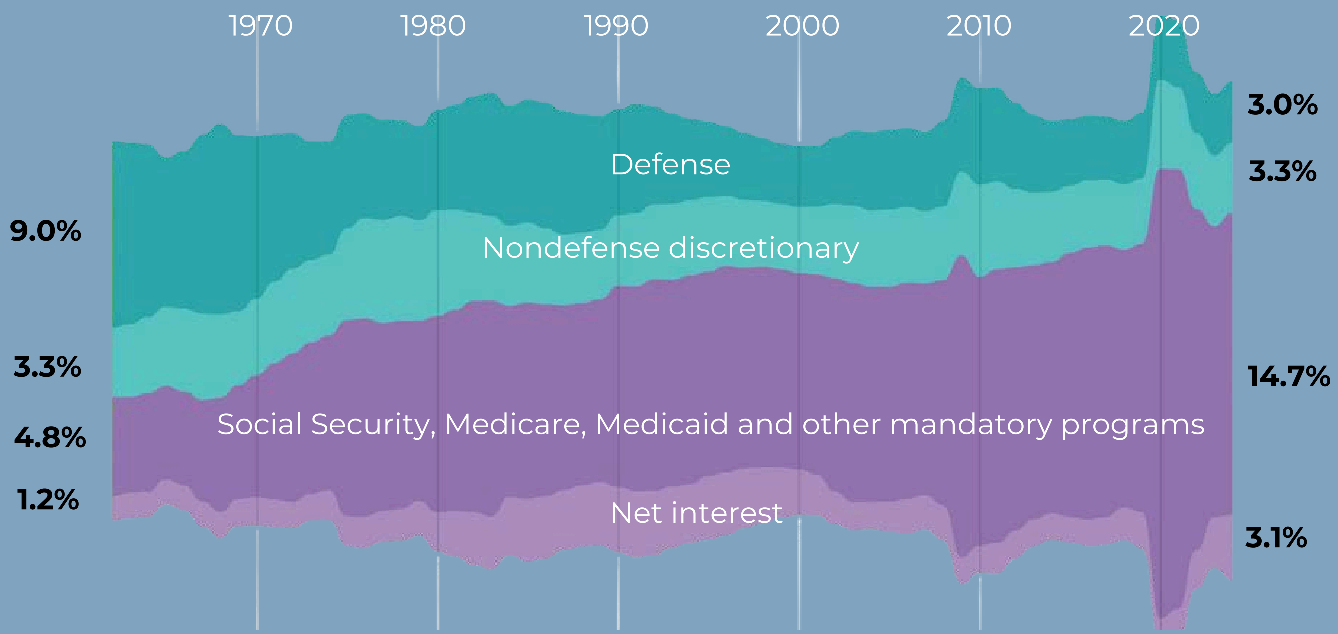
Even with persistent inflation and geopolitical uncertainty, the U.S. economy showcased remarkable strength in 2024:

- **GDP growth reached an estimated 2.7%** annualized, far outpacing other developed economies.
- Government spending and private-sector investments in Artificial Intelligence, insfrastructure, and data infrastructure played a critical role in this expansion.
- Big Tech's substantial investments in data centers, semiconductors, and technology infrastructure underscored the growing importance of supply chain resilience and energy innovation.

2024 US GOVERNMENT SPENDING

The U.S. federal government spent $6.75 trillion (fiscal year ended Sept. 30)

Spending as a share of US GDP



65% **Mandatory Spending:** Includes programs such as Social Security ($1.45 trillion), Medicare and Medicaid ($1.49 trillion combined), and other entitlement programs.

22% **Discretionary Spending:** Encompasses defense spending ($0.85 trillion) and non-defense expenditures ($0.62 trillion) on areas like education, transportation, and housing.

13% **Net Interest:** Represents interest payments on the national debt, totaling approximately $0.89 trillion.

Source: CBO

3. Political Shifts:

President Trump's re-election in 2024 sparked expectations of pro-growth policies, including the extension of the Tax Cuts and Jobs Act (TCJA), deregulation, and significant infrastructure investment. These measures had an immediate positive effect on key sectors:

- **Industrial:** Pro-growth policies and potential increases in infrastructure spending created optimism about higher demand for manufacturing and construction activities. This sector also benefits from lower corporate taxes and deregulation.
- **Financial:** Expectation of deregulation in the banking and financial industry increased, allowing for greater flexibility in operations and potentially higher profitability.
- **Energy:** Trump policies promoting domestic energy production, including fossil fuels and rolling back environmental deregulations bolstered investor confidence in oil and gas companies.

These moves fueled a wave of market confidence, post-election towards the end of the year. However, the same policies also brought **worries about the fiscal landscape**:

- **Ballooning Federal Debt:** By 2024, interest payments on federal debt exceeded $870 billion—surpassing defense spending for the first time in US history.
- **Shift in Treasury Demand:**
  - Foreign demand for U.S. treasuries, particularly from China, declined as China prioritized weakening its currency, the RMB, to boost its exports. Domestic investors, including pension plans, absorbed the increased issuance of treasuries, driving upward pressure on long-term interest rates.

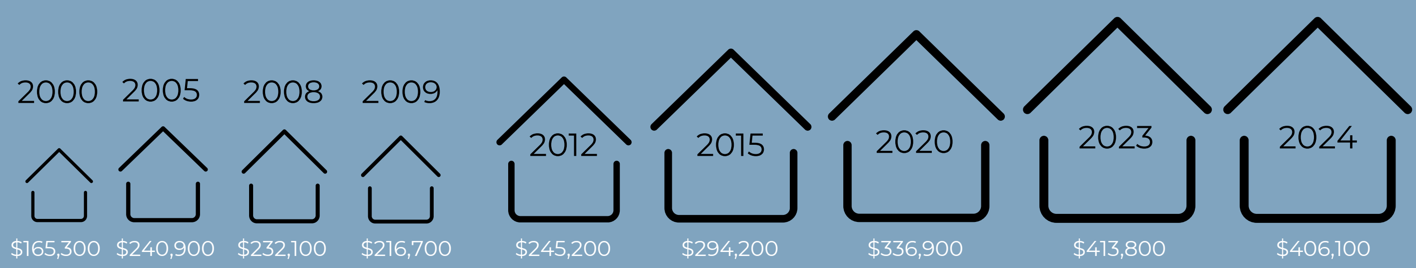
4. Housing, Employment, and Inflation Trends:

The tight labor market, with an **annual average unemployment rate of 3.8%**, resulted in strong consumer demand. Thanks to technological efficiencies, gains in labor productivity have allowed real wages to rise alongside higher labor output.

- **Housing prices grew by 4%**, moderating from prior years' double-digit gains, as higher mortgage rates cooled demand but ongoing government spending and demographic pressures supported stability.
- The **Producer Price Index (PPI) rose by an average of 2.5%** YoY, while the Consumer Price Index (CPI) remained between 2.7% and 2.9%, continuing a disinflationary trend.
- **Core-PCE**, the Fed's preferred measure of inflation, started the year hot at 3.1% (YoY) and initially cooled to 2.6% but the "last mile" of inflation has proven difficult, with the index rising back up to 2.8% in november.

MEDIAN SALES PRICE (USD) OVER THE YEARS

As November 2024, the median sales price for single-family homes was $406,100



Source: Federal Reserve Bank of St. Louis

US Key Economic Indicators: Tracking Trends and Rates

Monthly Data	Jan 2024	Feb 2024	Mar 2024	Apr 2024	May 2024	Jun 2024	Jul 2024	Aug 2024	Sep 2024	Oct 2024	Nov 2024
Unemployment Rate (%)	3.7	3.9	3.8	3.9	4.0	4.1	4.3	4.2	4.1	4.1	4.2
Average Hourly Earnings (YoY %)	4.5	4.7	4.5	4.2	4.0	4.0	3.9	4.0	4.0	4.1	3.9
Industrial Production (MoM %)	-1.12	1.23	-0.2	-0.16	0.61	0.27	-0.7	0.54	-0.54	-0.41	-0.15
Capacity Utilzation (%)	78.14	77.19	78.07	77.66	78.06	78.2	77.57	77.91	77.41	77	76.7
Producer Price Index (YoY %)	1.0	1.6	2.0	2.3	2.5	2.9	2.4	2.1	2.0	2.6	3.0
Consumer Price Index (YoY%)	3.1	3.2	3.5	3.4	3.3	3	2.9	2.5	2.4	2.6	2.7
Core-PCE (YoY%)	3.07	2.93	2.98	2.86	2.67	2.63	2.66	2.71	2.65	2.79	2.82
Federal Funds Rate (%)	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.00	5.00	5.00
3-Month T-Bill Rate (%)	5.21	5.26	5.24	5.25	5.25	5.24	5.19	5.08	4.74	4.51	4.42
2-Year T-Note Rate (%)	4.33	4.19	4.36	4.72	4.94	4.82	4.81	4.04	3.61	3.94	4.28
10-Year T-Note Rate (%)	3.94	4.03	4.18	4.33	4.59	4.5	4.48	3.78	3.91	3.74	4.36
30-Year Fixed Mortgage Rate (%)	6.69	6.94	6.88	7.17	6.94	6.87	6.77	6.49	6.09	6.44	6.84
Budget Balance (% of GDP)	-6.173	-6.291	-5.795	-5.602	-5.970	-5.430	-5.445	-7.044	-6.244	-6.894	-7.072

US Economic Growth, Consumer Behavior, and Financial Health Indicators

Quarterly Data	1Q 23	2Q 23	3Q 23	4Q 23	1Q 24	2Q 24	3Q 24
Real GDP Growth (QoQ %)	2.8	2.4	4.4	3.2	1.6	3.0	3.1
Personal Consumption (QoQ saar %)	4.9	1.0	2.5	3.5	1.9	2.8	3.7
Non-Farm Productivity (QoQ %)	0.3	3.7	3.8	3.1	0.7	2.1	2.2
Employment Cost Index (YoY %)	4.8	4.5	4.3	4.2	4.2	4.1	3.9
Average Hourly Earnings (YoY %)	5.3	5.1	4.8	4.6	4.5	4.1	4.0
Current Account (USD bn)	-230.2	-232.6	-220.7	-221.8	-240.9	-275.0	-311.0
Personal Saving Rate (%)	4.7	4.1	4.6	4.5	5.4	4.9	4.3
Core PCE Deflator (QoQ saar %)	4.7	3.8	2.4	2.0	3.7	2.8	2.2
Household Debt Service Payments (% of Disp. Income)	10.6	10.7	10.9	11.2	11.2	11.2	11.3
Mortgage Debt Payments (as % of Disp. Income)	5.6	5.6	5.7	5.7	5.7	5.8	5.8
Auto Loan Delinquencies (90 days +)	3.9	3.8	3.9	4.2	4.4	4.4	4.6
Mortagage Delinquencies (% of Total Loans sa)	3.6	3.4	3.6	3.9	3.9	4.0	3.9
Delinquency Rate on Credit Card Loans	2.5	2.8	3.0	3.1	3.2	3.2	3.2
Public Debt (% of GDP)	115.8	117.7	118.6	120.2	120.8	120.0	120.7

Source: Bloomberg

As the caterpillar feeds and grows, so too did global markets in 2024, building momentum for a transformative journey. Across the Americas, Europe, and Asia, **markets delivered strong returns**, reflecting investor confidence fueled by technological innovation, resilient economies, and strategic policy moves.

1. Markets Performance Overview:

The world markets, for the most part, had a stellar performance this year, with the **S&P 500 reaching 6,000** for the first time on November 11th and the Nasdaq 100 achieving its all-time high. These milestones were driven by robust earnings growth, advancements in artificial intelligence, and policy shifts that supported key industries such as technology, energy, and finance.

The table below showcases **key indices' performance across regions**, providing a snapshot of the growth and resilience seen in 2024:

Financial Markets	Index Name	Last Price	Total Return Ytd (%)	Total Return 2023 (%)	Currency
AMERICAS					
United States	S&P 500	6,040	28.54	26.05	USD
United States	Dow Jones	43,300	16.75	16.29	USD
United States	Nasdaq Composite	20,022	34.87	43.41	USD
United States	Russell 2000	2,267	14.02	16.75	USD
Canada	S&P/TSX Composite	24,876	22.55	11.03	CAD
Brazil	IBOVESPA	121,000	-8.78	27.39	BRL
Mexico	S&P/BMW IPC	49,930	-10.07	22.53	MXN
Chile	S&P/CLX IPSA CLP	6,691	7.74	18.76	CLP
EUROPE					
UK	FTSE 100	8,136	9.27	7.53	GBP
France	CAC 40	7,282	-0.37	19.97	EUR
Germany	DAX	19,848	18.36	19.95	EUR
Italy	FTSE MIB	33,739	16.71	34.26	EUR
Eurozone	EURO STOXX 600	502	8.69	16.41	EUR
ASIA					
Japan	Nikkei 225	39,161	18.92	31.30	JPY
Australia	S&P/ASX 200	8,201	13.15	15.85	AUD
South Korea	KOSPI	2,442	-6.85	21.48	KRW
China	Shanghai Shenzhen	3,933	18.75	-9.52	CNY
China	Hang Seng	19,883	21.86	-12.08	HKD

Source: Bloomberg

2. Technological Advances:

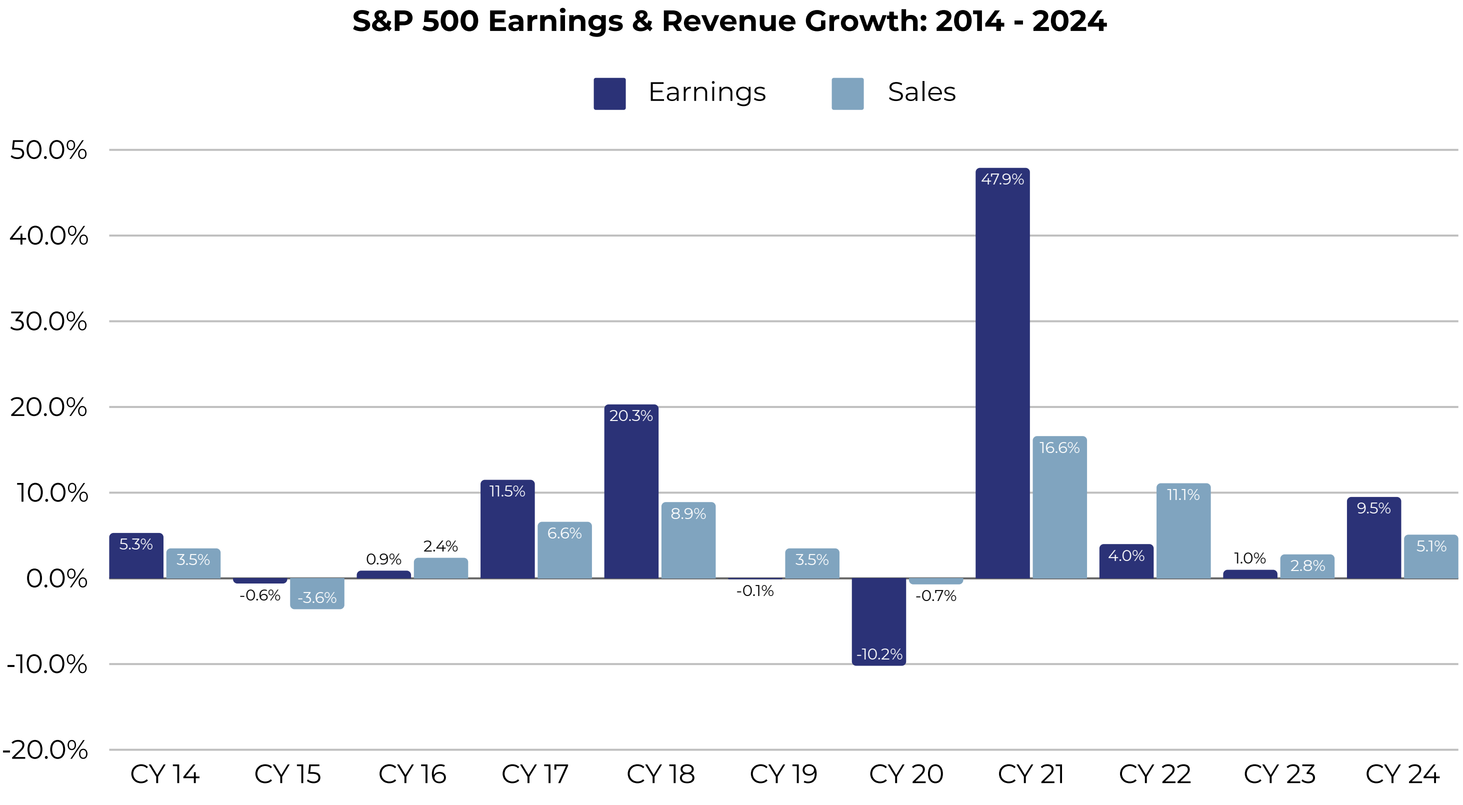
The excitement surrounding **Artificial Intelligence** and other technological breakthroughs has played a key role in **boosting the performance** of tech companies, significantly contributing to the index's growth.

- **Expanding AI Applications:** The adoption of AI across industries such as healthcare has driven investments in innovative tech firms, enhancing investor confidence in the sector.
- **Growth in Cloud Services and Data Analytics:** Rising demand for cloud computing and data analytics solutions has increased revenues for major tech companies, particularly those catering to enterprise needs.
- **Semiconductor Market Expansion:** The growing need for semiconductors to power AI advancements, 5G networks, and electric vehicles has strengthened this industry, benefiting leading players.

3. Corporate Earnings:

The **S&P 500 reported year-over-year (YoY) earnings growth of 9.5%** and sales growth of 5.1%, with much of this performance attributed to the **"Magnificent Seven"** companies. These seven industry leaders posted an impressive earnings growth of 33.33%, while the remaining 493 companies in the index achieved a more modest earnings growth of 4.2%.

The sectors leading this growth were **Communication Services** and **Information Technology**, fueled by high expectations surrounding advancements in **Artificial Intelligence (AI)**. The year 2025 is anticipated to be pivotal as companies focus on demonstrating the monetization potential of AI technologies.



Source: FactSet

4. Biggest Movers:

Vistra Corp (VST): This impressive growth is largely attributed to the company's strategic positioning in the energy sector, particularly its focus on nuclear power, which has garnered renewed interest amid shifting energy policies and technological advancements. 280.30%

NVIDIA Corp (NVDA): The company's success is driven by its leadership in the graphics processing unit (GPU) market and its pivotal role in advancing artificial intelligence (AI) technologies, which continue to see growing demand across various industries. 167.05%

GE Vernova: The company's focus on energy equipment, including gas turbines and electrical grid solutions essential for AI data centers. Additionally, GE Vernova's clean balance sheet, free from debt and with no retained shares by GE Aerospace. 157.42%

Axon Enterprise (AXON): The company's growth is linked to its innovative AI-based products, such as Draft One, which have garnered significant attention and investment, reflecting the broader market enthusiasm for AI-driven solutions. 151.13%

Texas Pacific Land Corp (TPL): The company's performance is influenced by its substantial land holdings and interests in the energy sector, particularly in oil and gas royalties, which have benefited from favorable market conditions and energy policies. 133.24%

Dollar Tree Inc: Aggressive pricing to attract cost-conscious consumers led to reduced profitability. The company also faced increased competition from other discount retailers and online platforms, which impacted its market share and investor confidence. -50.67%

Celanese Corp: Weak demand in key industries like automotive and construction, along with rising raw material costs and elevated debt from recent acquisitions, weighed on performance. Sluggish economic conditions in Europe and Asia further strained margins and investor sentiment. -55.92%

Moderna Inc: A sharp decline in COVID-19 vaccine demand exposed its dependence on pandemic-driven revenue. Despite efforts to diversify its pipeline with mRNA-based therapies, investors remained skeptical about the timing and profitability of its future products. -58.15%

Intel Corp: Delays in new product launches and market share losses to AMD and NVIDIA, particularly in AI chips, hurt performance. Expensive manufacturing expansions strained profitability and frustrated investors. -58.36%

Walgreens: Faced declining pharmacy margins due to lower reimbursement rates and growing competition from online pharmacies. Restructuring and healthcare investments have been slow to show results, raising growth concerns. -61.70%

THE CHRYSALIS

2025

Evaluating Strength Before Taking Flight

As the transformation progresses, **the butterfly within the chrysalis grows stronger**, preparing for its eventual emergence. The chrysalis stage represents transformation, where the foundational changes of 2024 began to evolve into the dominant trends shaping 2025. Similarly, the S&P 500, while appearing stretched in terms of valuation, reflects a market that is adapting to the new economic realities of technological advancement and corporate innovation.

1. Is the S&P 500 too Expensive?

At first glance, the **elevated Forward P/E ratio of 22.2x**—compared to its 30-year average of 16.8x—might seem like the butterfly's wings are too fragile to support sustained flight. However, historical trends and strong underlying fundamentals suggest otherwise. To analyze this, the Forward P/E ratio is the most relevant metric to observe.

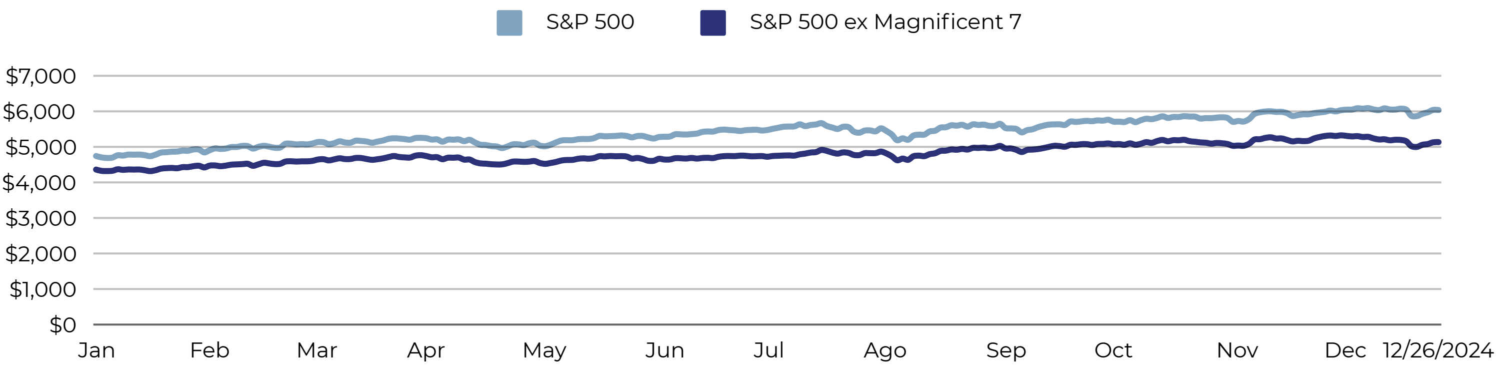
While valuations remain elevated hitting all-time highs, the S&P 500's valuation remains below pandemic-era peaks. This **leaves room for potential growth** as long as the broader economy continues to expand.

We believe that markets can continue to move up as long as the economy, corporate earnings, and sales continue to grow. Historical data demonstrates that, over the long term, the S&P 500's price generally aligns with these trends. Additionally, S&P 500 profits are increasing year-over-year, with Q3 2024 profit margins reaching 12.8%, reflecting improved efficiency among companies.

This mirrors the metamorphosis within the chrysalis—where transformations occur behind the scenes, preparing for a stronger and more resilient structure.

This reflects the impact of technological advancements, which have enabled **companies to become more profitable** while utilizing fewer resources—a positive indicator for long-term corporate health and sustainability.

The S&P 500 vs. S&P 500 Ex-Magnificent 7: A Comparative Climb in 2024

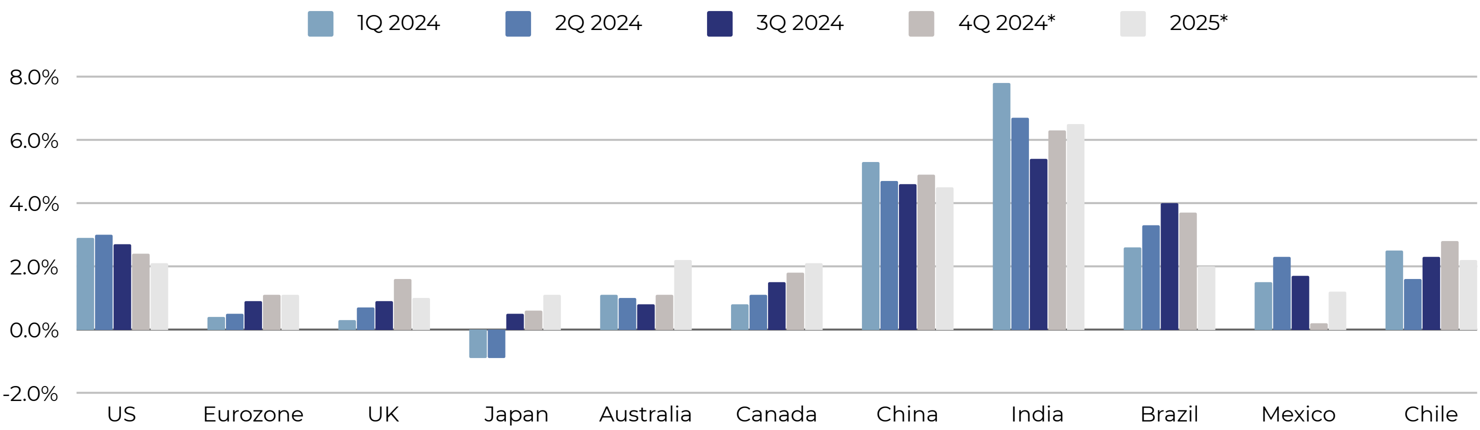


Source: Bloomberg

2. Looking Ahead: The Impact of Tariffs and Fiscal Policies

The Trump administration's **proposed tariffs**—targeted at strategic industries like steel, electronics, and chemicals—are set to become a pivotal economic tool. Economists believe it will **increase the effective tariff rate,** or the rate that also considers any tariff imposed on inputs used in production**, rate from 2.5% to around 5%.** While tariffs function as a tax-like mechanism, producing one-time price shocks rather than broad-based inflation, the broader fiscal picture raises questions. U.S. deficits are **projected to hit 6% of GDP by 2026**, driven by tax cuts, expanded spending, and rising debt-servicing costs. Despite these pressures, initiatives like Treasury Secretary Scott Bessent's **"3-3-3 Strategy"**—cutting deficits, spurring growth, and increasing domestic energy production—offer a path to navigate these challenges. Regarding Elon Musk's Department of Government Efficiency (DOGE), an April 2024 Report from the US Government Accountability Office estimates that fraud and inefficiencies cost the government between $200 and $500 billion dollars annually. A competent DOGE working with the federal government likely will be able to achieve savings in the long run to reduce deficits, although certainly not enough to cover all US outlays.

Real GDP Growth (YoY%)



**Forecast* *Source: Bloomberg*

3. Global Landscape: A Metamorphosis in Geopolitics

Like the intricate processes within the chrysalis, the global political landscape is undergoing profound transformation:

CANADA

Housing Crisis and Political Unrest

Canada faces a severe housing crisis, largely triggered by **record immigration since 2021**. On December 16, 2024, Finance Minister Chrystia Freeland resigned, symbolizing the government's failure to rein in soaring housing costs, waning GDP per capita, and high inflation.

Polling suggests the Conservative Party (CPC) may achieve a majority. Trudeau might resign to allow a new Liberal PM, or risk a snap election that **could lead to Pierre Poilievre** becoming Prime Minister in 2025. Financial markets generally favor a conservative government if it boosts housing construction, deregulates the energy sector, and fosters better relations with President Trump, potentially easing trade tensions.

EUROPE

Slow Growth, Energy, and Elections

Germany: The industrial powerhouse faces recession risks due to its reliance on Russian energy and waning Chinese demand. Upcoming parliamentary elections in February 2025 could see the far-right AfD attempt a coalition with the CDU, potentially leading to controversial constitutional debt rule changes. Germany's constitution limits fiscal deficits of 0.35%, thus changes around this rule could boost the struggling giant.

France: Political instability continues as Prime Minister Barnier's government collapsed following a no-confidence vote. New elections in mid-2025 could bring Marine Le Pen's far-right RN to power, increasing political and economic uncertainty.

Italy: While no immediate elections are scheduled, Italy faces mounting debt pressures and anemic growth, compounded by rising energy costs and high unemployment in southern regions. Political fragmentation limits reform efforts, while reliance on EU energy subsidies raises questions about long-term economic resilience.

Spain: Economy has shown resilience compared to some European peers, but it has high youth unemployment and political instability due to ongoing tensions with Catalonia. The re-elected Socialist government under Pedro Sánchez has pledged to continue reforms, focusing on green energy and labor market modernization. However, divisions within the coalition could slow progress, raising concerns over long-term fiscal stability.

UNITED KINGDOM

Post-Election Outlook

The 2024 general election marked a historic landslide for Keir Starmer's Labour Party, ending the Conservative Party's 14-year dominance. Labour won 411 seats, but their 33.7% vote share revealed a fragmented electorate. Smaller parties like the Liberal Democrats and Nigel Farage's Reform UK gained ground, reflecting voter frustration over economic mismanagement and scandals.

Labour's focus on health care, education, and economic renewal signaled a centrist shift, but fading support for Starmer could pave the way for Reform UK to lead in 2025. Meanwhile, the Bank of England is expected to cut rates four times in 2025, bringing them to 3.75% by year-end. Despite challenges like weak investment, high inflation, and low productivity growth, the new public spending rule policy could help lift GDP growth to 1.5% by 2025.

OTHER KEY 2024 ELECTIONS

South Africa: The 2024 South African election saw the ANC lose its parliamentary majority, increasing political uncertainty and investor wariness. The new coalition government could struggle with corruption and economic stagnation, affecting South Africa's credit rating, foreign direct investment, and currency stability.

European Parliament: The 2024 European Parliament elections shook the EU as right-wing populist and Eurosceptic parties gained about 25% of seats, challenging the pro-EU consensus. Ursula von der Leyen's re-election as European Commission President promotes continuity, yet the more fragmented Parliament complicates economic initiatives on climate, integration, and digital regulation.

LATIN AMERICA

Mexico: In Mexico, 2024's general election brought in Claudia Sheinbaum of MORENA as the country's first female president. With MORENA's supermajority in the Chamber of Deputies and near-supermajority in the Senate, sweeping reforms in energy and social programs are likely. However, markets reacted with volatility, a sharp depreciation of the peso and drops in Mexican-focused ETFs.

Uruguay: Uruguay's 2024 General Election saw Yamandú Orsi of the Broad Front claim victory, advocating progressive economic policies, higher social security benefits, and increased state control over pensions. This shift may change Uruguay's fiscal approach and investment climate, impacting public spending and market confidence.

Venezuela: The Venezuelan presidential elections in July 2024 were mired in allegations of fraud, suppression of the opposition, and widespread global condemnation. Edmundo González, widely seen as the legitimate winner, fled to Spain. The disputed outcome has exacerbated political instability, leading to protests, sanctions, and further isolation.

Argentina: Argentina's benchmark S&P Merval Index soared over 160% in 2024, and on dollar terms was up over 100%. The "super peso" likewise appreciated by 44% in real terms. Inflation fell from 25% monthly in December 2023 to just 2.7% in October of this year. Heightened optimism over Milei and his strong connections to right-wing leaders like Trump, Meloni, and Bolsonaro have led foreign investors like Rio Tinto to invest over 5 billion dollars in energy infrastructure. However, the country's long-term prospects depend on Milei's ability to avoid negative growth effects of too much austerity measures while balancing debt repayments and import costs.

MIDDLE EAST

The Middle East, responsible for one-third of global oil supply, remains a focal point for geopolitical tensions. **Oil prices are projected to average $75 per barrel in 2025**, slightly down from $80 in 2024, with demand growth expected at just 1 million barrels per day, below the past decade's average. Excess supply may stabilize prices, but potential disruptions—such as tensions in the Strait of Hormuz, which handles 30% of global seaborne oil trade—could push prices higher.

The unexpected collapse of Syria's Assad regime has heightened instability, with Hayat Tahrir al-Sham (HTS) now in control, relying heavily on Turkey and Qatar for stability. Meanwhile, **Israel has expanded into western Syria**, raising risks of escalation with Iran, whose domestic instability could also threaten the Strait of Hormuz.

Globally, tensions persist as **President Trump seeks to mediate between Russia and Ukraine**, but risks of broader conflict remain. In Asia, North Korea may escalate nuclear weapons activity given political unrest in South Korea. However, these uncertainties have reinforced gold's status as a safe-haven asset heading into 2025.

4. Inflation: A Pivotal Force in Economic Transformation

As the global economy transitions through its chrysalis phase, inflation remains a defining force, **shaping monetary policies and influencing consumer behavior worldwide**. While some countries see inflation easing due to cooling energy prices and supply chain improvements, others face persistent pressures driven by wage growth, housing demand, and geopolitical uncertainties. This complex dynamic underscores the challenge for central banks as they balance inflation control with fostering sustainable growth, marking a critical juncture in the transformation of global economic stability.

Inflation (YoY %)	2019	2020	2021	2022	2023	*2024**	*2025**	*2026**
United States (PCE)	1.4	1.1	4.1	6.6	3.8	2.3	2.1	2.0
Eurozone (Harmonised CPI)	1.2	0.3	2.6	8.4	5.4	2.4	2.1	2.9
United Kingdom (CPI)	1.8	0.9	2.6	9.1	7.4	2.3	2.8	2.3
Japan	0.5	0.0	-0.3	2.5	3.3	2.5	1.9	1.9
Australia	1.6	0.9	2.9	6.6	5.6	2.6	3.7	2.5
Canada	1.9	0.7	3.4	6.8	3.9	2.5	2.2	2.0
China	2.9	2.5	0.9	2.0	0.2	1.0	2.0	2.0
India	3.7	6.6	5.1	6.7	5.7	N/A	4.7	4.3
South Africa	4.1	3.3	4.6	6.8	5.9	4.9	4.2	4.5
Brazil	3.7	3.2	8.3	9.3	4.6	4.1	3.0	3.1
Mexico	3.6	3.4	5.7	7.9	5.6	4.0	3.3	3.0
Colombia	3.5	2.5	3.5	10.2	11.8	6.4	3.6	3.0

Source: Bloomberg
**Forecast*

5. Currency and Commodities Outlook

The **U.S. dollar is expected to strengthen further in 2025**, supported by loose fiscal policy, geopolitical uncertainties, and the Fed's tight monetary stance. However, it may peak mid-year if President Trump seeks to devalue it to boost domestic manufacturing and reduce imports. A strong dollar pressures emerging markets, constraining their monetary policy and balance of payments.

Sluggish growth continues to impact major economies:

- **Japan:** Growth remains limited by aging demographics and weak consumer spending, though yen strength may persist if rate hikes continue.
- **China:** Faces the "3D" challenge of **Debt, Demographics, and Deflation**, with sluggish demand and a reliance on central fiscal support.

Exchange Rate Trends Across Major Currency Pairs (2019–2026*)

Currency Pairs	2019	2020	2021	2022	2023	Dec 2024	*2025**	*2026**
EUR/USD	1.22	1.22	1.14	1.07	1.10	1.05	1.06	1.08
GBP/USD	1.33	1.37	1.35	1.21	1.27	1.27	1.28	1.29
USD/CAD	1.30	1.27	1.26	1.36	1.32	1.42	1.37	1.37
USD/JPY	108.61	103.25	115.08	131.12	141.04	153.00	146.00	140.00
USD/CNY	6.96	6.53	6.36	6.90	7.10	7.28	7.25	7.15
USD/BRL	4.02	5.19	5.57	5.29	4.85	6.08	5.88	5.79
USD/MXN	18.93	19.91	20.53	19.50	16.97	20.26	20.50	21.34

Source: Bloomberg
**Forecast*

Commodity markets offer mixed signals:

- **Oil:** Weak demand from China, the Eurozone, and emerging markets, coupled with increased non-OPEC+ supply, could keep prices under $75 per barrel barring geopolitical shocks.
- **Industrial Metals:** Prices like copper may remain under pressure unless China stages a cyclical rebound.
- **Gold:** could rally further on strong central bank demand and safe-haven appeal amid global uncertainties.

Slower global growth depresses cyclical commodities but supports gold's upward trajectory.

Trends and Projections in Commodity Prices (2019–2026*)

Commodities	2019	2020	2021	2022	2023	Dec 2024	*2025**	*2026**
Crude Oil Brent (USD/bbl)	59.29	53.82	57.55	69.43	75.76	73.03	71.22	69.11
Crude Oil WTI (USD/bbl)	51.26	48.33	53.19	66.42	70.90	69.85	67.88	65.29
Natural Gas (USD/Mmbtu)	2.93	2.81	3.21	4.03	4.18	3.22	3.46	3.86
Gold (USD/oz)	1386.75	1700.25	1844.71	1809.94	1945.59	2647.31	2685.00	2839.00
Silver (USD/oz)	16.78	21.97	24.38	23.22	23.76	30.53	30.94	32.51
Copper (USD/lb)	2.76	3.19	3.98	4.10	3.83	4.12	4.10	4.20

Source: Bloomberg
**Forecast*

The butterfly **represents the culmination of transformation**, as the economy and markets soar with the momentum built in earlier stages, much like the world is stepping into a transformative phase in 2025. With the foundation laid during 2024, this is the year when trends like AI monetization, electrification, and medical innovation take flight, reshaping industries and creating new opportunities.

1. AI Monetization: Separating Winners from Losers

The wings of artificial intelligence (AI) are ready to spread wide beginning in 2025, but not all companies will take flight. 2024 laid the groundwork with the rapid growth of GPU companies, data centers, and chipmakers, fueling adoption across industries. This trend is expected to carry forward into 2025, as demand for AI technologies continues to grow and more companies accelerate adoption.

However, a critical factor for AI's long-term establishment is AI monetization. We believe that 2025 will mark a turning point, where **we may begin to see clear winners and losers emerge**. Companies that successfully integrate AI into their operations, products, or services will begin see this reflected in improved sales and earnings. Conversely, others—despite incorporating AI—may fail to achieve significant business success due to poor execution or limited competitive advantage.

As AI adoption matures, investor expectations are shifting. **AI is no longer a novelty; it is now a business imperative**, and investors need tangible results to sustain confidence in this trend. Monetization strategies will play a pivotal role in this phase, with companies exploring various avenues such as:

- **AI integration** into existing products and services,
- **AI-as-a-Service** (AIaaS) models,
- **Data monetization** through AI-driven insights,
- **AI-powered content creation**, among others.

A notable example is **OpenAI**, which has begun exploring plans to introduce advertising into its AI products. After building a massive user base, the company's next objective is to enhance profitability, demonstrating how AI monetization will drive the next stage of growth for AI-focused businesses.

2025 will be a defining year for AI, as companies transition from adoption to monetization, separating those who can deliver meaningful financial outcomes from those who cannot.

2. Electrification: Powering a Sustainable Future

As the butterfly draws energy to sustain its flight, the world is undergoing a transformative shift to electrification—moving from **traditional fossil fuels to electricity as the primary power source**. This transition spans sectors such as transportation, manufacturing, and technology, driven by rising energy demands, advancements in renewable technologies, and the growth of AI-driven data centers.

Key Trends Driving Electrification

Renewable Energy Growth: Wind and solar energy are expected to dominate global capacity additions, supported by favorable policies, technological progress, and falling costs. By 2035, these sources are forecast to account for nearly 90% of new energy capacity worldwide.

Rising AI and Data Center Energy Demand: The rapid expansion of data centers, driven by AI adoption, is creating a significant increase in electricity consumption. In the U.S., data center power demand is projected to double by 2030, reaching 35 GW, compared to 17 GW in 2022. Globally, energy consumption from data centers could surpass 1,000 TWh, equal to Japan's current electricity use.

Aging Grid Infrastructure: The U.S. power grid faces critical challenges, with nearly half its infrastructure over 20 years old. Growing energy demand, congestion, and project delays require substantial investments to modernize and expand grid capacity.

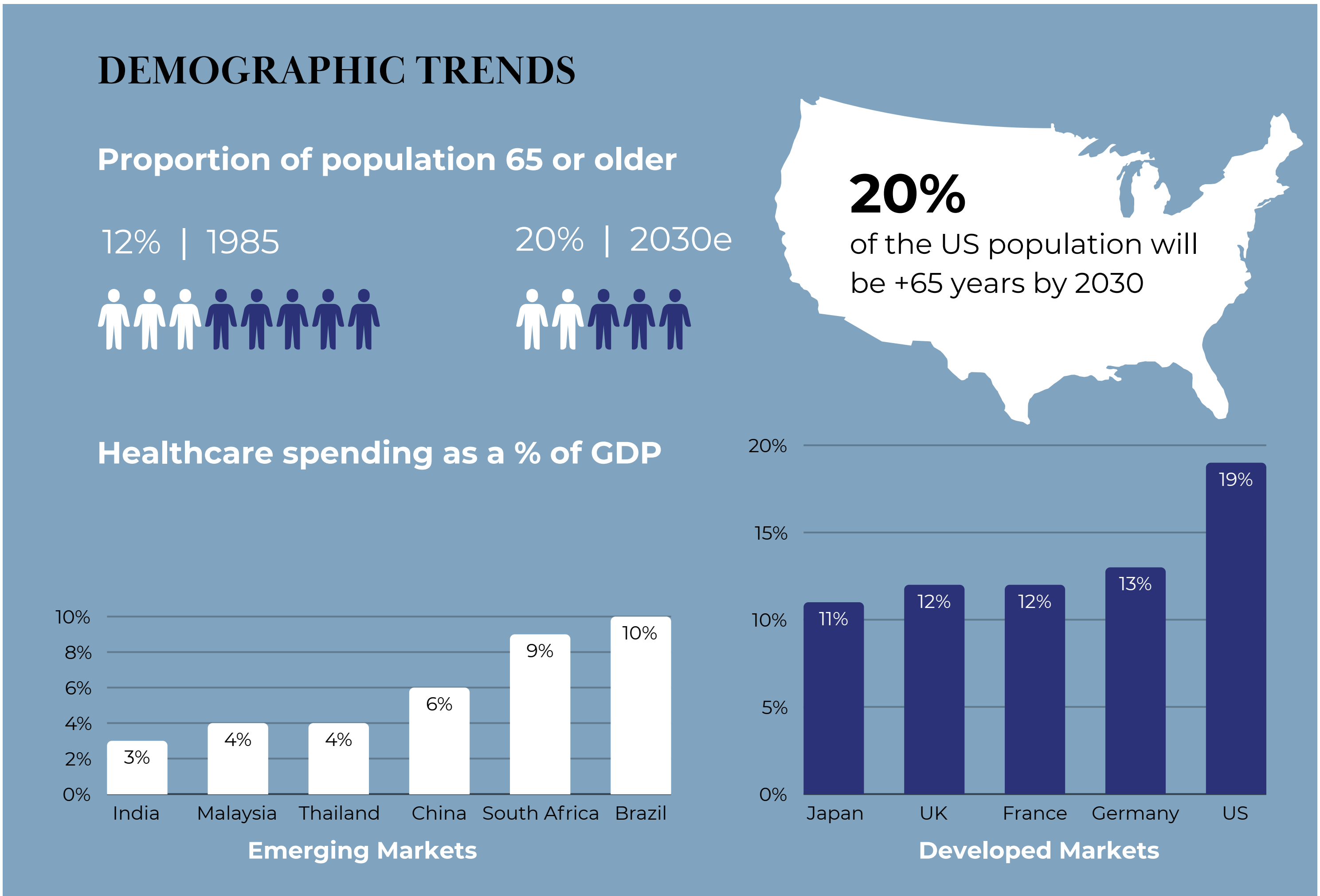
Nuclear Power as a Solution: To meet the rising energy needs of AI and data centers while supporting clean energy goals, tech companies are increasingly turning to nuclear energy. Small modular reactors (SMRs) are emerging as a promising solution, combining reliability with reduced emissions.

3. Medical Innovation: A Prescription for Transformation

The butterfly's transformation parallels the changes in global healthcare as medical innovation takes center stage in 2025. An **aging population** and advances in **biotechnology** and AI are driving unprecedented growth in the sector.

According to the World Health Organization, countries worldwide face significant challenges in preparing their health and social care systems to address the **demographic shift caused by an aging population**. By 2050, 80% of older adults will reside in low- and middle-income countries, with the pace of population aging accelerating faster than ever before. In 2020, the number of people aged 60 and older exceeded the number of children under five. Additionally, between 2015 and 2050, the proportion of the global population aged 60 and above is projected to nearly double, rising from 12% to 22%.

These demographic changes indicate a substantial **rise in global healthcare spending**, which is expected to drive progress in biotechnology and medical devices. Additionally, lower interest rates benefit biotech companies by allowing for increased investment in research and development. With the integration of artificial intelligence, this growth in R&D spending could accelerate the identification of new treatments and the development of drugs. By 2025, it is anticipated that **new AI technologies will be used in the discovery of over 30% of new drugs**, potentially cutting time and costs in the discovery-to-preclinical phases by 25% to 50%.



Source: The World Bank

Conclusions:

As we reflect on this journey through the lifecycle of transformation, the butterfly's story serves as a powerful **metaphor for the global economy and markets**. From the egg, where the seeds of change were planted in the form of economic resilience and political shifts, to the caterpillar, a phase of robust growth and preparation, and the chrysalis, where structural adjustments and external forces reshaped industries, we now find ourselves soaring into the future.

2025 is the year of emergence—a time when the groundwork laid in 2024 will begin to take flight. The trends shaping this year, from the monetization of artificial intelligence to the acceleration of electrification and breakthroughs in medical innovation, represent not only the culmination of transformative efforts but also the promise of **new opportunities**.

But as every butterfly's journey is shaped by the winds it navigates, so too must investors and businesses adapt to the dynamic forces at play. **The path ahead is marked by challenges**—geopolitical tensions, fiscal constraints, and evolving consumer expectations—but it also offers the potential for boundless growth.

At **Seaview Investment Managers**, we are inspired by this transformation. Just as the butterfly's flight requires **balance**, **agility**, and **vision**, navigating the complexities of the global economy demands a similar approach. Rooted in simplicity, disciplined risk control, and forward-thinking strategies, our **strong values** empower us to guide clients toward opportunities that align with these profound shifts.

In this era of transformation, the butterfly reminds us of the beauty in growth, the strength in adaptation, and the endless possibilities that emerge when preparation meets opportunity. Together, we will not only navigate this flight but thrive in it, ensuring that the story of 2025 is one of innovation, resilience, and **shared prosperity**.

Disclosures

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