

THE WISDOM OF
WALL ST

Forecasts Say “Be Diversified”

The Latest Forecasts from the Wisdom of Wall Street Say, “Be Diversified”

The Index Standard, a data fintech firm, regularly gathers and aggregates 10-year forward-looking forecasts from a variety of asset managers, insurance carriers and advisors. We call this aggregation the “Wisdom of Wall Street” and our aim is to help people look forward to where investment returns may come from. The finance industry is built on backward-looking illustrations, but we know history does not exactly repeat itself.

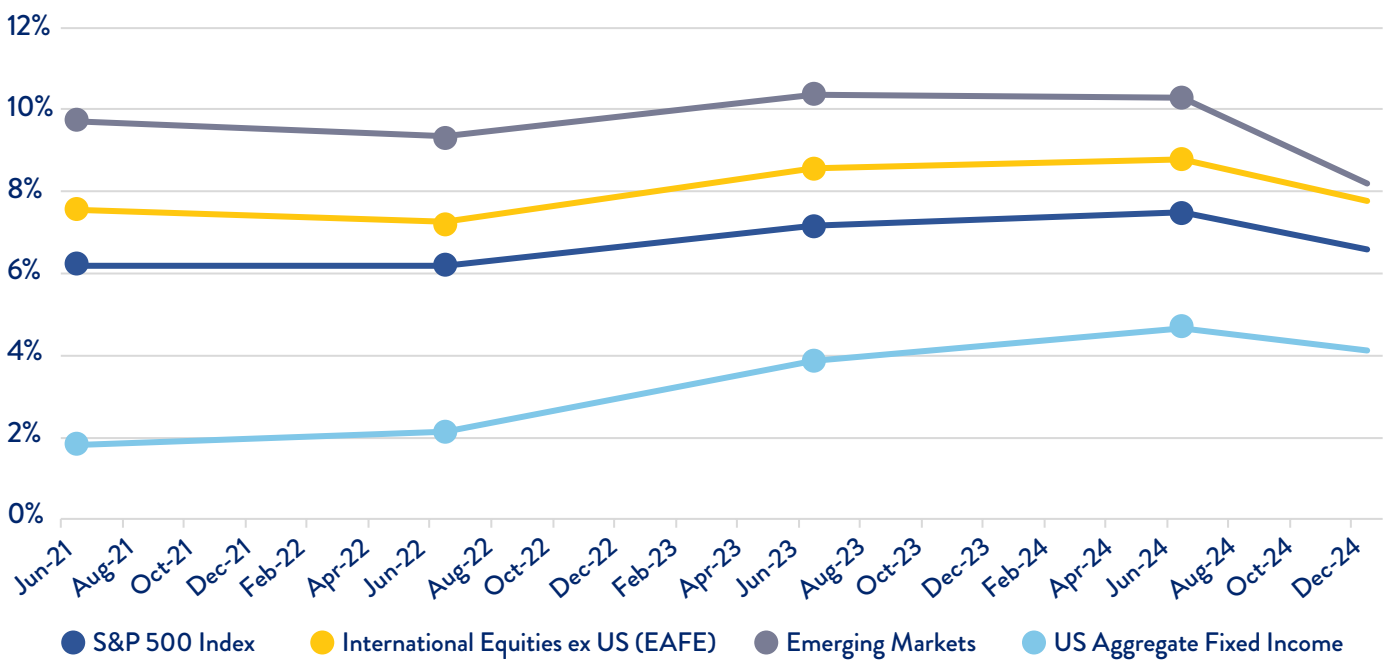
As we enter 2025, with both the macro-outlook and geopolitical situation looking uncertain, the most recent forecasts from The Index Standard highlight the following:

- **Think commodities** – aggregate commodity prices are low and expected returns are forecast to be 6.3% over the next 10 years, up from 5.1% from our last forecast in mid-2024.
- **Consider all regions when allocating to equities** – attractive equity returns are also expected to come from Europe and Emerging Markets, not just the US.
- Don't forget to be diversified as bond returns are expected to be solid too.
- Since our last update six months ago, returns across most asset classes are expected to decline somewhat after years of stellar returns, especially regarding equities.

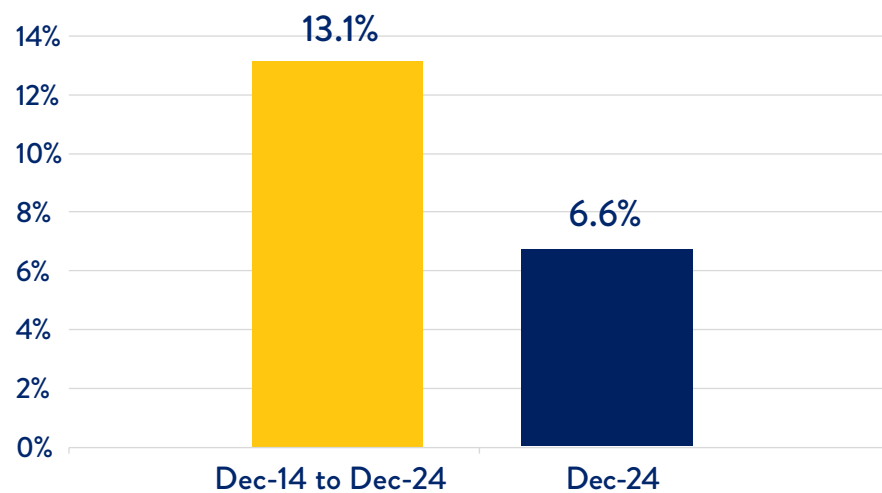
Commodities

The Wisdom of Wall Street sees the expected returns from commodities increasing to 6.3%, compared to 5.1% at our last 10-year forecast six months ago. This is a 22% increase in expected returns from commodities. Commodities may provide non-correlated returns to a portfolio and are coming off years of muted returns making them relatively attractive.

MAJOR ASSET CLASS TOTAL RETURN 10-YEAR FORECASTS



S&P 500 INDEX 10-YEAR HISTORICAL AND 10-YEAR TOTAL RETURN FORECASTS

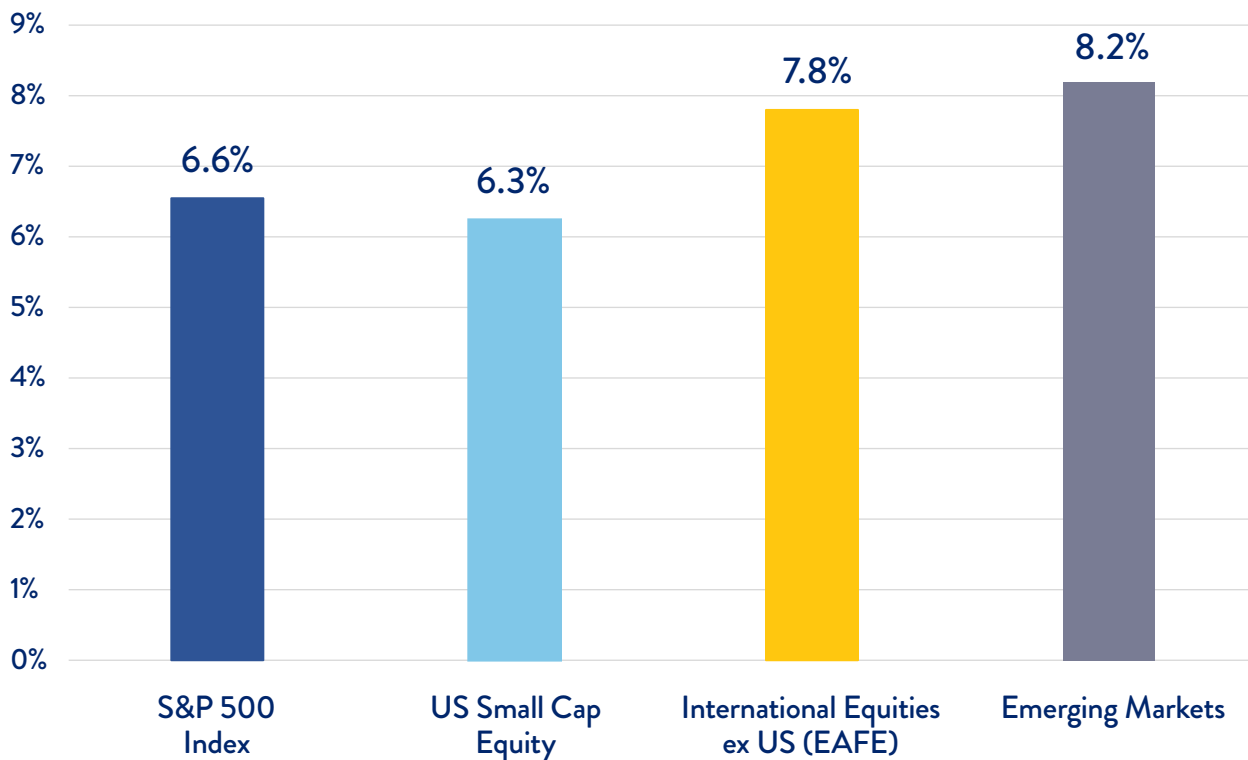


Equities

It is well known that the US stock markets have produced spectacular returns over the last 10 years. As a result, valuations are now high as measured by forward looking PE ratios or by the Cyclically Adjusted PE ratio and US large cap equity total returns are expected to be around 6.6%, falling from 7.6% six months ago.

Europe, now seen as a defensive-value-type play, and Emerging Markets, once lauded for their fast-growing economies, have both experienced a decade of low equity returns. However, the Wisdom of Wall Street is showing expected total returns of 7.8% and 8.2%, respectively, with low valuation multiples. These expected returns are a little down compared to six months ago. However, with these relatively attractive forecasts, it may make sense to include some equity exposure beyond the US.

RANGE OF EQUITY 10-YEAR TOTAL RETURN FORECASTS

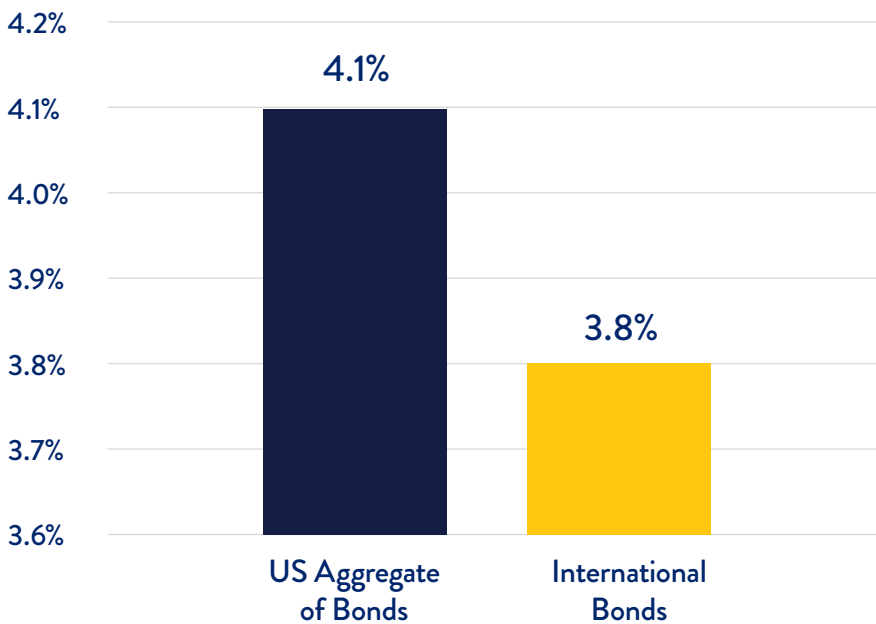


Bonds

The Fed Chair Jay Powell pivoted on the path of interest rates in mid-December 2024, causing a re-evaluation of both equity and rates expectations in the short term. In contrast, the expectation for bond returns across the board have remained consistent, with the 10-year expected total returns as follows: US Aggregate forecast at 4.1%; US Treasuries at 3.9%; and Global Aggregate at 3.8%.

Interestingly, forecast correlations between bonds and stocks are expected to be higher, which means there will be less diversification from a stock/bond portfolio. Investors will have to work hard to find true diversifiers and may have to consider a range of alternatives from annuities and structured products to private equity.

10-YEAR FORECAST BOND TOTAL RETURNS



Don't Dwell in the Past

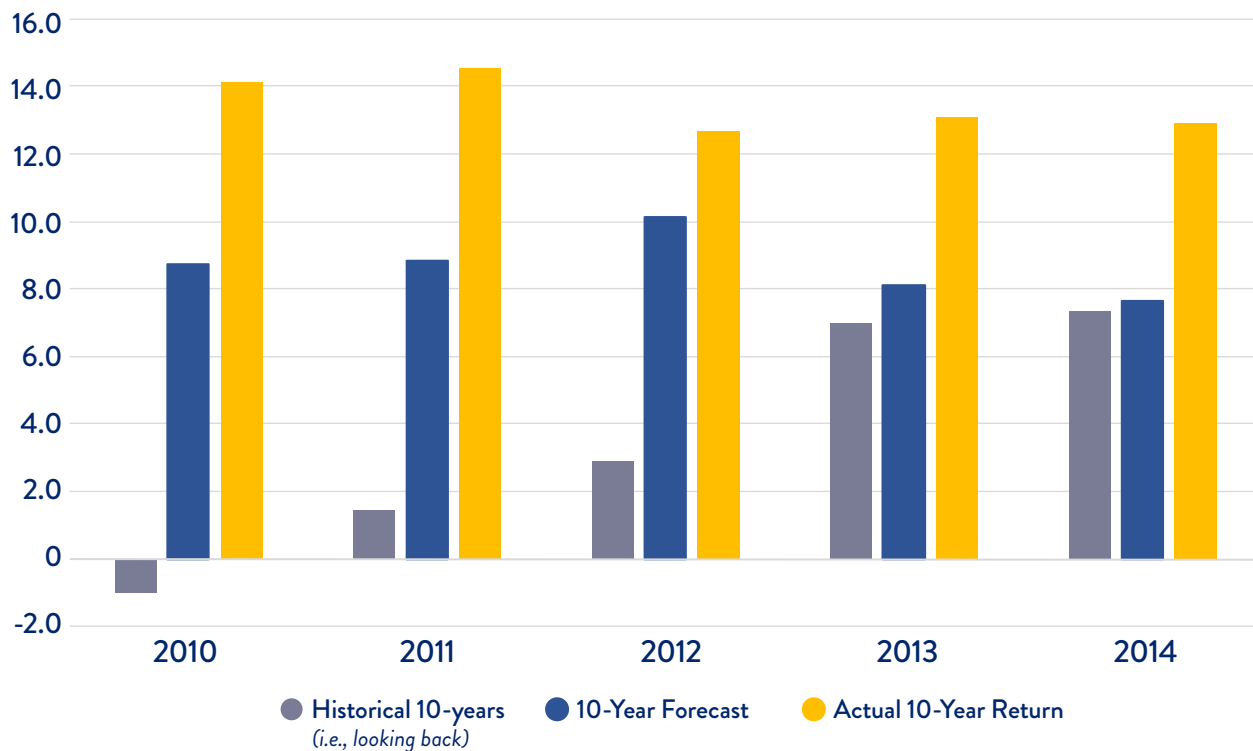
Sounds like self-help advice. It's actually our helpful tip for when you try to choose the right investment products.

The Index Standard has been tracking and analyzing aggregate historical forecasts from Wall Street since 2010, and we started our forecasts for specific indices in 2020. The graph below shows the forecast at the beginning of each year from 2010 to 2014, the prior 10-year returns at that point, and the actual returns.

As one can see, in each period, the forecast number based on expected returns brings in a valuable lens in which to consider returns, rather than just replying on historical numbers.

All numbers used in this report are total return.

S&P 500 INDEX 10-YEAR HISTORICAL, ACTUAL AND FORECASTS OVER TIME



Source: The Index Standard, Horizon Analytics 2010 to 2014. Past or projected performance is not an indication of future performance.

Get in touch and learn more about The Index Standard® client solutions.
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About The Index Standard

The Index Standard offers unparalleled expertise in independently evaluating indices and ETFs, providing clear insights into the \$1 trillion annuity and structured products markets. We simplify complex products with our suite of solutions including rating, forecasting, and annuity allocations, all presented in easy-to-understand reports in plain language. Our solutions are integral in streamlining the sales process, aiding clients in navigating choices and strategically allocating premiums, while also demonstrating best-interest intent and meeting due diligence requirements.



Laurence Black, Founder

Laurence is the founder of The Index Standard and an index advisor to Robert J. Shiller, Sterling Professor Emeritus of Economics at Yale University. Previously, Laurence was Managing Director, Head of Quantitative Indices and Strategies at Barclays where he oversaw the development of the Barclays index family, including the highly successful Barclays-Shiller indices and some of the first smart beta/factor indices. Laurence has an MBA degree from the University of Warwick, UK.



Jay Watson, Head of Analytics

Jay spent 20 years in investment banking as an expert in interest rates and quantitative investment strategies. He was previously Managing Director and Head of Multi-asset Index Structuring EMEA at Barclays in London, where he was instrumental in building Barclays' index business globally for over a decade. Jay holds an MA and a DPhil in theoretical physics from Oxford University, and a master's degree in mathematics from Cambridge University.



Branislav Nikolić, Head of Insurance

Branislav is an established thought leader in annuities and retirement income planning. He joined The Index Standard after a decade at Cannex Financial Exchanges, where as Vice President of Research he was instrumental in extending Cannex's strong presence in the retirement income space. Branislav holds a master's degree in probability and financial engineering and a PhD in applied mathematics from York University in Toronto, where he is also a lecturer in finance and mathematics.



Cynthia Ma, Chief Operating Officer

Cynthia has had a career in financial communications across Hong Kong, London and New York. She worked at Deutsche Bank then as Head of Internal Communications at Nomura in London she managed the Lehman Brothers staff integration following Nomura's acquisition. Most recently at InterOil, a NYSE-listed company, she was part of the award-winning IR team during the company's takeover by ExxonMobil. Cynthia has an MBA degree from the University of Warwick, UK.



Trent McKinnon, Associate Vice President

Trent joined The Index Standard after earning his dual master's degrees. He brings his financial engineering expertise to the team where he is involved in index research, product development, as well as client onboarding and liaison. Trent holds a BS in applied computational mathematics and statistics, and a BBA in accounting from the University of Notre Dame. In addition, he holds a MS in finance and a MS in economics from the University of Wisconsin-Madison.

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