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MARKET PULSE

TRANSAMERICA ASSET MANAGEMENT, INC.

2025 MARKET OUTLOOK SUMMARY

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Transamerica Asset Management, Inc.

U.S. ECONOMY

We believe the U.S. economy is capable of achieving approximately 2.5% gross domestic product growth in 2025, which we view as continuing to be a favorable environment for stocks and bonds. Catalysts for the year ahead include Federal Reserve rate cuts, declining inflation, rising corporate earnings growth, and a more business-friendly environment within the federal government. We see core rates of inflation continuing to mitigate into the sub-2.5% range by year-end.

FIXED INCOME

It is our assessment the Federal Reserve is likely to continue cutting rates and close out 2025 with a federal funds rate target range of 3.50%–3.75%. This is based on continuing expectations of declining inflation and the Fed's desire to normalize the real rate of interest closer to historical levels. We believe the 10-year Treasury bond yield will remain close to current levels, finishing the year at approximately 4.4% and resulting in an upward sloping yield curve. In this environment, we view intermediate-term, investment-grade corporate bonds as providing a strong risk-return profile.

U.S. STOCKS

We see more upside in the equity markets, and our year-end 2025 price target on the S&P 500® is 6,500. Potential catalysts for stocks in the year ahead include accelerating economic growth, rising corporate earnings, Federal Reserve rate cuts, ongoing lower taxes, and a less onerous regulatory environment. As the year proceeds, based on some level of convergence in historically wide valuation differentials, we see a high probability of a shift in market leadership likely favoring value stocks versus growth.

INTERNATIONAL STOCKS

Despite more than a decade of lagging comparative performance versus U.S. stocks, the environment could be turning constructively for international developed stocks. With highly attractive relative valuations and identifiable catalysts in Europe and Japan, we believe global investors could benefit from allocations to this space.

WILD CARD

In the aftermath of the U.S. elections, we view the single biggest wild card to the markets as being the potential implementation of additional trade tariffs by the U.S. The degree to which the Trump administration imposes additional tariffs, be it on China or a wider set of nations, could have economic and market impacts during the year ahead.

THOMAS R. WALD, CFA®

CHIEF INVESTMENT OFFICER
TRANSAMERICA ASSET MANAGEMENT, INC.

Tom oversees investment and mutual fund development and the sub-adviser selection process. He heads Transamerica Asset Management's investment thought leadership with advisors, clients, and media. Tom has more than 30 years of investment experience and has managed large mutual funds and sub-advised separate account portfolios. Tom holds a bachelor's degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.

Investments are subject to market risk, including the loss of principal. Asset classes or investment strategies described may not be suitable for all investors.

Past performance does not guarantee future results. Indexes are unmanaged and an investor cannot invest directly in an index.

Equities are subject to market risk meaning that stock prices in general may decline over short or extended periods of time. Indexes are unmanaged and an investor cannot invest directly in an index.

Fixed income investing is subject to credit rate risk, interest rate risk, and inflation risk. Credit risk is the risk that the issuer of a bond won't meet their payments. Inflation risk is the risk that inflation could outpace a bond's interest income. Interest rate risk is the risk that fluctuations in interest rates will affect the price of a bond. Investing in floating rate loans may be subject to greater volatility and increased risks.

Growth stocks typically are particularly sensitive to market movements and may involve larger price swings because their market prices tend to reflect future expectations. Growth stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market favors "value" stocks. Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that an undervalued stock is actually appropriately priced.

Investments in global/international markets involve risks not associated with U.S. markets, such as currency fluctuations, adverse social and political developments, and the relatively small size and lesser liquidity of some markets. These risks may be greater in emerging markets.

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The federal funds rate refers to the target interest rate range at which commercial banks borrow and lend their excess reserves to each other overnight, which is set by the Federal Open Market Committee.

The 10-Year U.S. Treasury bond is a U.S. Treasury debt obligation that has a maturity of 10 years.

S&P 500® Index: An unmanaged index of 500 common stocks primarily traded on the New York Stock Exchange, weighted by market capitalization.

Transamerica Asset Management, Inc. (TAM) is an SEC-registered investment adviser. The funds advised and sponsored by Transamerica Asset Management, Inc. include Transamerica Funds and Transamerica Series Trust. Transamerica Asset Management, Inc., is an indirect wholly owned subsidiary of Aegon Ltd., an international life insurance, pension, and asset management company.

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