

## Expert Guesswork

*"An economist is an expert who will know tomorrow why the things he predicted yesterday didn't happen today."*

- Laurence Peter



It's been a bumpy start to the year.

President Trump launched a memecoin that at one point was worth more than Moderna. He also outlined tariff threats to major trade partners, while DOGE gave access to the Treasury Department's payments system (handling ~\$6T a year), and a Chinese AI model led to major corrections (and subsequent BTFD opportunities) for US Tech.

The markets for January?

S&P 500 +2.7%

MSCI All-Country World Index ACWI +3.9%

11 more months to go...it's worth asking the question

**What will the markets do in 2025?**

In a previous life, I used to read the investment outlooks produced by the big banks and research houses for work. In my current life I still read them...but solely for fun.

This is to take nothing away from the effort that goes into them.

They're interesting and pretty and provide some great context...but effort does not the outcome make.

Should we put our faith in Bank of America's call of S&P 500 to [6,666](#) by the end of the year?

Or how about JP Morgan's positive sentiment for the UK, since it's pretty cheap and yieldy?

Perhaps we follow Blackrock's advice where "*investors should focus more on themes and less on broad asset classes.*"

Better idea – why don't we simply read every one of them and condense down to the average outlook?

Thanks to AI I didn't need to spend Christmas doing that.

I asked several bots the same thing and the overall takeaway is...***cautiously optimistic.***

There are themes repeated across the analyst reports and they pretty much all fall under the tone of the overall synthesised takeaway...

- **Economic growth** is expected to slow but remain positive.
- **Interest rates** are anticipated to decline in 2025, but remain higher than pre-pandemic levels.
- **Inflation** is projected to cool further but remain above central bank targets in many regions.
- **Artificial Intelligence** is seen as a major transformative force, with potential impacts on economic growth and investment opportunities.
- **Climate change and ESG** considerations are increasingly important factors in investment strategies.
- **Geopolitical risks and regulatory uncertainty** continue to be significant factors that could impact markets.

My favourite is the last one.

**Risks remain risky.**

So everyone's landing on a generally positive, but hedged, outlook.

So far, not very memorable or impactful.

In trying to predict the future, I think we could say the same thing at the end of any given year...should be positive, but maybe not.

This is exactly what we see reflected in the numbers too...

The S&P 500 forecasts for the end of this year are:

EXHIBIT 1

**Meet the New Outlook, Same as the Old Outlook: Wall Street Targets for 2025<sup>1</sup>**

Firm	2025 Target
Morgan Stanley	6,500
Goldman Sachs	6,500
UBS	6,500
BMO Capital Markets	6,700
Deutsche Bank	7,000
JP Morgan	6,500
BofA	6,666
Oppenheimer	7,100
Barclays	6,600
RBC	6,600
Citigroup	6,500

- **Average expectation:** 6,651
- **Median expectation:** 6,600

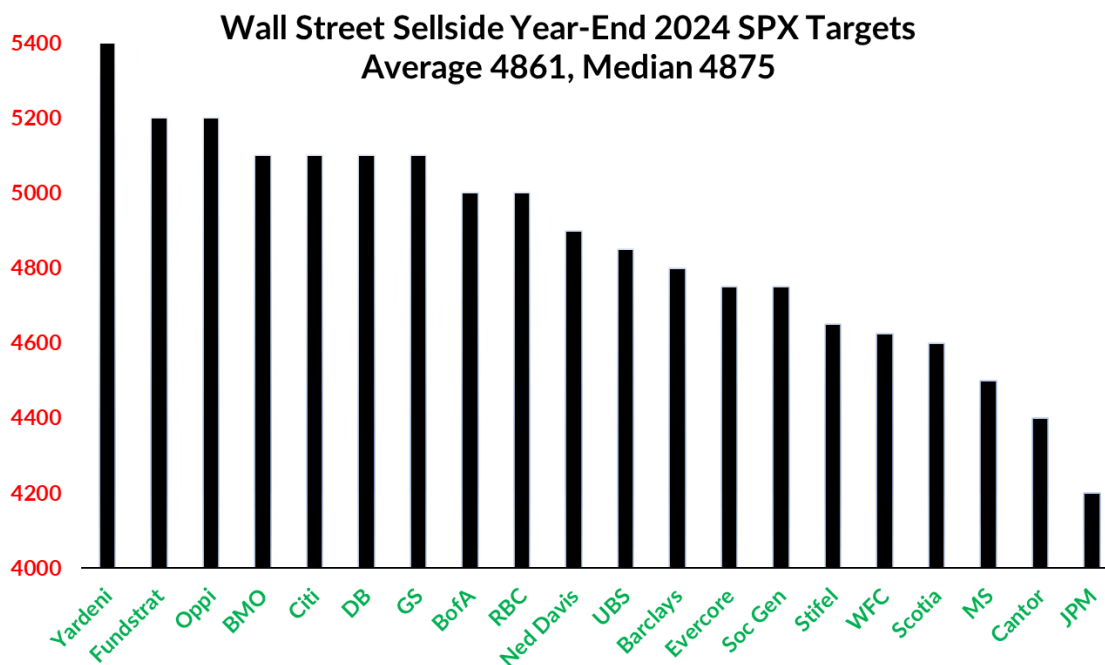
Past performance does not predict future results, I know, but before we go allocating or changing our portfolios based on this 6,651 average target, let's just do a quick backtest.

Looking back at this time last year we can see how the predictions for 2024 panned out...

...in short, way off.

EXHIBIT 2

**Not Optimistic Enough:** Wall Street Targets for 2024<sup>2</sup>



**The average S&P 500 outlook came in at 4,861 and the median at 4,875.**

As of today (6 Feb 2025), the S&P 500 is trading at 6,061; ~25% higher than the average and ~12% higher than the highest forecast in [the sample](#).

2024 was mad though, wasn't it?

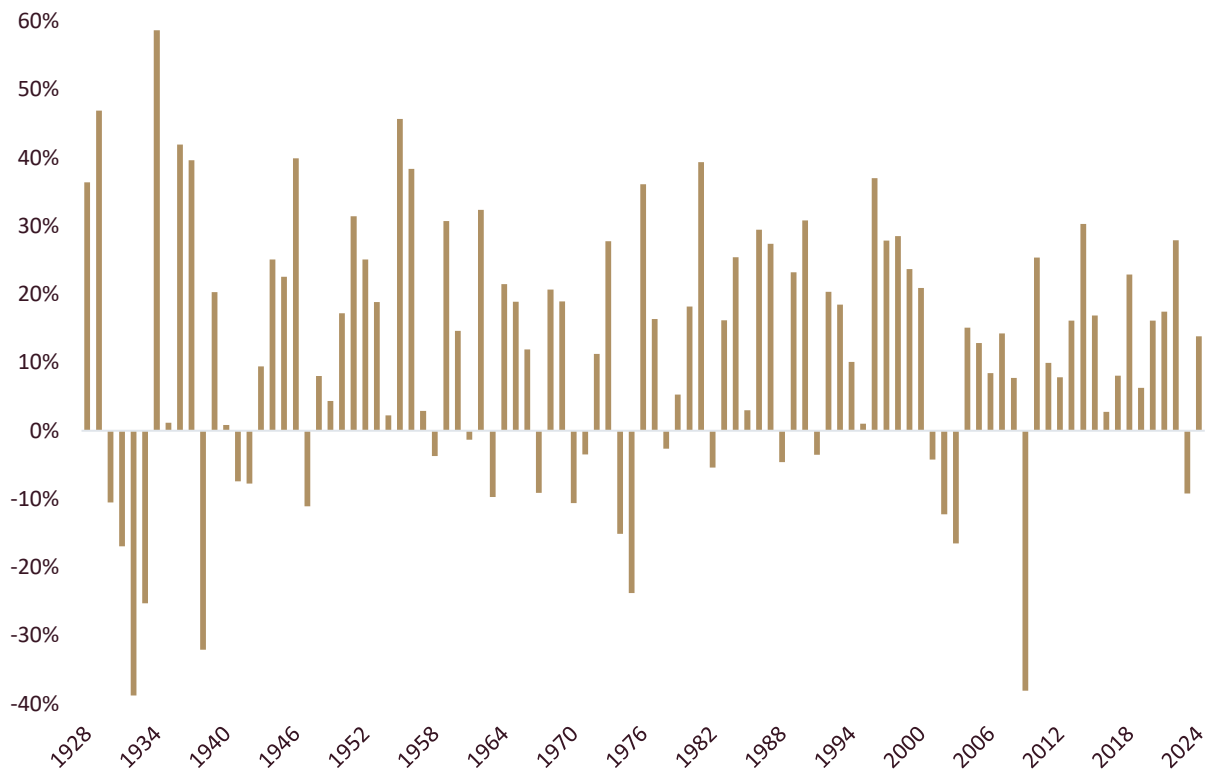
Not really.

The annual returns for the stock market (proxied by the S&P 500 below) pan out like this:

### EXHIBIT 3

#### Long-Run Market Returns: S&P 500 Annual Performance

(1928-2024)<sup>3</sup>



A couple of things to note:

- The average return over nearly 100 years is ~10.5%
- There are only 9 years out of 97 when the returns fell within 8% and 13%

Overall takeaway this time: a **“normal” year is abnormal.**

So the analysts were off on 2024; let's go back to 2000...

#### EXHIBIT 4

#### Forecasts vs Reality: S&P 500 Estimated Annual Returns vs Performance

(2000-2024)<sup>4</sup>



Again, a couple of things to note:

- **The average of the analysts never once called a down year correctly**
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There's safety in numbers, and, if the average return over time is 8% a year, it makes sense to go with a positive estimate every single year.

The problem is, this forecasting isn't able to predict anything beyond "we expect markets to go up, but with volatility."

**Otherwise known as investing.**

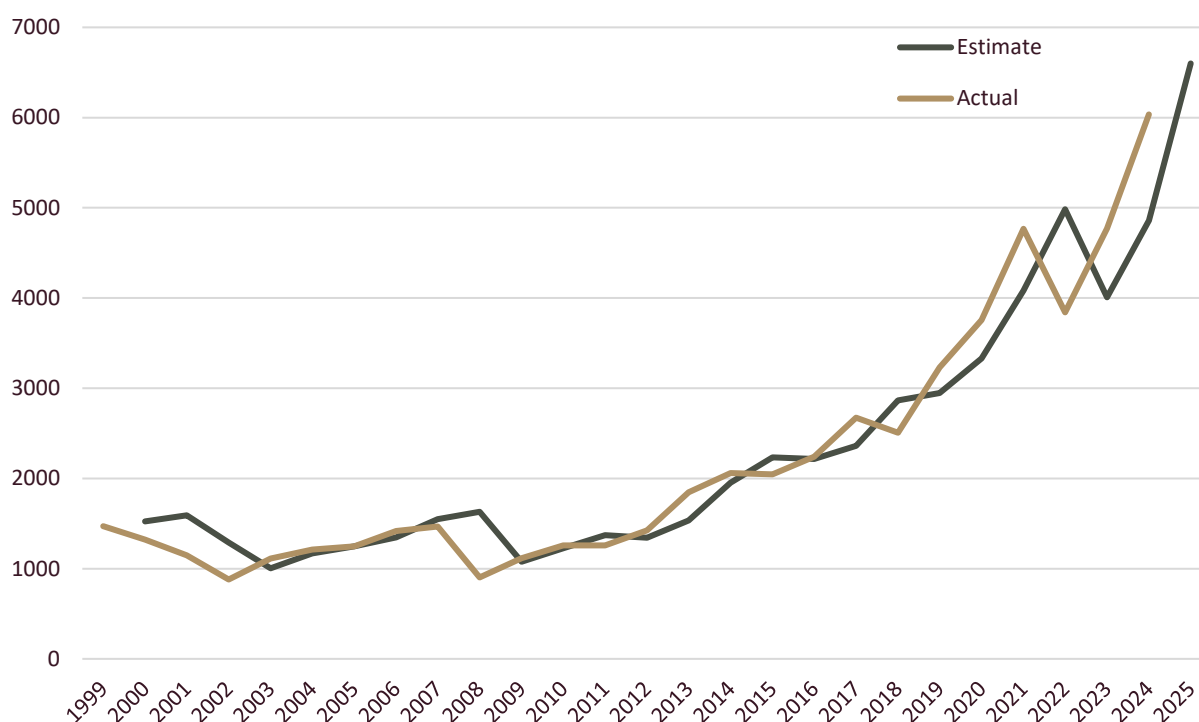
Last thing.

Even though the forecasters are rarely right for any given year, **their optimism plays out very much in line with the real world.**

#### EXHIBIT 5

#### Consistent Optimism Becomes Reality: S&P 500 Estimated Returns vs Performance

(2000-2024)<sup>4</sup>



#### Markets do in fact go up over time, with volatility.

So if we start each year with a certain level for the S&P 500 (e.g. 1,078 in 2010) and take the average forecast for the next year (e.g. 10% estimate for 2010), “up” is generally a good shout.

#### How is this reflected when you invest with Biograph?

Although we look at forecasts, we don’t partake ourselves.

The stock markets is the tool we use to grow your wealth over time.

This means you’ll have up years and down years, but there’s no point in trying to predict when. Ironically, we’re better off taking the general view of the analysts and not veering from it for any given year: **expect up but be prepared for down.**

## References

<sup>1</sup> Various financial institution outlook reports

<sup>2</sup> LPL Financial

<sup>3</sup> Dimensional Fund Advisors

<sup>4</sup> Dimensional Fund Advisors

<sup>5</sup> Dimensional Fund Advisors

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## Risk Warning

The value of units can fall as well as rise, and you may not get back all of your original investment.

Approved by In Partnership FRN 192638 February 2025