

**AlphaFlex by ConsX: U.S. Economic Outlook Newsletter****January 1 – March 31, 2025****Date: January 14, 2025**

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**AlphaFlex Portfolio Performance: Week of January 6–13, 2025**

For the week of January 6th to 13th, 2025, the AlphaFlex Portfolio, utilizing a strategic allocation of 70% AlphaFlex Safe and 30% AlphaFlex Growth, showed a slight decline of **-0.001%**. In comparison, the broader market, represented by the S&P 500, experienced a more substantial drop of **-2.55%** during the same period. Despite this marginal dip, the AlphaFlex Portfolio demonstrated relative resilience, reflecting its diversified approach and cautious risk management, which continues to serve as a buffer against broader market volatility.

**Year-to-Date (YTD) Performance:**

As of January 13, 2025, the AlphaFlex Portfolio is up **+2.89%**, significantly outperforming the broader market (S&P 500), which has a YTD return of **-1.16%**. This reinforces the portfolio's effectiveness in delivering strong relative performance despite market challenges.

The AlphaFlex Portfolio's performance highlights the effectiveness of its balanced allocation strategy, with the AlphaFlex Safe Fund providing stability through low-volatility, income-generating assets, while the AlphaFlex Growth Fund seeks to capitalize on opportunities in high-growth sectors like infrastructure, energy, industrials, and technology.

## **Welcome to the AlphaFlex Quarterly Outlook!**

As we enter the first quarter of 2025, the U.S. economy finds itself navigating a mix of new political developments, persistent inflationary pressures, and shifting monetary policies. The inauguration of President Donald Trump on January 20, 2025, will introduce new fiscal policies that may significantly influence economic growth, trade relations, and market sentiment.

This newsletter dives into the key trends and pivotal events shaping the economy this quarter, including Federal Reserve policy, inflation dynamics, corporate earnings, and geopolitical risks. Our focus is to provide you with the insights you need to make informed decisions during this dynamic period.

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### **Executive Summary**

The U.S. economy is entering 2025 with a complex backdrop. The return of President Trump to office will likely reshape fiscal policy, particularly with the introduction of a \$2 trillion infrastructure package and corporate tax cuts. At the same time, the Federal Reserve's cautious monetary stance, following late 2024 rate cuts, suggests a wait-and-see approach regarding inflation control.

Inflation remains a key concern, driven largely by rising housing and energy costs. As corporate earnings season begins in mid-January, the earnings reports from major sectors will offer critical insights into the health of the economy and the potential for growth moving forward.

Despite challenges, the AlphaFlex portfolio's blend of stability and growth positions investors to manage volatility and benefit from opportunities in both defensive and cyclical sectors.

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### **Federal Reserve Monetary Policy**

The Federal Reserve remains cautious in its approach to managing inflation and adjusting interest rates. With key Federal Open Market Committee (FOMC) meetings scheduled for January 28-29 and March 17-18, investors are keenly watching for any signals of policy shifts.

### **Market Implications:**

The rate cuts of 2024 have been a boost for growth and tech stocks, but with inflation still elevated, further cuts might be delayed. This could add pressure to equities, especially growth-oriented sectors. On the other hand, higher yields may attract investors to fixed-income assets, leading to reduced liquidity in the stock market.

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## Inflation Trends

Inflation continues to pose a significant challenge, driven by rising housing and energy costs. In January, inflation expectations reached 3.3%, further emphasizing the need for strategic portfolio management.

### Market Impact:

Persistent inflation could reduce consumer purchasing power, particularly in discretionary sectors, and increase the cost of living for households across the country.

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## Corporate Earnings Season

The Q4 2024 earnings season kicks off in mid-January, with key companies in technology, finance, and energy reporting their results. This will offer a clear picture of how businesses are adjusting to inflation and economic pressures.

### Why It Matters:

Positive earnings reports in energy and industrials could signal growth opportunities, while weaker-than-expected guidance might cause broader market sell-offs.

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## Geopolitical Developments

Geopolitical risks, particularly the ongoing trade tensions with China and the instability in Ukraine and the Middle East, remain key concerns for the global economy. These developments will likely

influence market sentiment and commodity prices in the coming months.

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## Political Developments

The return of President Trump brings potential for significant fiscal changes, particularly the introduction of his \$2 trillion infrastructure plan. However, the potential for increased fiscal deficits raises concerns about Treasury markets and long-term debt sustainability.

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## Key Economic Indicators

**Retail Sales:** January 16, February 14, March 14

**Nonfarm Payrolls (NFP):** January 5, February 2, March 1

**GDP Growth:** Q4 2024 data to be released January 30

These indicators will be crucial in gauging the health of consumer spending, employment trends, and overall economic growth.

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## Portfolio Recommendation

Given the economic landscape, we continue to recommend the following portfolio allocation for Q1 2025:

**70% Allocation:** AlphaFlex Safe Fund—focused on low-volatility, defensive assets such as basic materials, utilities, and dividend-paying stocks.

**30% Allocation:** AlphaFlex Growth Fund—targeting high-growth sectors like infrastructure, energy, and industrials, which may benefit from fiscal policy changes and economic recovery.

This diversified approach is designed to weather market volatility while positioning for future growth. We will continue to monitor developments closely and adjust the allocation if necessary before the next quarter.

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### Conclusion

As we look toward the remainder of Q1 2025, the U.S. economy faces both challenges and opportunities. While inflation and geopolitical risks present significant hurdles, the potential for growth in sectors like infrastructure and industrials remains high. By maintaining a diversified portfolio like AlphaFlex, investors can navigate this volatile environment with a balanced strategy.

**Disclaimer:** This newsletter is for informational purposes only and does not constitute investment advice. Past performance is not indicative of future results.

To access our portfolio, visit: [ConsX.io/alphaflex](https://ConsX.io/alphaflex)