



# Staring into the crystal ball

**A**s the new year gets going, your inbox is no doubt being flooded once more by e-mails from stockbroking firms and business news sites, not to mention your friendly wealth manager or private bank, all telling you with a mixture of over-confidence and some trepidation what is likely to happen in the unforecastable world of financial markets over the course of 2025.

This is how investment professionals roll, after all. I still remember how impressed I was when I initially joined the equity analysis team of a large institution in South Africa, 29 years ago to the week. In the first morning meeting that I attended, one of my new colleagues presented on opportunities within the sector of the JSE in which he specialised, focusing on the *forward* p:e ratios of various companies.

How clever, I thought! As a qualified accountant, I was of course familiar with the complex arithmetic behind a historic p:e. But until joining this revered industry, I never had the opportunity to listen to an expert who could actually look years into the future with so much prescience and pontificate about today's relative valuation with such precision as a result. This is just the job for me, I thought ... oh, to be that clever one day!

Sadly, the opposite ended up happening. I never joined the ranks of those who could stare into a crystal ball and come up with any insightful conclusions. Instead, I came to realise that practically all forecasting is folly.

Last March, I presented at the Investment Forum in Cape Town and Sandton, focusing, among other things, on this topic. To

illustrate, I showed the audience a table listing the 2024 year-end target numbers for the S&P 500, as forecast by all the genius strategists on Wall Street at the end of the previous year. We know that these people are geniuses, not only because they work for all the top brand names in the industry – firms such as Goldman Sachs, JPMorgan and Bank of America – but also because Bloomberg and CNBC tell us every year about the million-dollar bonuses they've just banked (I nearly said "earned", but that might have been a bit of a stretch).

The 2024 year-end forecasts for the S&P 500 ranged from a rather pessimistic 12% drop to a much more optimistic 9% rise. Across the 14 firms in the sample (all of them household names), the average prediction was for an increase of just over 1%. By the time I did my presentation, barely two months into last year, the index had already risen to a level approaching the top of the forecast range. That positive momentum of course never receded, and the S&P 500 went up more than 23%

over the course of 2024. It put all those forecasts to shame – even the most bullish ones.

The previous year was similar: the index outperformed the average forecast by more than 18% in 2023.

And this year? Having seen the average forecast being way too pessimistic two years in a row, the same strategists have now set their sights somewhat higher: an average increase in the S&P 500 of 12.5% is being called for, as recently summarised by veteran commentator John Authers in his daily Bloomberg column. This is at a time when stock markets are trading at historically expensive levels.

Time will tell, I guess. Perhaps the guesses of those geniuses on Wall Street will turn out to be better this year. But once more, I'll refrain from joining their ranks with any sort of market forecast.

## Up and down

I shall leave you with some general predictions instead.

The bromance between Donald Trump and Elon Musk will soon be over. Trump will retain custody of Nigel Farage, and Musk will have to pay for the maintenance of Vladimir Putin.

The US will continue to run a current account deficit, but it will (still) not go bankrupt.

Markets will go down and markets will go up, though not necessarily in that order. Share prices will (still) be driven by fear and greed in equal measure, with a healthy dollop of randomness thrown in.

And in exactly a year's time, you will see a fresh round of forecasts, focusing on the glorious prospects for 2026. You will (still) not get one from me, though. ✕

Gouws is chief investment officer at Credo, London

