

Sizzling Stocks in 2025: Picks to Spice Up Your Portfolio

January 1, 2025

Market Outlook for 2025

As we reflect on 2024, the stock market delivered a remarkably strong performance, exceeding many expectations. Despite predictions of turbulence driven by factors like rate cuts and the presidential election, the market sailed smoothly, achieving a nearly 25% return. This impressive growth has set the stage for optimism heading into 2025. However, it's important to note that a bit of a pullback could be expected in the coming year, as markets naturally recalibrate after such an extraordinary rally. Even with potential fluctuations, the broader outlook remains positive, and 2025 is still positioned to deliver solid returns.

As we enter 2025, the investment landscape continues to evolve, driven by powerful trends and shifting political dynamics. The AI industry, which has experienced explosive growth over the past few years, is poised to maintain its momentum. Advancements in artificial intelligence, machine learning, and automation are reshaping industries from healthcare to finance, creating significant opportunities for investors in this space. At the same time, the incoming presidential administration will undoubtedly influence key sectors, with potential policy shifts that could impact everything from defense spending to energy production and cybersecurity.

In this report, I've curated a list of top 10 stock picks across a range of industries that are primed for growth in 2025.

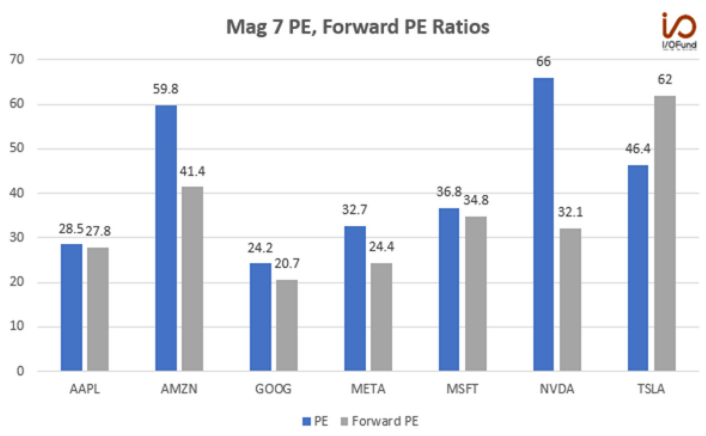


"An investment in knowledge pays the best interest."

- Benjamin Franklin

Alphabet (GOOGL)

Every portfolio needs to include a tech giant in 2025, and my top choice would be Alphabet. Google has demonstrated being at the forefront of innovation through accomplishments like releasing Gemini 2.0, Google's new AI model. Perhaps more notable was the milestone achieved by Google Willow, the company's quantum computing chip. Willow solving a computation that would have taken a traditional supercomputer 10 septillion years to crack was so mind boggling that it prompted Google physicists to suppose the existence of parallel universes. All this to say, Google possessing the lowest P/E ratio of any of the Magnificent 7 indicates it's being undervalued despite the 38% stock price growth in 2024.



Constellation Energy: (CEG)

Power demand has held relatively steady since 2007, but that's about to change. The boom in datacenter construction along with vehicle electrification will burden the grid with additional load. Constellation Energy is one of the largest energy producers in the U.S., with a generation capacity over 32,000 MW, the equivalent of 15 million homes. Of that massive output, ~90% of CEG's energy production is carbon-free, which just so happens to amount to a whopping 10% of all clean energy in the United States. Constellation Energy made headlines earlier in 2024 as it was announced that the infamous Three Mile Island nuclear generation plant would be reopened thanks to a deal with Microsoft. Constellation Energy, as owners of the once abandoned nuclear facility, will be providing power for Microsoft's massive data centers.



Top 10 Picks

Alphabet:

- Ticker: GOOGL
- Price: \$189.30
- Market Cap: \$2.4T
- Industry: Tech

Constellation Energy:

- Ticker: CEG
- Price: \$223.71
- Market Cap: \$71.0B
- Industry: Energy

Costco:

- Ticker: COST
- Price: \$916.27
- Market Cap: \$281.6B
- Industry: Consumer Discr.

Duolingo:

- Ticker: DUOL
- Price: \$324.23
- Market Cap: \$14.0B
- Industry: Ed Tech

J.P. Morgan:

- Ticker: JPM
- Price: \$239.71
- Market Cap: \$668.9B
- Industry: Financial

Lockheed Martin:

- Ticker: LMT
- Price: \$485.95
- Market Cap: \$116.0B
- Industry: Aero & Defense

Monolithic Power Systems:

- Ticker: MPWR
- Price: \$591.70
- Market Cap: \$29.0B
- Industry: Electronics

Palo Alto Networks:

- Ticker: PANW
- Price: \$181.96
- Market Cap: \$124.3B
- Industry: Cybersecurity

Siemens:

- Ticker: SMNEY
- Price: \$52.30
- Market Cap: \$156.0B
- Industry: Energy Technology

Whirlpool:

- Ticker: WHR
- Price: \$114.48
- Market Cap: \$6.0B
- Industry: Appliances

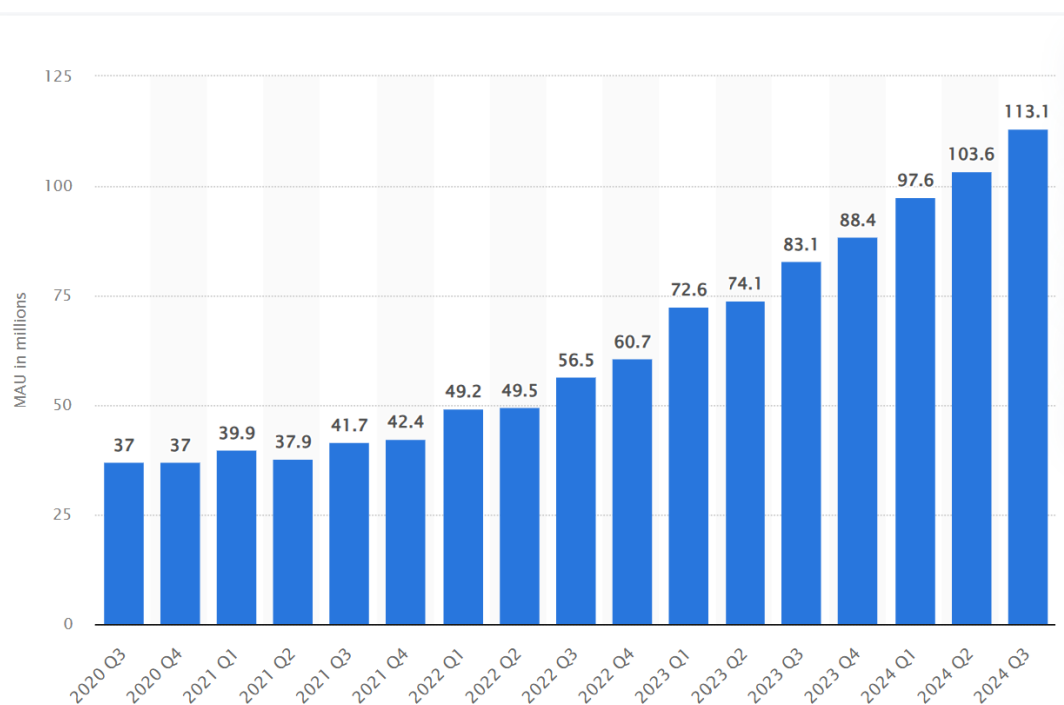
Costco: (COST)

Costco's reputation as one of the most fundamentally solid business operations was reinforced this past year as total revenue grew 8%. Costco has been machine-like when it comes to capitalizing on their membership-based business model, reaching a record-high 93% member renewal rate in 2024. These renewals resulted in an 8.5% growth in membership fee revenue. There are two reasons why I love this stock heading into 2025. The first is that international expansion is expected to ramp up with 28 new warehouses planned for this year. Several of which are going to be in Asia, whose average store productivity is 15% higher than stores in the U.S. Secondly, Costco's in-house Kirkland brand continues to thrive as it saw a 12% increase in sales this past year, which exponentially improves their margins. I expect Costco's 2025 returns to metaphorically resemble the size of the bulk items that the retail giant became known for.

Duolingo: (DUOL)

Duolingo is an educational technology company that provides apps designed for language learning in a more manageable and enjoyable way. With 100 million monthly active users and 43 unique languages offered, Duolingo's app stands apart from any others in this space. With its freemium business model, Duolingo attracts a massive user base and is able to generate revenue via advertisements, in-app purchases, and language certifications that it offers as well. Its paid subscribers increased 47% YOY as in Q3 2024 which helped contribute to its total revenue jump of 40% from \$137.6 M to \$192.6 M. Duolingo also continues to align themselves with the latest trends in an effort to make learning a language, which has traditionally been associated with school, more exciting and appealing to a younger customer base. For example, Duolingo recently partnered with Netflix to launch a lighthearted campaign encouraging people to learn Korean following the new season of Squid Game, Netflix's hit original series.

Number of Monthly Active Duolingo Users Worldwide



J.P. Morgan (JPM)

When the Fed announced that interest rate cuts were going to be scaled back earlier in December, many investors felt this was a positive for J.P. Morgan. During previous earnings calls after the Fed had cut rates, executives expressed concern about JPM's Net Interest Income because of such. J.P. Morgan is also the leader in global investment banking, which is projected to improve in 2025. As of Q3 2024, JPMorgan reported a net income of \$13.2 billion, a 25% increase year-over-year, demonstrating its ability to generate solid returns even in a volatile market environment.

Lockheed Martin (LMT)

While a ceasefire between Hamas and Israel appears to be forthcoming, geopolitical tensions in Eastern Europe persist. Regardless, president-elect Trump has asked NATO allies to bolster their defense spending to 5% of their respective national GDPs, which more than doubles the traditional 2% benchmark set by the Alliance. Perennially the largest defense contractor in the world, I expect Lockheed Martin to build on its strong 2024 performance. With a Q3 backlog of over \$165B and a book-to-bill ratio of 1.3, their financials seem to line up with the overall industry outlook. Lockheed Martin also boasts a P/E ratio of 17, compared to the average P/E of 27 amongst its industry peers.



Palo Alto Networks (PANW)

Another way to capitalize on the AI boom is through cybersecurity, and Palo Alto Networks appears poised to stay atop the industry leaders as AI continues to surge demand for these services. PANW recently received 'High Authorization' from the Federal Risk and Authorization Management Program, which essentially empowers them to provide cybersecurity services for U.S. Federal government networks. Because of Palo Alto Networks' sheer size, it's capable of pouring in roughly \$1B into R&D each year. The 2-1 stock split in November, while not the end-all-be-all, suggests company growth potential in an industry that's projected to have a compound annual growth rate of 13% for the next 10 years.

Siemens Energy (SMNEY)

Siemens is a technology conglomerate that touches just about every industrial manufacturing sector. For 2025, their energy business, which operates under the ticker SMNEY, is what I believe to be most promising. Siemens energy manufactures the critical transmission and distribution infrastructure for the power grid. They have also been developing a line of new technology that avoids using the pollutant sulfur hexafluoride (SF6) gas, which has been a key component of current equipment. As world leaders tighten restrictions in an effort to mitigate climate change, these new clean-air breakers found in their “Blue Portfolio” will be a key differentiator for Siemens to remain a top player in the industry.



Whirlpool (WHR)

Whirlpool is known for its high-quality home appliances that continue to be at the forefront of innovation in the industry. Also known for its subsidiary brands such as KitchenAid, JennAir, and Maytag, Whirlpool has a strong presence in nearly every derivative of the larger appliance industry. Whirlpool is a proud Made-in-America brand that I could see benefitting from impending tariff impositions in 2025. Headquartered in Benton Harbor, Michigan and with 9 large manufacturing facilities throughout the U.S., I believe Whirlpool is better positioned to grab additional market share as opposed to its competitors who largely manufacture overseas. Whirlpool's Chief Financial Officer Jim Peters in an interview earlier this past year stated that they wanted to hone in on their higher-growth, higher-margin products, which are typically the smaller household items such as espresso machines and things of that nature.

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Best Regards



John King



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