Blue Diamond
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Polish Up Your Portfolio:
10 Shining Picks for 2025

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Market Outlook for 2025

2024 was a surprisingly good year for the stock market. Many top Wall Street Banks projected the S&P 500 to land closer to 5,000 than the current 6,000, accompanied by turbulent trading months around rate cuts and the presidential election. Instead, it was a consistent ride to achieve a nearly 25% return. As I look to the upcoming year, I expect the market to keep momentum and return over 12%. Lower corporate taxes from the Trump administration could help boost earnings by 2-3% and especially help companies with high US exposure. A 12%+ return might seem overly optimistic, but historical data shows the market has achieved returns of 20%+ in every 4 out of 10 of years. On the flip side, it has also posted negative returns 26% of the time. To me, the biggest takeaway from this data is that the market seldom aligns with the 6-8% average often cited; in fact, it has only fallen within this range twice in history—in 1968 and 1993.

Transitioning into my top stock picks for 2025, I've created a diversified selection spanning various industries, market caps, regions, and levels of current momentum. I believe these 10 companies are positioned to efficiently capture market gains, with strong potential to outpace broader market performance.

Advanced Micro Devices, Inc (NASDAQ: AMD)

Advanced Micro Devices is my favorite pick for 2025. Its stock price has recently been struggling while its fundamentals continue to improve. Q3 of 2024 saw 18% growth in revenue and a 10% increase in margins year-over-year (YoY). The chip maker operates through four main segments: data centers, clients, gaming, and embedded technologies. Its data centers unit accounts for 50% of its revenue and is its fastest-growing business unit. Revenue was up 122% this past year and I expect it to grow thanks to its 3 biggest clients - Microsoft (MSFT), Meta (META), and Oracle (ORCL). CEO Lisa Su has recently assured investors that their relationship with these 3 remains very strong. Meta's large language model "Llama" currently runs on AMD's MI300 chips.

"The best time to plant a tree was 20 years ago. The second-best time is now."

- Chinese Proverb

It was recently announced that the new version of Llama will need around 10x the computing power, and they will likely rely on AMD's chips to deliver it. Microsoft's Co-Pilot also relies on these MI300 chips.

It's no secret that AMD has struggled this year, down 13% for the year, and significantly lagging Nvidia (NVDA) and Broadcom (AVGO). Wall Street is down on the stock due to beliefs that there is too much competition, and that demand for its PC processors will see a decrease in 2025. I think that AMD has fallen much too far and has a lot of room not only for recovery but for serious upside.

Alphabet Inc, (NASDAQ: GOOGL)

Alphabet is the only member of the Magnificent 7 that is on my list, and it's also the cheapest of the seven trading at just 21x projected 2025 earnings, well below its historical average of 26x. Its cheap valuation reflects concerns over potential threats to its search engine and ad revenue—particularly from the rise of language model-generated answers – but recent October earnings suggest that search traffic remains steady. This resilience is likely supported by the integration of AI-driven Gemini results, which have helped sustain user engagement.

Beyond search, Google's diverse revenue streams further reinforce its stability. The company rakes in billions from Google Cloud Services, YouTube TV, and the Android operating system, alongside its "Other Bets" portfolio, which includes cutting-edge ventures like Waymo, Google Nest, and Google Fiber. YouTube remains the world's top content delivery platform, with innovations like Shorts that are enhancing its user experience and engagement.

In the AI space, Google is uniquely positioned to capitalize on both ad-based and subscription-driven revenue models. Google One subscriptions, for instance, boast 100 million users, significantly outpacing competitors like ChatGPT, which has just 10 million paying customers. Unlike AI startups such as OpenAI and Perplexity, Google has the advantage of strong profitability and steady cash flow, enabling it to invest heavily in advancing its AI capabilities.

Moreover, analysts at *Barron's* estimate that a sum-of-the-parts valuation for Google's four largest business units—Waymo, Search, YouTube, and Cloud Services—could imply a share value of $260, a significant premium to its current price. For investors, Google offers a rare combination of innovation, profitability, and undervaluation, making it a compelling choice for 2025 and beyond.

Top 10 Picks

Advanced Micro Devices:

- Ticker: AMD
- Price: $120.79
- Market Cap: $198.7B
- Industry: Semiconductor

Alphabet:

- Ticker: GOOGL
- Price: $189.30
- Market Cap: $2.35T
- Industry: Technology

ASML:

- Ticker: ASML
- Price: $693.08
- Market Cap: $274.8B
- Industry: Semiconductor

Boot Barn:

- Ticker: BOOT
- Price: $151.82
- Market Cap: $4.68B
- Industry: Consumer Discr.

Eli Lilly:

- Ticker: LLY
- Price: $767.96
- Market Cap: $690.8B
- Industry: Pharmaceuticals

Grab Holdings:

- Ticker: GRAB
- Price: $4.72
- Market Cap: $19.17B
- Industry: Logistics/Technology

MercadoLibre:

- Ticker: MELI
- Price: $1,700.44
- Market Cap: $87.29B
- Industry: E-commerce/Fintech

MongoDB:

- Ticker: MDB
- Price: $232.81
- Market Cap: $18.74B
- Industry: Software Services

Nu Holdings:

- Ticker: NU
- Price: 10.36
- Market Cap: $51.19B
- Industry: Fintech

Walmart:

- Ticker: WMT
- Price: $90.35
- Market Cap: $727.6B
- Industry: Consumer Staples

ASML Holding N.V. (NASDAQ: ASML)

ASML represents an enticing aspect of the semiconductor industry and is currently priced at an attractive entry point. The Dutch company specializes in a highly niche segment of the semiconductor industry, producing cutting-edge lithography machines that leverage extreme ultraviolet (EUV) light to manufacture advanced chips for smartphones, computers, and data centers. With little competition in this space, ASML holds a near-monopolistic position, making it a cornerstone in the semiconductor supply chain. Analysts project lithography spending to grow by up to 20% annually through 2030, driven by demand across transformative industries like AI, electric vehicles, medical research, and data storage.

The stock is currently cheaper after they issued a warning about a potential dip in 2025 sales. Nonetheless, analysts view this as a temporary, cyclical lapse rather than a flaw in the company's business model. J.P. Morgan's Sandeep Deshpande highlights that ASML's current valuation is historically low and has assigned a price target of $1,150 per share.

While it may take time—potentially most of 2025—for investor sentiment to fully rebound, the current dip presents an attractive entry point for those with a long-term perspective. ASML's unrivaled technology, strong industry positioning, and alignment with growth drivers ensure it remains an essential player in the global semiconductor market.

Boot Barn Holdings, Inc. (NYSE: BOOT)

Boot Barn is the nation's largest western and workwear retailer, catering to customers who value a rugged, high-quality selection of boots, jeans, and accessories. It operates in 38 states via 300+ stores nationwide and also has a large online presence. Long-term CEO Jim Conroy spent 12 years positioning this company for growth and the success is speaking for itself. BOOT has seen a consistent increase in sales month over month, and same-store sales increased 5% last quarter. They have consistently beaten earnings, increased market share, and the stock grew 100% in 2024. However, it recently fell 20% when Conroy announced he would be leaving for Ross Stores (ROST) in 2025. Though his presence was a foundation for BOOT's success, I think that the company remains in a very healthy position, and this pullback was a major overreaction, providing a fresh entry point for investors. Most major banks on Wall Street maintain high price targets, around $200, and I think the company is set up for another great year in 2025.

Grab Holdings Limited (NASDAQ: GRAB)

Grab is a newly emerging tech company that is building an ecosystem of revenue streams centered around an Uber-like platform. Its user-centric approach integrates multiple services such as ridesharing, food delivery, and financial services into one app. What makes this Singapore-based platform unique is that it's using its 5 million+ drivers to construct detailed maps and data points that can be used for internal optimization and external monetization. It primarily operates in countries of Southeast Asia, an area that is ridden with complex alleyways, unmarked streets, and moving merchants, making it near impossible to be navigated by existing external map infrastructures such as Google Maps. By using proprietary Karta-Cams while drivers traverse the streets, they have constructed functioning "GrabMaps" for 500 cities in 8 different countries. Using these data points, Grab became the data provider for Amazon location servicers and Bing in Southeast Asia last year.

Financially, Grab is a smaller company with a $20B market cap but it recently turned profitable, and revenue grew 17% YoY last quarter. Revenue is roughly split 50% from food delivery, 35% from rideshare, and less than 10% from financial services. They also have some income from other modes such as subscriptions and advertising. They are rapidly growing margins for deliveries and mobility and management expects sustained profitability and growth in all 3 business lines. I view GRAB as one of the more high-risk, high-reward picks on my list, but I am confident that Anthony Tan will continue to find a way to improve his company's profitability, and most importantly its stock price.

MercadoLibre, Inc. (NASDAQ: MELI)

MercadoLibre is a leading e-commerce platform in Latin America. It operates through two main segments: e-commerce and fintech. It was founded in 1999 and quickly established its competitive first-mover advantage by developing an extensive logistics network across the region. It now operates in 18 countries with 90% of its revenue coming from Brazil, Mexico, and Argentina. It recently had an underwhelming earnings report that dropped the stock by 17%, but the company is in a very healthy position and will likely ride the coattails of an economic revival in South America. Much like AMZN it's a free cash flow (FCF) king, giving it the flexibility to invest in growth initiatives, execute M&A, or return capital to shareholders. Over the last year, its accrual ratio was -2.24, meaning its FCF exceeded its net income ($6.2B vs $1.44B). This indicates that the company's earnings are well-supported by actual cash and that it's a very sustainable flow.

Last quarter alone, it sold almost 500 million units online, a 28% increase YoY, and expanded its unique buyers by 21%. Its dual-purpose fintech platform operates as an enabler for its marketplace and as a free-standing banking and financial servicer. This segment accounts for almost 50% of its revenue. In total, MELI's unique active users have grown by an impressive 17% annually, while individual spending per user has risen by 20% annually, proving increased profitability with each customer. To me, this company is a must-own for 2025 and for the foreseeable future. There are no other true competitors to it, and they have well-positioned themselves for success in this emerging market.

MongoDB, Inc. (NASDAQ: MDB)

As AI continues to reshape industries and expand its influence, MongoDB (MDB) stands out within the growing AI software segment. Unlike companies focused on building AI infrastructure, MDB delivers services that leverage AI to improve business operations. MongoDB is well-positioned to capitalize on the growing demand for AI-powered software solutions, particularly through its Atlas platform, which reported 26% revenue growth in Q3. Atlas is a proprietary cloud service that functions as both a comprehensive platform and an integrative tool that enables businesses to make data more digestible, sortable, and actionable.

Despite a recent stock dip following announcements of executive departures and concerns about competition from legacy providers like Oracle, IBM, and AWS, analysts remain optimistic. Joel Fishbein of Truist Bank likes MongoDB as one of his favorite plays for software that will benefit from the AI trend. He thinks that MDB's storage and search capabilities are starting to gain real traction with customers. He recently conducted a survey that found that MDB was the most mentioned vendor for AI tools being used outside of the Mega caps. Additionally, its stock price has remained relatively unchanged over the last 3 years, but revenue is growing at 30%. I think there is real upside to MDB and many banks on Wall Street agree, posting price targets in the $300-400s.

Nu Holdings Ltd. (NYSE: NU)

Nu Bank, a fintech company serving South America, has garnered attention from investors across the spectrum, with both Berkshire Hathaway and Cathie Wood counting it in their holdings. Headquartered in Brazil, Nu Bank focuses on serving the underbanked population in Latin America, particularly in Brazil, Mexico, and other emerging markets. With a strong foothold in this region, NU leverages its cost advantage over traditional banks and its digital-first approach to attract a growing customer base.

NU's recent pullback in stock price offers a compelling entry point for investors. Having already cleared two significant hurdles—achieving profitability in 2023 and investing heavily in early capital expenditures to build its software infrastructure—the company is now poised to focus on improving profit margins and accelerating customer acquisition.

Analyst Zac Gill at Jennison Associates highlights Nu Bank as a top holding in its international growth portfolios, underscoring its potential for long-term expansion. Nu Bank's growth is bolstered by a resurgence of optimism in Latin America, driven by proactive leadership in countries like Argentina and Brazil.

The greatest risks to Nu Bank's stock price include economic instability, currency fluctuations, and fierce competition. Even so, the ongoing digitalization of currency in Latin America positions NU to capitalize on this transformation and continue growing profitability. While owning both NU and MELI would subject you to increased exposure to the South American economy, there is room for both fintech segments to have success. MELI focuses more on e-commerce and financial logistics, and NU focuses more on personal banking. Regardless, I think owning both would allow you to fully capitalize on a regional economy with immense potential.

Eli Lilly (NYSE: LLY)

Eli Lilly is the only healthcare/pharma stock on my list for this year, and I believe it's poised for a rebound. The two hottest products in Lilly's portfolio, Zepbound, and Mounjaro, contain the same active ingredient tirzepatide but have different indications: Mounjaro for diabetes and Zepbound for weight loss. These GLP-1 medications are already billion-dollar blockbusters, and they are just beginning to tap into new indications, with studies underway for conditions like sleep apnea, heart disease, kidney disease, alcohol use disorder, and more. Last week, Zepbound gained FDA approval for treating sleep apnea in adults with obesity. Now, the weight loss market is highly competitive, with players like, Merck, Amgen, Pfizer, Boehringer Ingelheim, and Roche trying to gain a share of the pie. And then there's Novo Nordisk, who owns the only true competitors to Lilly right now with Ozempic and Wegovy. However, Lilly's product has shown superior results in recent head-to-head studies, with patients losing an average of 50 pounds on Zepbound versus 33 pounds on Wegovy. Zepbound is expected to grow from $5.1 billion to $17 billion by 2027, with even more potential if additional indications are approved.

Lilly and other pharmaceutical stocks have recently faced pressure following RFK Jr.'s appointment to lead the Department of Health and Human Services. While his stance might seem concerning for pharma, his role does not directly affect drug coverage, pricing, or reimbursement, which are controlled by PBMs and insurers. The next big win for Lilly would be Medicare coverage for weight loss drugs. While this remains a high hurdle to jump, it would take a vote by Congress to allow these government agencies to pay for them, not anything that RFK would have direct influence over. I think buying Lilly in the $700s offers significant room for gains, and it deserves a spot in your 2025 portfolio.

Walmart Inc. (NYSE: WMT)

Walmart is a rock-solid company that consistently proves its status as a well-managed American icon, delivering dependable performance quarter after quarter. Even during times of shaky consumer confidence, customers have helped keep earnings strong. The last time it reported a decline in comparable sales was in 2014 (excluding fuel). After a breakout year that returned over 70% for investors, you might be wondering why I am just now recommending the stock.
Under the leadership of CEO Doug McMillon (who has returned over 300% to investors since 2014), Walmart is quietly starting to reap the benefits of his strategic acquisitions and investments in technologies and services. Some of Walmart's notable e-commerce advancements stem from its investments in Flipkart and Jet.com, while its progress in the clothing department has been fueled by acquisitions such as Zeekit, a virtual fitting room platform, and Bonobos, a men’s fashion brand.

One other aspect I am fond of is Walmart+, which can now reach 80% of America with same-day delivery. This has helped grow its groceries segment by 21% over the last 2 years. The final reason I am confident in Walmart is its expanding customer base. Walmart traditionally caters toward middle America but households earning more than $100k comprised 75% of new customers in Q3. Even with shares trading for 34x trailing earnings, I am confident Walmart will continue to deliver in 2025.

Best Regards,

Alex

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