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## **Fed Rate Cuts and Labor Market Shifts: Navigating Equity Rotations and Bond Strategies in 2025**

### **Overview**

- U.S. labor market shifts in 2025 drive equity rotations as healthcare gains jobs while manufacturing declines, reflecting structural trends like automation and aging demographics.
- Fed rate cuts anticipate labor weakness, prompting bond strategies to favor extended duration in municipal bonds and intermediate Treasuries amid a steepening yield curve.
- Investors prioritize healthcare and education sectors for resilience against automation, while construction and manufacturing face underperformance due to labor shortages and skills gaps.
- Strategic allocations balance sector rotations with bond duration flexibility, emphasizing tax-exempt income and hedging against rate volatility through diversified asset classes.

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