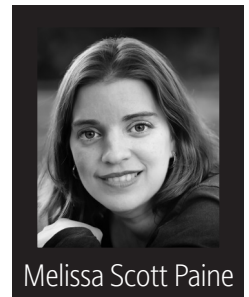


Andrew Krosnowski



# Krosnowski & Scott LLC

Investment & Retirement Planning Specialists



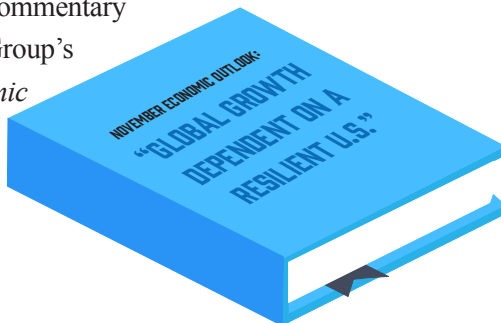
Melissa Scott Paine

## FINANCIAL FITNESS NEWSLETTER • FALL 2024 “ONWARD AND UPWARD”



The US presidential election is over. A winner has been determined. Many voters are relieved. During the Biden administration, the economy was growing and the stock market was rallying. We are hopeful that the pro-business policies that are being proposed by the Trump administration will enable the stock market to continue to perform well. We are cautiously optimistic about the financial market outlook over the next year or two.

The following is commentary from the Capital Group’s *November Economic Outlook*:  
**“Global growth dependent on a resilient U.S.”**



### KEY TAKEAWAYS

- The U.S. economy is benefiting from a strong labor market and easing inflation.
- Europe and some emerging markets are struggling to boost growth.
- Monetary easing around the world is providing a favorable backdrop for stocks and bonds.

As inflation eases and central banks around the world cut interest rates, the outlook for the global economy remains decidedly mixed heading into the new year. Much like the past few years, the United States and India continue to lead the way, driving global economic activity, while weaker economies in Europe and China seek to stimulate growth.



With U.S. labor markets healthy, profit growth solid, and business investment picking up, the International Monetary Fund (IMF) recently raised its forecast for U.S. economic growth in 2025 to 2.2%. That prediction offsets downward revisions for other advanced countries, including the largest economies in Europe. China, meanwhile, continues to struggle with a real estate downturn and worries about a broadening trade war following U.S. President-elect Donald Trump's victory on November 5.

## THE HEALTHY U.S. ECONOMY REMAINS A CORNERSTONE OF GLOBAL GROWTH



Can U.S. strength lift up the global economy and financial markets along with it? The world's largest economy is striving to do just that.

Instead of moving through the typical four-stage business cycle that has defined the post-World War II era, the economy appears to be shifting from late-cycle back to mid-cycle, conveniently avoiding a recession.

A mid-cycle economy is generally characterized by rising corporate profits, accelerating credit demand, softening cost pressures, and a shift toward neutral monetary policy. The U.S. may be headed for a multi-year expansion period, perhaps fending off a recession until 2028.

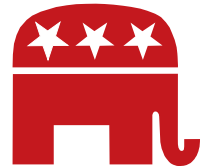
Historically speaking, mid-cycle periods have provided a favorable backdrop for U.S. equities, generating returns averaging 14% a year. That's based on a Capital Group analysis of economic cycles and returns dating back to 1973.

The following is commentary from J.P. Morgan's Dr. David Kelly, Chief Global Strategist:

## A POTENTIAL REPUBLICAN SWEEP SENDS MARKETS HIGHER, BUT POLICY UNCERTAINTY LOOMS.

### KEY TAKEAWAYS

- A Republican-controlled Congress increases the potential for significant policy changes, including tax cuts, deregulation, and higher tariffs. The size of the Republican majority in both chambers will be key, as will Trump's own priorities once in office.
- U.S. equities remain supported, particularly on the back of robust growth and broadening earnings. However, risks around higher long-end yields and tariff implications don't seem to be reflected in market prices and could generate volatility ahead.
- Bond yields are likely to remain volatile and elevated on the back of fiscal concerns, while trade uncertainties contribute to dollar strength and FX volatility.
- Markets can thrive under various government configurations and diversification can help balance portfolios against unknown risks.



Former President Trump has been declared the winner of the U.S. Presidential election, securing the Electoral College and the popular vote. Republicans regained control of the Senate and gained control of the House as well.

Equity markets have rallied strongly in response, while Treasury yields and the U.S. dollar have surged. However, uncertainty looms over future policy implementation and its implications for various parts of the market. Still, simply clearing the election hurdle is improving policy visibility, reducing volatility, and increasing the flow of capital into risk assets.

Greater policy change under a “sweep” could affect economic growth, inflation, and market performance. We will learn more about this administration’s policy direction and its investment implications in the months and quarters to come. However, investors will also begin to pivot back to the present macro and market landscape, where fundamentals remain supportive for risk assets. Earnings growth is broadening, economic growth is resilient and the Fed is gradually easing its tight monetary policy stance. On the other hand, the budget deficit is likely to remain elevated, placing a floor on long-end Treasury yields.

## REPUBLICANS TO HOLD THE PEN ON POLICY

A Republican-controlled Congress would give the party significant control over the legislative agenda, although the size of that majority will be important. With a Republican Senate, President-elect Trump will be able to confirm politically aligned nominees relatively easily and push major agenda items, like deregulation. With Republicans also winning the majority in the House, broad tax and immigration policy could also pass.

With election uncertainty behind us, investors will focus on future clarity on policy priorities and implementation vs. what was proposed.

- **FISCAL:** President-elect Trump aims for a full extension of the 2017 Tax Cuts and Jobs Act (TCJA), keeping a 37% top tax rate, and potentially reducing the corporate tax rate from 21% to 15% for domestic manufacturers, though Congress will hold the final pen on the parameters of the bill. However, narrow margins in the Senate and House, and the risk of stoking a bond market reaction, could limit the full implementation of campaign proposals.

- **TRADE AND TARIFFS:** Higher tariffs on China and on trading partners generally seem very likely, but there is uncertainty around what constitutes a tariff “threat” versus

actual policy intent from Trump’s campaign. Ultimately, trade negotiations could yield a range of outcomes, while the potential for retaliatory tariffs and inflation likely prevent full implementation of campaign promises. The ongoing trend of “friendshoring” and “nearshoring” should continue, as companies diversify supply chains while trying to stay competitive.

- **IMMIGRATION:** Republican-led reform is possible and would likely increase border funding with much stricter asylum measures. Economic reliance on immigrant labor combined with deportation challenges should prevent mass deportation. Looking ahead, there are prospects for legal immigration reform as well.

- **DEFENSE:** The U.S. commitment to NATO and Ukraine will likely diminish. The U.S. won’t be seen as providing the security guarantees, money and weapons it has done in the past, which will bolster defense spending for the rest of the world – particularly in Europe.

- **ENERGY:** The fossil fuel industry may benefit from weaker regulatory constraints, but increased production could lower prices.

- **REGULATION:** President-elect Trump has argued for broad deregulation, but it is difficult to estimate the magnitude of potential reform. The perception of less anti-trust enforcement could boost corporate M&A moving forward.

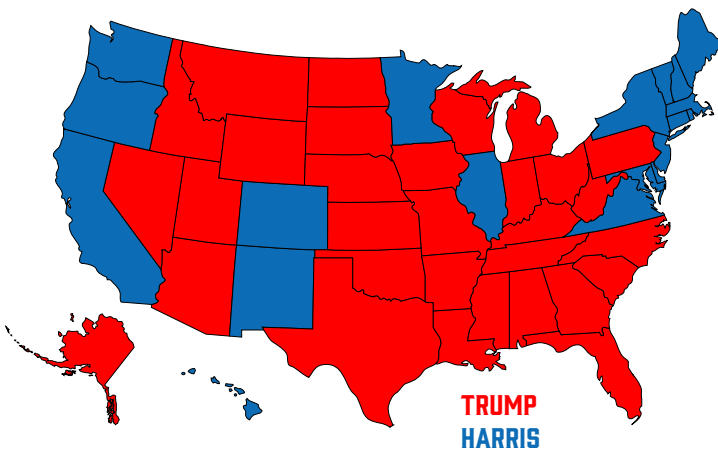


Congress

## FINDING THE SIGNAL THROUGH THE NOISE

The positive equity market reaction has focused on the prospects of pro-growth policies and deregulation, overshadowing the risks of tariffs and rising deficits. As such, beneficiaries of deregulation such as small caps, banks, onshore energy, steel producers, and cryptocurrencies have risen today. Elsewhere, currencies have reacted to potentially higher U.S. yields and tariffs, strengthening the dollar across the board. While many of these market reactions were anticipated, they may not be sustainable.

We now know the election outcome, but investors still lack clarity on policy implementation, a key indicator for investment implications. We would exercise caution against chasing recent market movements and suggest focusing on what we do have clarity on.



## MARKET IMPLICATIONS (SO FAR) OF A RED SWEEP

**U.S. EQUITIES:** Before this result, U.S. equity fundamentals were strong and improving, and Red Sweep boosts some value, cyclical, and small/midcap sectors that have underperformed. This should provide further support behind the broadening out-of-market performance. Sentiment has also been bolstered by prospects for more M&A and IPO activity. U.S. equities remain supported - although risks around higher long-end yields and tariff implications don't seem reflected in market prices and could generate volatility ahead.

**RATES:** Long-end yields will likely stay elevated due to increased Treasury issuance and a potential "risk premium" on U.S. fiscal challenges. Short-term rates will focus on the Federal Reserve's actions from here, with an expectation of further rate cuts ahead this year and at the beginning of next year.

**CORPORATE CREDIT:** Before this result, both investment grade and high-yield corporate credit were supported by strong fundamentals. This should continue to be the case post-election, with performance likely to remain supported especially in high yield given its lower duration versus investment grade.

**DOLLAR:** The U.S. dollar may continue to strengthen as was the case in the 2018-19 trade war due to:

- The potential for higher tariffs,
- The uncertainty about what trade uncertainty could do to global growth, and
- Widening U.S. interest rate differentials versus the rest of the world. However, the U.S. dollar is now 14% stronger than in early 2018 when the Trade War 1.0 first began, limiting some of the upward move versus that episode.

**INTERNATIONAL EQUITIES:** The stronger U.S. dollar, combined with global growth uncertainties, is likely to generate pressure on non-U.S. equities. In particular, Eurozone, Chinese, and Mexican equities look vulnerable in the short term. However, investors should maintain some exposure to international equities, as:

- The valuation discount of international versus the U.S. has been near record lows,
- Chinese policy makers have been on a policy stimulus mode and may ramp stimulus further in response to the election outcome, and
- Powerful secular tailwinds boosting certain markets remain such as Taiwan (AI) and India (demographics, "friendshoring" beneficiary). As always, beneath the surface there will be winners and losers from the policy landscape on a company-by-company basis.

**DIVERSIFICATION:** With fiscal concerns keeping bond volatility high, the stock-bond correlation is likely to stay positive, requiring investors to expand the scope of assets that enhance diversification. In this case, gold and real assets should remain in focus.

## 3 PRINCIPLES FOR NAVIGATING POLITICAL UNCERTAINTY



### 1. THE ECONOMY AND MARKETS HAVE DONE WELL UNDER A VARIETY OF GOVERNMENT CONFIGURATIONS.

While presidential elections are consequential for their influence on the trajectory of policy, equity market returns through various presidential terms tend to be positive, and ultimately driven by the macro environment.

### 2. POLICY CAN HAVE AN IMPACT – BUT IT’S OFTEN NOT THE STRONGEST DRIVER OF RETURNS.

Investors often consider how they should position portfolios based on election outcomes. However, it is very difficult to construct reliable investment strategies based on different policy implications. Macro forces ultimately drove markets: varying supply/demand and interest rate environments mattered more than any policies or intentions by the White House.

### 3. THE BEST DEFENSE AGAINST THE UNKNOWN IS A DIVERSIFIED PORTFOLIO.

Markets know what to do with risks they know, and an election outcome – regardless of the results – provides some clarity on policy direction. The best defense against unknown risks remains diversification. This message is even more important today given the rise in equity valuations, the concentration of U.S. equities in global stock markets, and the concentration of mega-cap growth stocks in U.S. equities.

## IDENTITY & FINANCIAL INFORMATION PROTECTION

The following is information on protecting your financial information.

### COMMON SENIOR SCAMS TO AVOID

Every year, thieves target individuals to get access to their personal information and money, zeroing in on older people.

Victims of elder financial exploitation lose billions annually. If you haven’t been approached by a scammer, you could face a scheme in the coming years so we wanted to let you know about the most common senior scams so that you can avoid them.



**1. GRANDPARENT SCAMS** – Imposter claiming to be the grandchild or frequently claiming that the victim’s grandchild is in trouble (claiming to be the police calling saying the grandchild has been in an accident or committed a crime and is in jail).

**2. GOVERNMENT IMPOSTER SCAMS** – Imposters contact older people claiming to be a representative from a well-known government agency (Medicare, IRS, Social Security, FBI, or Covid). They often state the person pays them a “fee” to receive a new card or to “secure” your tax records or that your SSN has been suspended. The caller often uses threatening language or asks for sensitive information. The IRS or SS mails out letters and DO NOT call individuals.

**3. ELDER FINANCIAL ABUSE/CAREGIVER SCAMS** - Someone the victim knows or trusts tries to gain access to the senior’s savings, credit, or assets by tricking them into signing over access or power of attorney to them. Unfamiliar changes, such as new accounts/loans being opened, or calls from creditors about cards you did not take out.

**4. FUNERAL SCAMS** – Con artists target deceased people by raiding obituaries and then attending funerals claiming that the deceased had an outstanding debt.

**5. REVERSE MORTGAGE SCAMS** – Scammers claim to be helping you get access to your home equity but in reality, they either steal the money or even commit deed fraud to steal your home. Seniors in need of financial aid might be approached by imposters who say they can assist in the fast approval of loans for a fee.

**6. TECH SUPPORT/AI SCAMS** – Scammers pretend to act as tech support from Apple, Microsoft, or Amazon. They claim your computer is at risk of being infected or has been subject to a cyber attack forcing elders to pay money to fix the issue.

**7. INTERNET SCAMS** – Sweepstakes and elder lottery scams where fraudsters claim that they have won a contest or lottery that they never entered but are required to pay an upfront fee or supply their banking information to collect the winnings. Senior citizens are vulnerable to online shopping scams where fraudulent products are not delivered or the website you are shopping from is insecure causing them to access your bank accounts.

**8. ROMANCE INVESTMENT SCAMS** – Imposters create fake personas on dating apps or social media to lure their targets. Con artists will research you online and use the details that you have shared publicly to ensnare you. Once they establish a relationship, they begin to request money in the form of gift cards, or for travel and medical expenses. They promise to meet up in person but always come up with an excuse and ask for money or financial help.

**9. ROBOCALLS AND PHISHING MESSAGES** – The call claims to be from a company or group that you know and trust (bank, IRS, Netflix) but if you engage them, they try to get personal information or passwords from you. Spam emails are very dangerous – if you click on an attachment, you can unwittingly download malware that gives the hacker remote access to your computer. These come in the form of emails or text messages that ask you to verify sensitive information or include a link you don't recognize.



**We hope that you and your family are enjoying the Fall season and we look forward to talking with you soon.**

Sincerely,

Andrew J. Krosnowski, CWS®  
Senior Financial Consultant  
akrosnowski@1stallied.com

Melissa Scott Paine, CFP®  
Financial Consultant  
mscott@1stallied.com

Registered Representatives offering securities through Cetera Advisors LLC, a registered broker-dealer, member FINRA/SIPC. Advisory services offered through Cetera Investment Advisers LLC, a registered investment adviser. Cetera firms are under separate ownership from any other named entity.

The views stated in this letter are not necessarily the opinion of Cetera Advisors LLC and should not be construed directly or indirectly as an offer to buy or sell any securities mentioned herein. Due to volatility within the markets mentioned, opinions are subject to change without notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed. Past performance does not guarantee future results. A diversified portfolio does not assure a profit or protect against loss in a declining market. The return and principal value of bonds fluctuate with changes in market conditions. If bonds are not held to maturity, they may be worth more or less than their original value. The principal value of mortgage-backed securities will fluctuate and the income from such investments consists of both principal and interest. In some cases, you may receive all of your principal back if the loan(s) is (are) prepaid sooner than anticipated. Income from municipal bonds may be subject to local, state, and /or the alternative minimum tax.

Investors cannot invest directly in indexes. The performance of any index is not indicative of the performance of any investment and does not take into account the effects of inflation and the fees and expenses associated with investing.

Andrew J. Krosnowski Senior Financial Consultant Krosnowski & Scott, LLC 123 Rowell Court Falls Church, VA 22046 Securities offered through Cetera Advisors LLC, a registered broker-dealer Member FINRA/SIPC. Advisory services offered through Cetera Investment Advisers LLC, a registered investment adviser. Cetera firms are under separate ownership from any other named entity. Phone # 888-901-8310 • Fax # 703-506-9556 • Branch telephone number # 703-506-6886 Email: akrosnowski@1stallied.com This information comes from sources deemed reliable. We cannot guarantee the accuracy of the information enclosed. Past performance is no guarantee of future performance.



Andrew J. Krosnowski and Melissa Scott Paine  
Krosnowski & Scott, LLC, Investment & Retirement Planning Specialists  
123 Rowell Ct, Falls Church, VA 22046 | 1-888-901-8310 | 703-506-6886