ANTONE MERCURIO LLC
INVESTMENT COUNSEL• FINANCIAL PLANNING
CA INSURANCE LIC# 0868606

2100 GARDEN ROAD, SUITE A203
MONTEREY, CA 93940
ANTONEMERCURJO.COM
(831) 717-3158

Outlook on the New Year

December 31, 2024

Dear friends,
I want to start by wishing everyone a Happy New Year! I hope your holidays were spent with the people you love and care about. Christmas Eve is always a big night in our house and it's great to be surrounded by all our sons. It's also my third son's birthday, so it's truly a time for extra celebrating! Most importantly, we were able to spend real quality time with family and close friends.

The recent presidential election is going to bring some changes in the coming year. Generally, the folks I speak to on Wall Street are cautiously optimistic. The major takeaways are:

- Wage growth is moderating but solid
- Retail activity is strong
- There's a big jump in small business sentiment after the election
- Chances are good that corporate tax rates will be lowered
- Trump's tax cuts are likely to be extended

A recurring theme in these talks is how, like the character from the movie *Benjamin Button*, the economic cycle has aged in reverse. Roughly, the four phases of the economic cycle are as follows: Early (expansion), Mid (peak), Late (contraction), Trough (recession). Prior to the election, most Wall Street soothsayers felt we were in a late cycle economy (contracting). Now, there is a feeling that the election has reset the economy to mid-cycle (peaking). If they're correct, that's good news and pushes recession fears even further down the road. The enclosed **article** does a better job of explaining this phenomenon.

Many of my clients have exposure to Baron Funds, skippered by the legendary Ron Baron. They operate in an aggressive and volatile area of the stock market, so it's generally a very small portion of client portfolios. However, what's worth mentioning is that they seem convinced, because of the Covid pandemic, that the U.S., and other countries would likely start diversifying their supply chains. Accordingly, they believe supply chains are moving away from China and towards India. They seem bullish on India and describe it as a fast-growing, English-speaking democracy with an expanding middle class. China, on the other hand, continues to face economic headwinds.

February 8th will be my 30th year in this business. Hopefully, I can squeeze out another twenty and make it an even fifty-year career. A few days after I started, the Dow Industrials hit 4,000. As I write this, it sits at 42,573. I've learned that nothing stays the same in markets. Stocks that are expensive will eventually be cheap again, and the ones that are cheap will eventually be dear again. Don’t pay too much attention to what you read or hear in the news; it’s yesterday’s news, and the market is trying to sort out tomorrow’s news. At the time, the collapse of hedge fund Long Term Capital Management, the 1997 Asian Financial Crises, the 1998 Russian Financial Crisis, the 2001 Turkish Economic Collapse, the Post-2008 Irish Banking Crisis, Black Monday 2011 and the 2015-2016 Chinese Stock Market Crisis were treated like major disasters in the financial media. Clients were worried. Today, nobody remembers a single one of these purposedly “game-changing” boondoggles. It wasn’t the end of the world. Even the crises that people remember - the Dot-Com Bubble, The September 11th attacks, the Great Financial Crisis and the Covid pandemic - are beginning to fade from investors’ memories.

In short, over the last 30 years, I’ve learned that being optimistic has always paid off.

Best Regards,

Antone Mercurio CFP®

P.S. Please let me know if you prefer to receive this via email or if you’d like to be removed from the list.