

January 8, 2025

Good morning,

Stronger than expected economic data from December – which is good news – spooked markets yesterday. The concern is that inflation will take longer than anticipated to reach the Fed’s target of 2%, and the Fed will move very slowly in reducing interest rates further. Markets got addicted to very low rates over the past decade and now they are worried rates won’t come back down to levels they became accustomed to. We’ve seen this behavior before, and investors will adjust to this rate environment, which is much more reflective of historic norms. The yield on the 10-Year Treasury is above 4.6%, and for now that is weighing on stocks.

President-Elect Trump is inheriting a robust economy with moderate inflation and a strong employment market, but will it remain so? His recent statements regarding massive tariffs, taking the Panama Canal and Greenland by force, if necessary, threats to the Middle East, the Justice Department, and relations with China have market watchers concerned, if not confused. On the flip side, markets have responded positively to Trump’s proposed policies for tax and regulatory reforms. Corporate leaders are lining up to get in Trump’s good graces - and his cabinet. He’s the ultimate political disruptor, so get ready.

It’s the second week of January and NFL football playoffs start this weekend. I’m grateful for the entertainment distraction and hopeful that for a few more weeks I can finish the Updates with “Go Bills”! Enjoy your week and stay warm.

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

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