



Daniel Kutzke  
Partner - Financial Advisor  
dan@northstarfp.net  
507-281-6650

[www.northstarfp.net](http://www.northstarfp.net)

## *Letter from Dan*

*November 2024*

The election is over! What comes next?

The Fed lowered short term interest rates another quarter of one percent two days after the election, with more reductions coming. But there now is the question of whether inflation may return, with policies that the second Trump administration has promised or if proposed tariffs will cause the economy to slow down. Either of these may cause the Fed to slow or change their trajectory of interest rate cuts. We still think that short term interest rates will be around 3.5 – 4.0% in a year. Just the speed of the drop is the question.

But we do not think that long term interest rates will fall in the same fashion. Increased government spending and existing interest on the debt will hold long term rates somewhat steady. If this happens, short term interest rates will fall below the rate of long-term rates, thus correcting the interest rate inversion that we have been experiencing since the pandemic. Meaning, the relationship between long- and short-term rates would be returning to normal, where long term rates are higher than short term rates.

The stock market has had a very good year to this point, but where will it go from here? We are noticing mutual fund manager changing portfolios somewhat away from technology and more toward financials and industrials. Banks can do well with falling rates and have better valuations than some of the big tech names that have high prices. Growth stocks could get a boost from more business-friendly deregulation. We are not suggesting selling growth stocks- we will just let the portfolio managers do their jobs.

We are still less excited about overseas stocks. Germany is reorganizing their government and overall Europe is still crawling out of recession. China is trying to decide whether they should devalue their currency like they did a few years ago to jump start their economy. Tariffs from the US would be detrimental to their efforts but would come at a cost to our consumers too. Wars still continue in Ukraine and the Middle East, lending to more volatility.

All in all, we are optimistic that the good news (elections behind us, Fed lowering rates, economy doing ok) is stronger than the headwinds (Ukraine, Middle East, government debt) and that the stock market should do okay in 2025. It will not be a smooth ride, as government still needs to pass bills to keep it in session and the people are still split up the middle with many issues.

We wish you a happy holiday season- we have much to be thankful for and much to look forward to in the coming year. Thank you for your trust and your business!

Dan



### **Important Disclosures**

*This material is intended for informational/educational purposes only and should not be construed as investment advice, a solicitation, or a recommendation to buy or sell any security or investment product. Please contact your financial professional for more information specific to your situation. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Past performance is no guarantee of future results. All indices are unmanaged and investors cannot actually invest directly into an index. Unlike investments, indices do not incur management fees, charges, or expenses. Past performance does not guarantee future results. Investing in alternative investments may not be suitable for all investors and involves special risks, such as risk associated with leveraging the investment, adverse market forces, regulatory changes, and illiquidity. There is no assurance that the investment objective will be attained. Securities & Advisory Services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Advisor. Fixed insurance products and services are separate from and not offered through Commonwealth Financial Network.  
959 34th Avenue NW Rochester, MN 55901 507-281-6650*