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Letter from Dan

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Where should I start? There is much to report on since my last Letter!

Let's start with the elections. With the sweep of the Presidential and Congressional elections, Republicans and President Trump are riding high in their first 100 days in office. Cutting the Federal budget is high on the President's agenda, and he is using the tariff stick as incentive for countries to help with other issues such as border security. He has some momentum, and his approval ratings are around 50%. The stock market has viewed tariffs with some nervousness, but it is up slightly since the beginning of the year. We expect volatility as events unfold but are not nervous.

The Fed is holding on lowering short term interest rates, to see if tariffs add to inflation. We may see no interest rate reductions this year unless the economy starts to decline. Long term rates have risen to around 4.6%, up 0.5% from a year ago. This translates to higher mortgage rates, higher interest on credit cards and more strain on Federal budget deficits. These all will slow down the economy but will also keep money market interest rates higher for savers. A mixed bag, but so far OK.

Overseas markets still look weak to us- a reoccurring theme. I am not sure if the tariffs will reduce imports dramatically; exports may fall. We expect trade agreements to materialize with Canada and Mexico- China will most likely increase their tariffs in turn. Europe is still trying to figure out many things- governmental changes, trade among themselves and the continued threat of the war in Ukraine. Or perhaps the talk of increasing tariffs will be mostly a negotiating tool to try to initiate better trade conditions for the US. As, usual- stay tuned!

I am not expecting the war in Ukraine to end anytime soon. Russia is paying a price internally, but they are also seeing advances in gaining territory on the ground. They have had a long-term strategy- wear out Ukraine, and it may be starting to show. Hopefully, the tide can turn back to Ukraine in the next months.

With this edition, I will have sent this quarterly Letter to clients for ten years. It also will be my last Letter, as I am retiring on May 1, 2025. I hope that you have found this helpful and educational with your portfolios. I always thought that you should know what is going on in the mind of the people managing your money and this was a good way to communicate those thoughts. The Letter will continue, but it will be renamed for the next edition. Thank you to everyone for their trust over the years.

The markets will continue to move up and down, and you continue to have good leadership from our firm to navigate through to the future!

Dan



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