

An update of performance, trends, research, and topics for the long-term investor

Relevant rates of return a/o: **12/31/2023 vs. 12/31/2024**

Russell 1000® Growth Index: +42.7% +33.4%

*Stocks within this index include:
Amazon, Facebook, Google (Alphabet)
Home Depot, Visa

Russell 1000® Value Index: +11.5% +14.4%

*Stocks within this index include:
Berkshire Hathaway B, Exxon
Johnson & Johnson, JP Morgan

Bloomberg U.S. Agg Bond Index: +5.5% +1.3%

S&P 500 Index: +26.3% +25.0%

S&P 500 Equal Weighted Index: +11.56% +10.9%

Russell 2000® Value Index: +14.6% +8.1%

MSCI EAFE® Index: +18.9% +4.3%

*These companies represent a sample of the overall makeup of this index and are provided for informational purposes only. They do not represent a recommendation.

Celebrating Excellence:

Forbes Best-in-State Wealth Management Teams 2025

The Gorton Wealth Management Group is honored to be recognized by Forbes as one of the Best-in-State Wealth Management Teams of 2025. As a team, we pride ourselves on putting our clients first and helping them achieve their goals and dreams. A big thank you to our clients for their trust and confidence. We look forward to supporting them and future generations as we continue to build and grow our team to help serve our clients for decades to come.

2025 Forbes Best-in-State Wealth Management Teams: Awarded January 2025; Data compiled by SHOOK Research LLC based on the time period from 3/31/23 - 3/31/24 (Source: Forbes.com). The Forbes Best-in-State Wealth Management Teams rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria. 11,674 wealth management teams were considered for the rating; 5,331 (45.66% percent of candidates) were named 2025 Forbes Best-in-State Wealth Management Teams.²

Practice News:

We are pleased to announce that Brian Gallagher has now been promoted to Senior Financial Advisor and our newest member, Ross Gompertz, has completed all the necessary accreditations to become a Financial Advisor.



“What we do now echoes in eternity.” — Marcus Aurelius¹

2024 in Review: The World’s Political Evolution Accelerates.

Our last few newsletters have touched on the U.S.’s hegemonic role in the world. Since the end of WWII, the U.S. has ensured global security, while protecting global trade and the world’s financial infrastructure. It has been difficult in this role to balance domestic and Hegemonic interests. The evolution as the U.S. pulls back from this role is largely reflected in the rise of nationalist populism, not only here in the U.S., but abroad. (Prioritizing the culture and interests of the nation, giving voice to the disenfranchised). This has led to global fracturing as countries forge new alliances, and heightened geopolitical tensions. The recent events in today’s newsletter point to this trend continuing to have lasting effects across politics, economies, and our investment strategies as we move through 2025 and beyond.

The New Administration

The rhetoric from both sides during the last election felt so much like middle school candidates promising coke in the drinking fountains with free money to new homeowners, workers not having to pay taxes on overtime, etc. Soon we will get to see what the new administration wants to vs. what it can get accomplished. It sounds as if there is a lot more support from mainstream congress than there was in 2016 and that Trump is acting much faster to get his team in place. For better or worse, this time around he comes with 4 years of government experience vs. 0 in 2016.

- Slim margins in the house and senate could keep new legislation from the extremes.
 - It will be important to see what lines are drawn in the sand.

Investment and Insurance Products are:

- **Not Insured by the FDIC or Any Federal Government Agency**
- **Not a Deposit or Other Obligation of, or Guaranteed by, the Bank or Any Bank Affiliate**
- **Subject to Investment Risks, Including Possible Loss of the Principal Amount Invested**

- The idea of reducing the size of government with the Department of Government Efficiency will be interesting to watch. There is no doubt that big organizations become bloated and need some right sizing from time to time and we will have to see if there is any meaningful success here.
- Deregulation - we had discussed in past newsletters referring to the amount of regulation peaking in 1980, being reduced substantially during the Reagan administration and hitting a new high during the last administration. Regulation can help protect but it can also make it difficult and expensive to progress. It may be time for a little right sizing here too.

We see our job as paying attention to what is changing and trying to adapt, never to predict or panic about what may or may not happen in the future.

Tariffs: A Global Chess Game

Understanding the impact of tariffs can be as complex as navigating a chessboard. Discussions about imposing new tariffs have gained momentum, with their purposes and consequences varying widely. To better grasp the dynamics, think of tariffs as a game of chess:

Who Makes the First Move?

- Am I playing as white or black pieces? (In the game of chess white moves first.)
- If I impose a tariff, the targeted country might retaliate with their own, creating a cycle of escalation.
- This could lead to inflation, disrupt supply chains, and inhibit production, impacting global and domestic economies.

Am I in a Position of Strength or Weakness?

- Can I counter, or does my opponent hold the upper hand?
- The balance of power shapes the effectiveness and fallout of these economic moves.

Are Tariffs a Strategic Bluff?

- What outcome am I aiming for? For instance, tariffs might be used to pressure countries to address issues like immigration, drug cartels, or unfair trade practices.
- One major goal has been to encourage manufacturing to return to the U.S., which could create jobs but also drive-up costs, adding inflationary pressure. Ironically, even as manufacturing returns, automation and robotics might reduce the number of available jobs, creating “dark factories” with minimal human involvement.

What if I’m Player 2 and Move Second?

- Retaliation might be necessary to level the playing field, especially when facing competitors propped up by government subsidies that threaten U.S. industries.

As tariffs take center stage in policy discussions, it’s crucial to decipher the strategy behind each move—whether it’s a bluff, retaliation, or an attempt to balance global competition. While globalization brought cheaper goods and curbed inflation, it often came at the cost of U.S. jobs.

We heard a lot during the election and now need to see which part of the “game” is being implemented and what reactions are to a bluff vs. retaliation vs. perceived leveling of the playing field. In the period of globalization, we gave consumers access to abundant, less expensive goods, helping keep a lid on inflation. It looks like the new administration may try to reverse that job loss, but that too will come at a cost.

Inflation³

While the U.S. is moving towards a 2% target inflation rate and currently sits at 2.5%+/-, the average world inflation is running at 5.8% but as the inflation rate has come down in the US, there have been some new inflationary developments:

- Union Strikes
 - East coast dock workers who negotiated a 62% wage hike over 6 years.
 - Boeing machinists negotiated a 43% increase over 4 years, including signing bonus.
- A new administration discussing tariffs which could cause an increase in the cost of goods.
- The discussion of returning immigrants to their home countries can create job shortages which would put upward pressure on wages to fill those positions.
- Retiring baby boomers will also create more job vacancies and potential shortages in labor. This supply demand imbalance would also exert the same upwards pressure.
- Wars disrupting trade routes and commerce.

Interest Rates^{4,5}

Both a stronger economy and more persistent inflation can be headwinds to further rate cuts. Remember the fed only controls short term rates. And as they have had 3 cuts in 2024, lowering the short-term target rate by 1% from 5.25-5.5% to 4.25-4.5%. At the same time the 10-year treasury rose 1%, from a low of 3.67% in September when the first cut was made to 4.63% at year end, in spite of the rate cuts.

- Mortgages and car loans are indexed off of the longer term 10-year treasury rate, so while we have seen news about the fed lowering rates, real financing costs have risen in the marketplace.
- Why short- and long- term rates may diverge further
 - The Treasury will be refinancing \$7 trillion in treasuries that are coming due, plus any new issuance from budget deficits out of the current \$36+ trillion in debt. (that is a lot of 0's!) which may drive longer rates higher and could put a damper on economic growth.

Key topics we are paying attention to for 2025:

Risks/Headwinds:

- Sovereign risk/shock to the world economy.
 - South Korea, Germany, France, all facing major leadership changes as their leaders received a vote of no-confidence, triggering changes in policy. This is part of the world destabilization/fracturing that we have discussed in past newsletters as the U.S. pulls back from its dominant hegemonic role. And as we write this Trudeau has resigned as prime minister of Canada.
- China invading Taiwan.
- Russia resorting to nuclear weapons to “win” the war.
- The middle east conflicts escalating.
- Economic contraction of China, EU, UK spreading around the world if global demand drops.

Tailwinds:

- Currently the Indian and US economies are experiencing resilient economic growth.
- AI helping companies be more efficient.
- Ample US and global liquidity.
- Stronger corporate earnings.
- Moderating interest rates.
- Moderating inflation.
- Low unemployment although we are always wary of the data. It seems like there are a lot of unemployed that I talk to that have been laid off and are having trouble getting back into the job markets with discussions around 1000 applicants for 1 opening.

eMoney®

We're happy to announce that this year, we'll be reviewing your financial investment plan using our eMoney® platform. The recently integrated Decision Center within eMoney® has been named "Best Wealth Management Product" for 2024 at the 8th annual FinTech Breakthrough Awards. While you may notice a new look to your annual reports, the new planning technology helps enable us to dive deeper into your financial life and create a clearer, more strategic roadmap to help you achieve your goals.

With eMoney®, we're able to take a closer look at important areas such as Roth IRA conversions, stock options/grants, insurance needs and gaps, retirement cash flow management, education planning, and advanced estate planning techniques. If you have any questions about these topics—or any other aspect of your investment plan—we'd be happy to explore them together and craft the best possible solution for your unique situation. We look forward to your upcoming annual review and showing you how eMoney® can help you.

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Sources:

¹ Aurelius, Marcus. Quote retrieved 1/6/25 from www.goodreads.com

² Forbes Best-In-State Wealth Management Teams, Published Jan 9, 2025. Retrieved 1/9/2025 from <https://www.forbes.com/lists/wealth-managment-teams-best-in-state>

³ Wells Fargo Investment Institute, Market Charts, Turning data into knowledge. 4Q2024

⁴ Trading Economics U.S. 10 Year Treasury Bond Note Yield. Retrieved 1/6/25 from www.tradingeconomics.com/united-states/government-bond-yield

⁵ Investing.com. Financial News Analysis. Retrieved 1/6/25 from www.investing.com

Description of Indexes:

An index is unmanaged and not available for direct investment.

S&P 500 Index - a market capitalization-weighted index, composed of 500 widely held common stocks, including reinvestment of dividends, that is generally considered representative of the US stock market.

Russell 1000 Growth Index - offers investors access to the large-cap growth segment of the US equity universe. The index is constructed to provide a comprehensive and unbiased barometer of the large-cap growth market. Based on ongoing empirical research of investment manager behavior, the methodology used to determine growth probability approximates the aggregate large-cap growth managers' opportunity set.

Russell 1000 Value Index - measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. These stocks are selected from the 1000 largest companies in the Russell 3000 Index.

MSCI EAFE Index - the MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada.

Russell 2000 Value Index - measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Barclays U.S. Aggregate Bond Index - an index comprised of approximately 6000 publicly traded bonds, including U.S. Government, mortgage-backed, corporate, and yankee bonds with an approximate average maturity of 10 years.

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