January 2025 Newsletter

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Mitch Vigil, Senior Vice President, Financial Advisor

I hope you had a wonderful holiday season spent with loved ones. As we celebrate the start of 2025, below are a few timely insights to help you get prepared for the new year. Please reach out if you have any questions or would like to schedule a meeting.

Market Commentary:

As we start out the new year there is no shortage of predictions for the market, economy, and incoming administration. Across all of the ideas there are common themes or questions about inflation, corporate earnings, government deficits and interest rates.

On one end, we have a lot of momentum coming in from last year. Our proprietary business conditions index moved into 'expansion' territory and featured positive signals for future hiring and investment plans. According to Bloomberg, when the S&P 500 has an uptrend going into an election, the S&P 500 has been higher 3 and 6 months later 85% of the time, regardless of the election outcome. Investor flows into the market over the past year have been focused on buying into Money Market Funds, which captured 60% of flows; at a time when the market has hit all-time highs several times.

There is a quote: "Bull markets are born on pessimism, grow and skepticism, mature on optimism and die on euphoria". With this in mind and more investors buying into money market funds than stocks, where do we think we are in this bull market cycle? A suggestion would be: somewhere between skepticism and optimism.

On the other end, during the December 2024 meeting for the Federal Reserve, they cautioned that inflationary pressures are persistent and they may not lower rates as much as we all expected. In 2024 the FED reduced rates by 1% and expectations for 2025 had three rate reductions which have now turned into two. During this time the 10 year government treasury went over 4.5% from a low of ~3.7%[1], which is a key figure for determining stock valuations. At this level it would suggest the market is high. As the next administration works to reduce deficit spending through the DOGE, could this reduced spending create a headwind from the momentum of last year?

A survey from Deutsche Bank asking which risks do people think will effect the market in 2025: 1) Global Trade War 2) Tech valuations plunge/AI enthusiasm wanes 3) Central Banks increase rates because of sticky inflation 4) Bond Yields rise more than expected 5) Middle East tensions rise

As we come into the new year, let's schedule time to discuss any questions, concerns or items that we need to plan for.

Written by: Mitch Vigil, Senior Vice President, Financial Advisor at Morgan Stanley

Personal Notes:

The holiday season for the Vigil family was met with about 3-4 weeks of sickness of one type or another. In speaking with friends, family and clients it seems something was going around. None the less, Camaree and I rallied for the kids and thanks to all of the planning Cam had done we were well prepared. On to the coming year of planning some camping trips, sport activities for the kids and finding some good books to read.

January Insights:

On The Markets:
2025 Is Showtime for Fundamentals

An economic soft landing and enthusiasm for AI have boosted markets, but now earnings and policy clarity are needed. Find out more in On the Markets.

January Edition

Financial Literacy for Any Stage of Your Life

Financial literacy means being equipped with the knowledge to help make smart financial decisions during every stage of your life. No matter your current priorities, a strong financial literacy foundation can help you meet your goals.

Learn More

Maximum Benefit and Contribution Limits for 2025

The IRS has increased contribution limits for 2025. Click below for a detailed list of all the new contribution limits.

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1. MSWM Global Investment Office 2024