



Ben's Bow Tie Brief

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STARTING POINTS MATTER *November 2024*

The Republican's decisive win has ignited "animal spirits", despite already lofty market expectations. The added value of perceived certainty on tax cuts and deregulation is understandable, but stock investors have quickly priced in potential policy action. We believe bond investors, for their part, have driven rates higher due to concerns over potentially inflationary trade and immigration measures and fiscal policies that could widen budget deficits further. Add to the mix that expectations for Fed easing have moderated.

Starting points matter for potential forward returns. While we feel markets may be discounting policy certainty based on a monolithic view, our experience suggests that the current Trump policy agenda entails risks and contradictions that put a premium on sequencing and execution, even with strong congressional backing. The bottom line is - the market is applying high multiples to potentially peak short-term profits, and sentiment and positioning is quite bullish.

I think caution is warranted in the short-term and longer-term investors should focus on rebalancing to strategic asset allocation targets and pursue maximum diversification among asset classes. As always, maintain sufficient liquidity!

Best,

Ben

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