The Compass Rose Group

at Morgan Stanley

Quarterly Video Series

Post Election Market Update

As we step into 2025, see here a video from Senior Portfolio Management Director Jake Tolk, CFA, CFP®, CRPC, providing a post-election update on how the new administration may impact markets and investors.

Watch Here

Cardinal Directions - *Our Thoughts*

January 2025

We always find it interesting to look back twelve months ago and see what we were anticipating. In the January 2024 newsletter, we said:

For equities [this] year, our team thinks the following:
• Bull case is up over 20 percent
• Base case is up between 10 and 20 percent
• Bear case is down 5 percent to up 10 percent.
These numbers are supported by current consensus earnings growth estimates for the S&P 500 as earnings are expected to grow by over 11.5 percent [in 2024] and over 12 percent for 2025.

Now, as of December 26th, 2024, the S&P 500 is up 28.3 percent year-to-date[1]. 2024 has been a strong year. Now, we will be speaking to 2025 expectations shortly, but a lot of uncertainty remains for investors surrounding the outset of the new Trump administration. Please remember that market performance is heavily reliant on economic fundamentals and the business cycle, rather than legislative and policy change. However, the influence is there, nonetheless.

As post-election market banter has primarily been around taxes, tariffs, trade, immigration, deregulation, and monetary policy, we agree with Morgan Stanley's Global Investment Office that risk lies with how the new administration sequences their more growth-oriented policies (i.e., tax cuts and deregulation) with those that may negatively impact growth (i.e., tariffs and immigration restrictions)[2]. Almost as important, is the ambiguity around how the actions will be implemented, and which ones can be done unilaterally by the Trump administration, through congressional action, or which items will likely wind up being settled in the judiciary. See below an excellent table expanding on this.

Exhibit 1: Policy Implementation Will Depend in Part on Federal Purview

Possible Action	Executive Action	Congressional Legislation Required	Likely Court Challenge
Tariffs			
20% Universal Tariff; 60% China Tariff	x		x
200% Tariff on Imported Vehicles From Mexico	x		x
Fed Policy			
Demote/Replace Powell*	x		x
Enact Presidential Control of Rates		x	x
Immigration			
Deploy National Guard	x		x
Invoke Alien Enemies Act of 1798	x		x
Reinstate Trump 1.0 Policies	x		x
Deregulation			
Reverse Biden Energy Project Limits	x		
Exit Paris Climate Accords	x		
Ease Crypto Regulation**	x	x	
Taxes			
Extend TCJA		x	
Lower Corporate Tax Rate to 15% From 21%		x	
Eliminate Federal Income Tax		x	

*Naming a new Fed Chair requires Senate confirmation. **Agencies can sometimes ease regulations without new legislation.
Source: Bloomberg, The Peterson Institute for International Economics, Cato Institute, CSIS, Morgan Stanley Wealth Management Global Investment Office as of Nov. 8, 2024

1. Morgan Stanley Wealth Management, Capital Market Indices (December 27, 2024).
2. Morgan Stanley Wealth Management - US Policy Pulse, It's a Red, Red, Red World (November 20, 2024) by Monica Guerra & Daniel Kohen.

Scheduling Your Next Portfolio Review

The Compass Rose Group operations team is continuing to find solutions to help provide efficient and effective levels of service to clients, including scheduling biannual portfolio review meetings.

In case you have not seen it yet, we are sending out an email every six months inviting clients to schedule time with their primary advisor. When you see "Scheduling Your Next Portfolio Review" in your inbox, simply open the message and click the button "Send Meeting Request" to generate an email to our scheduling team. The email will prompt you to fill in relevant information including your name, preferred day of the week, preferred time of day, and preferred location (i.e., in-person, via Zoom, or by phone). Once you hit send, a service associate will follow-up with a few options that meet your preferences.

You can also schedule directly by calling Craig Jones, our Registered Client Service Associate, at 505-889-2826.

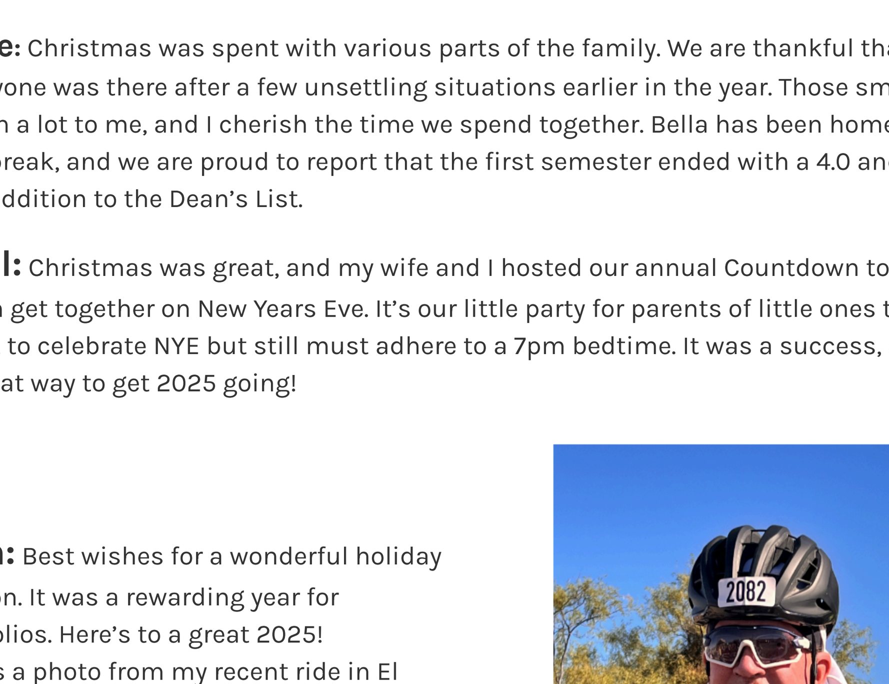
Market Moves

Click the link below to review the recent movements and current standings of the Capital Market Indices (As of 12/30/24)

Capital Market Indices

Personal Notes:

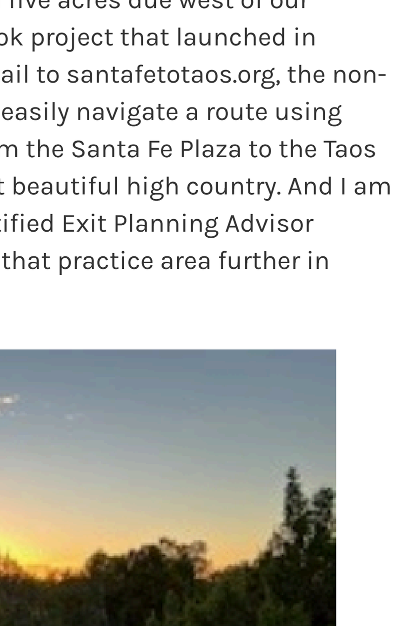
Chuck: What a wonderful Christmas. Had all five grandchildren, kids and spouses, and a total of 22 for Christmas Dinner. Chaos is the only word to explain the day. Would not want it to be any other way. Luminarias (240) and perfect weather on Christmas Eve made for a perfect setting. We are so blessed to have all that we have and a great time to count our blessings. Here's to a healthy and prosperous 2025.



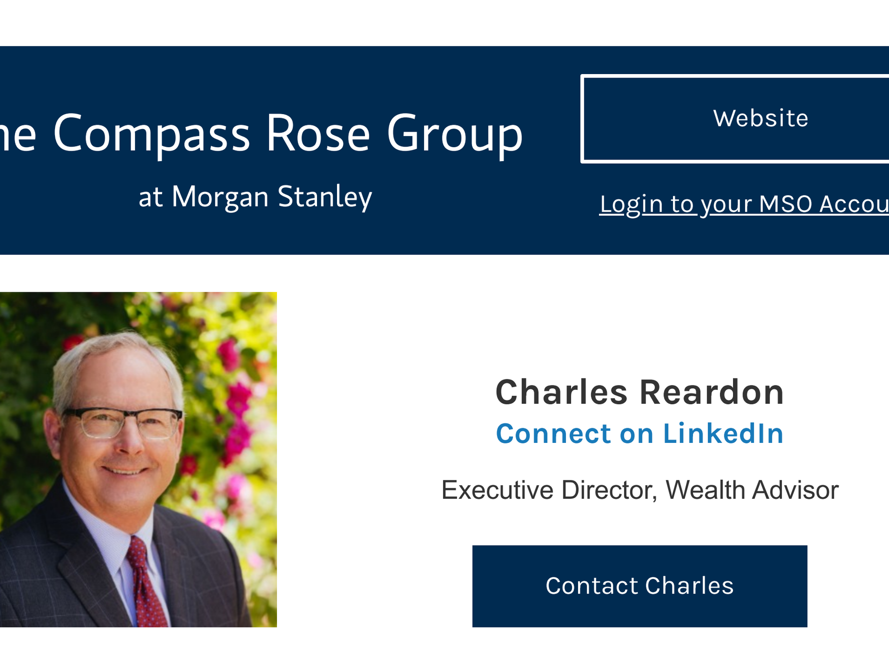
Jake: Christmas was spent with various parts of the family. We are thankful that everyone was there after a few unsettling situations earlier in the year. Those smiles mean a lot to me, and I cherish the time we spend together. Bella has been home for the break, and we are proud to report that the first semester ended with a 4.0 and her addition to the Dean's List.

Will: Christmas was great, and my wife and I hosted our annual Countdown to Noon get together on New Years Eve. It's our little party for parents of little ones that want to celebrate NYE but still must adhere to a 7pm bedtime. It was a success, and a great way to get 2025 going!

Tom: Best wishes for a wonderful holiday season. It was a rewarding year for portfolios. Here's to a great 2025!
Here's a photo from my recent ride in El Tour de Tucson. I rode 101.2 miles in 6 hours & 48 minutes with a group of friends. This is one of the largest rides in the country with over 10,000 participants riding & running various distances.



Rob: Pam and I wrapped up 2024 with a quiet Christmas to cap off an eventful year highlighted by the acquisition of an additional five acres due west of our current home, pictured below. Pam completed a book project that launched in November, and she continues to add depth and detail to santafetotaos.org, the non-profit she established to facilitate hikers' ability to easily navigate a route using existing trails and forest roads that takes them from the Santa Fe Plaza to the Taos Plaza through some of Northern New Mexico's most beautiful high country. And I am pleased to announce I passed the exam for the Certified Exit Planning Advisor designation, and I'm looking forward to developing that practice area further in 2025.



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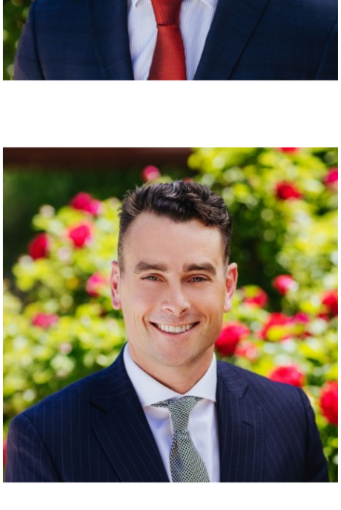

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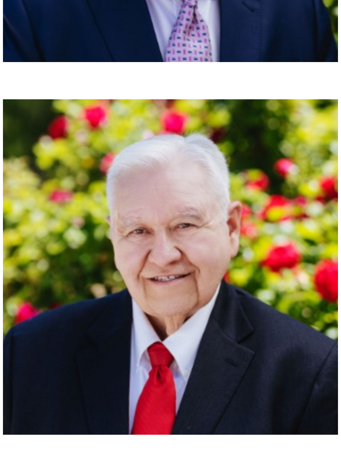

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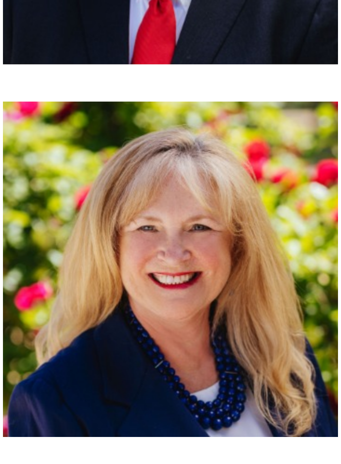

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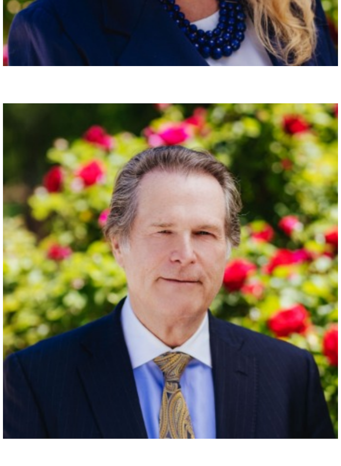

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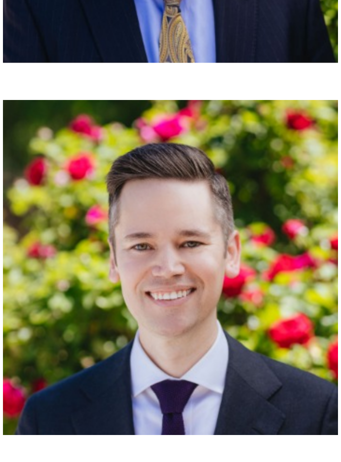

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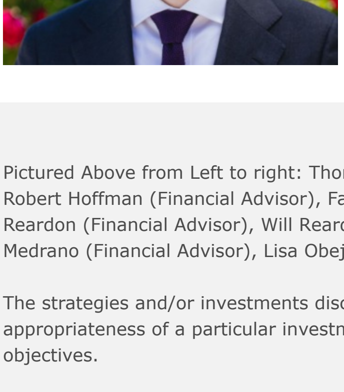

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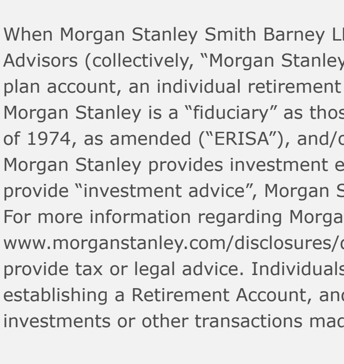

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Pictured Above from Left to right: Thomas Batson (Financial Advisor), Jesse Casaus (Client Service Associate), Robert Hoffman (Financial Advisor), Fallon Peace (Portfolio Associate), Jake Tolk (Financial Advisor), Charles Reardon (Financial Advisor), Will Reardon (Financial Advisor), JoAnn Trevino (Client Service Associate), Justin Medrano (Financial Advisor), Lisa Obeji (Financial Advisor), Kenneth Montoya (Financial Advisor).