Stirling Bridge
Wealth Partners, LLC

*MARKET COMMENTARY – December 1, 2024*

***Heap on more wood! The wind is chill;***
***But let it whistle as it will,***
***We'll keep our Christmas merry still. ~Sir Walter Scott***

Last month intern Jake shared his thoughts on recent trends in Christmas spending. While a host of physical gifts will certainly be given this year, it turns out there is a growing cadre of folks sharing experiential presents for the yuletide. But absent any gifts of any sort, we chose the above quotation for its sense of old-time cheer in the face of difficult conditions.

And that is what the market has essentially done this year! It's hurled more wood onto the hearth, propelling asset prices higher, regardless of the bleak geopolitical news and bitter election season. Investors felt merry as a result and a virtuous circle developed, solid returns begetting solid returns.

With the settling of the election results and as we skate into a new year, it is time for us to ascertain just where we are and where we are likely to go.

Looking across the broad economy, 4Q 2024 is expected to show an impressive earnings growth of 12% from the year prior. According to FactSet the sectors expected to post the largest growth rates are Financials, Communication Services, Technology, Utilities, Health Care, and Consumer Discretionary. For the first time in a long while, Nvidia and its ilk are not projected to be the fastest growing companies, a sign of a healthier, broadening economy.

The new administration, too, is already making a mark on business fundamentals as participants learn more about expected policy goals. Of course, there are many. The thrust will be to lock in the current low tax rates, to reduce redundancy and the cost of the Federal government while simultaneously shrinking red-tape, and to re-shore spending dollars that are currently sent abroad. One simple way to visualize the goals of Trump 2.0 is by the Treasury Secretary nominee's rule of threes. 3% GDP growth. Reducing the budget deficit to 3% of GDP (which would be half of the current red ink). Increasing domestic oil production by 3 million barrels per day.

As a result of the rosier short-term fundamental outlook coupled with a pro-domestic incoming administration, prices rallied strongly in November.

But where from here?

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Barring an unforeseen shock, the answer is up, we think. Valuations are certainly stretched compared to history – equities are expensive. Yet if the growth rate of revenues and earnings accelerates as expected, those valuations become reasonable. And though it is perilous to forecast the outcomes of wars and interest rate moves, both have a good chance of moving favorably in 2025, giving further support to stock prices.

In recent months we have mentioned in these commentaries that it was appropriate to remove excesses from client portfolios. It was and we have. Given the shifting outlooks for 2025, we now think it is best to again allow the natural course of stock prices to increase stock allocations above long-term targets. To reiterate, any overweight to stocks will be the result of price moves. We simply have no plans to thwart that growth with pruning for the time being.

Now for an abrupt change in the subject. 2025 will also see changes in 401(k) rules, important for our pre-retirement clients and friends. Workers 50 and older have long been able to make larger "catch-up" contributions. Now a new class of what we'll call "super catch-up" contributions begins. Those folks between 60 and 63 will be able to defer an additional $11,250 annually into their 401(k)s.

Additionally, the wait time for part-time worker eligibility to participate in plans drops from three years to two. So, anyone who has worked at least 500 hours in the past two consecutive years will be able to contribute.

Finally, for any plan created after December 28, 2022, all eligible employees MUST be automatically enrolled with a minimum 3% employee deferral rate. Many folks missed out on saving in the past simply because they'd forgotten to check a box. Now, saving will be the norm.

In closing, we expect positive changes to come. However, we also know that unwelcome, chill winds will blow. As Mister Scott suggests above, let us stoke the flames ourselves with diligence, savings, work, and good Christmas cheer, of course.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely
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