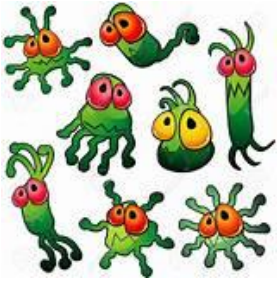


## What a year - Who Cudda predicted it? 01.02.2025



My current book, which sounds boring and is anything but, is called “I Contain Multitudes” (<https://a.co/d/bm468hi>). It’s about the microbes that reside within and upon us and virtually every living creature/organism. Now, our microbiome is not something we generally ponder day to day, and yet the topic should be on our mind, at least occasionally. It’s cleared up the reason why; after not having eaten meat for 30+ years, I can’t even eat a small bite of a cow or pig without having significant challenges. Having a healthy “gut” is essential to healthy living and, in fact, makes living possible. I’m not a biologist so won’t be trying to explain all I’ve read. I do want to bring up the amazing process known as “fixing carbon,” which, via photosynthesis, is the process of using the sun’s rays to refashion carbon dioxide and water into sugars. Indirectly, we are all sunshine (or star dust as the song goes <https://youtu.be/Nivr4YZzzME>). This is the essential building block of all life. Or at least scientists thought it was until around 1980. The process of photosynthesis uses carbon dioxide and creates oxygen. For most of human science history, it was thought all living beings needed oxygen to survive. However, the science world was shocked when submersibles took scientists to the depths of the oceans and they found creatures that didn’t live on oxygen or sunlight. Instead, they synthesized sulfides to create energy in a process called chemosynthesis. Of course, this means there’s an even a greater chance that aliens exist since oxygen is not necessary for organic matter to survive (he wrote a bit tongue-in-cheek).



So, what does that have to do with anything? It’s a bit of a stretch, but I wanted to illustrate that unknown unknowns do happen and it’s impossible to predict what’s going to happen in the world. At the beginning of 2024, who could possibly have forecast the way things turned out politically and economically? Regardless of whether you’re a Trump fan, the fact that he survived punch after punch to become president for the 2<sup>nd</sup> time is one of the great political comebacks in history. Almost like Rocky Balboa in “Rocky 3:” [https://youtu.be/Gt9x6KhWuoM?si=eg4x1PVuD7E0r\\_hl](https://youtu.be/Gt9x6KhWuoM?si=eg4x1PVuD7E0r_hl) Beyond Trump, there were big governmental shifts in the UK, France, and Germany, and a number of other countries saw incumbents fall from grace. <https://www.livemint.com/politics/news/2024-year-ender-political-shifts-incumbent-us-uk-elections-donald-trump-11734767521229.html>

Despite, or maybe because of the political changes, the major US stock markets were up significantly, truly “beyond belief” as various valuations have skyrocketed to levels, maybe not even seen in the late 1990s. And all in the face of much higher interest rates than the past 10-15 years, perplexing those who believe the Fed controls the stock markets and they would remain under pressure while rates were up.

*“There is little dispute that stocks are currently at some of the highest valuations in history by many metrics. That fact isn't dampening investor appetite, in fact it seems to be encouraging it. Just in the past month, we've seen record fund inflows (BofA), mainstream financial media suggesting 100% stock allocations (MarketWatch), another 20% gain next year (Barron's), putting everything in the U.S. (Economist), and riches gained by young men in the most speculative assets (WSJ). We've seen asset managers suggesting the business cycle has been defeated (BlackRock), perma-bears turning bullish (Rosenberg), and new financial products based on near-record low credit spreads. Taken together, it's a bright, flashing red light.*

*The history of momentum-heavy markets, however, is that a surprisingly large amount of money is not only willing to ignore but also chase these trends. So, markets rarely peak quickly. They dip and rise and meander and the signs keep piling up until they all come home to roost in a "surprisingly" quick fashion; short-term gains tend to get wiped out during the subsequent pullback. It's worth remembering those historical lessons in the weeks and perhaps even months to come."*\*

\*<https://quantasticworld.substack.com/p/us-market-valuation-one-for-the-history>

That last paragraph is why it's so challenging to manage other's funds. You and I want you to make as much as possible, but that's only possible by taking as much risk as possible and few people want to do that on a consistent basis. On a side note, this is one reason I've placed large amounts of my and client funds into "structured outcome contracts" inside of RILAs and FIAs. These investments link gains 1 to 1 to the major stock market indexes while, at the same time, offering partial or complete protection from downside losses during their terms. They have performed as advertised the past 3 years with protection from losses in 2022 and excellent gains in 2023 and 2024.

<https://tacticaladvisoryservices.com/buffered-securities> and  
<https://tacticaladvisoryservices.com/structured-outcomes>.

While I could write at length about all the warning signs of the stock market, I would be remiss not to mention that overvalued markets can remain overvalued for a long time. In fact, even though most every graph and chart I've been collecting the past couple of months indicate that markets are near to topping, there is historical data showing that markets, with the type of momentum we've been witnessing the past couple of years, can go on for another 6-12 months or so (Source: Sentiment Trader). Bank of America wrote in a recent article:

***"Not since the 1920s have we seen the potential for a major tech boom to coincide with significant deregulation & tax cuts.***

***Historically, both have driven large booms in equities"***\*

\*<https://www.zerohedge.com/the-market-ear/big-boom-potential-best-100-years>

So, the question for 2025 is: will the big tech mega-cap stocks continue their amazing run and cause the other stocks to catch up, or will the lagging performance of many of the stocks in the indexes cause the market leaders to catch down? I suspect it's the latter but we shall see.

As always, thank you for allowing me to be of service. While we all hope for big returns, the most important return is our health and the love of our family and friends. As long as we nurture those, we will have a good life.

Best to You,

Thomas B. Paine  
Paine Financial Services  
[www.painefinancialservices.com](http://www.painefinancialservices.com)

Centaurus Financial Inc.

6627-A Bay Laurel Pl

Avila Beach, CA 93424

805-473-6679

805-258-5476 (fax)

Supervisory Branch Office: 1186 E. Grand Ave., Arroyo Grande CA 93420; 805-473-6670 California License #0703952

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