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McFee Financial Group January 2, 2025 Market Comments

Interest rate cutting will continue, just at a slower pace.

The United States Federal Reserve Bank minutes of the December 18-19, 2024 meeting now estimate just 2 interest rate cuts in 2025. Down from the 4 cuts expected from the October meeting. The Fed did cut rates by 1% in 2024 as expected.

US economic growth rate is expected to grow 2.5% in 2025. Previous expectation by the Federal Reserve Bank was 2% 2025.

Summary: the US Economy is apparently strong enough to pay higher interest rates and grow in the next 2 years thinks the Federal Reserve.

US government debt of \$36 trillion and growing by \$2 trillion per year remains in enormous threat. The question is, when?

Jeffrey Gunlock of double line capital stated December 19, 2024 on CNBC In 2018 the US Federal Debt interest payment was \$300 billion. In 2025, interest is expected to be \$1.3 trillion.

Summary: Our belief is the next one to two years looks pretty good for US growth. However, over the next 2-4 years the debt service problem is most likely going to catch up with us unless something has done to:

1. curb Federal Government expenditures
2. increase taxes.

A few AI stocks lead US stock INDEXES higher.

2024 was another year of a few stocks focused on artificial intelligence in the United States creating an outsized return for S&P Charts Dec 25th put the Magnificent 7 stocks at a 71% return for the year 2024. The Median stock in the S&P 500 was up 9.4%

Slickcharts Dec 31, 2024 shared that 170 stocks in the S&P 500 lost money.

International stocks and US bonds in 2024 climbed just 3% compared to US equities as measured by the S&P 500 climb 24%. MarketWatch 12/31/24

US commercial real estate has fallen 7% annually for the past 3 years. (MarketWatch VNQ 12/31/24.)

Summary:

The world economy remains under significant pressure while a few stocks make the 'window dressing' of the markets looking good! Will 2025 see a broader participation in an economic expansion? Our thought is most likely.

US and global uncertainty remain elevated

Trump tariffs potentially elevate inflation. As the Ukraine/Russia War and Middle East Wars potentially subside, will there be a peace dividend in 2025-2026?

Wall Street powerhouse bond trader PGIM and David Rosenberg still believe bonds provide 'stock like returns in 2025.'

Wall Street analysts estimates of 15% earnings growth of US Companies which should propel stocks 10% higher in 2025. MarketWatch 12/31/2024.

Summary: Ok year ahead with tremendous volatility. Buckle up.

Wishing each of you a joyous and healthy New Year!

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