



The Next Mile - Newsletter

“Yesterday I was clever, so I wanted to change the world. Today I am wise, so I am changing myself.”

– Rumi, 13th Century Persian Poet

We are all on a journey. Some of us are more aware of it than others, reflecting on where we've been, where we are, and where we're going. At GVA, we're planners and investors. We believe in regularly reassessing our path. Are we still on the right track? Have our goals changed? Have new circumstances emerged that require a different approach?

In our last market update, published before the election results, we anticipated stock prices would rise if Trump won. They did, but those gains have since disappeared. Now that the election outcome is clear and policies are taking shape, we need to re-evaluate our strategies. Elections have consequences, and as investors, we must adapt.

We founded Global Vision Advisors because we believe that financial planning should be about life goals, not just investments. We help people define their ideal life and create a strategy to achieve it. Clear goals make risk management and investment decisions easier. This is the work we love. Keeping your goals in focus is crucial as we navigate the market.

Today, we'll discuss the changes and constants in the investment landscape. We hope this is helpful.

"Dreams + Reality + Determination = Success" - Ray Dalio

Matt and Tom

Executive Summary

- **Federal Finances:** Washington D.C. is debating the nation's finances. Some argue for short-term sacrifices for long-term gains. This uncertainty is causing market shifts.
- **Interest Rates:** Long-term rates are rising, and short-term rates are falling. What does this mean for the bond market?
- **The Economy:** Economic data is becoming less clear.
- **Stock Market Valuation:** The market's upward trend has stopped, and valuations are extremely high. This risky situation is why Warren Buffett is holding more cash.
- **Investment considerations:** Gold, Bonds, Energy Infrastructure, Health Care Real Estate, Emerging Markets, commodities.
- **The Progression of Asset Allocation:** The progression of asset allocation tells us a lot about what the investment world is trying to respond to.
- **Create Your Own Economy Corner:** Imagination

Tom and I recently attended the Orion annual conference with 1,300 other advisors, representing roughly \$1.5 trillion in assets. The main message from the keynote speakers was clear: advisors need to be better risk managers. They emphasized that investors have become too comfortable and complacent, which can lead to risky decisions.

Economic Insights from Dr. David Kelly (JP Morgan)

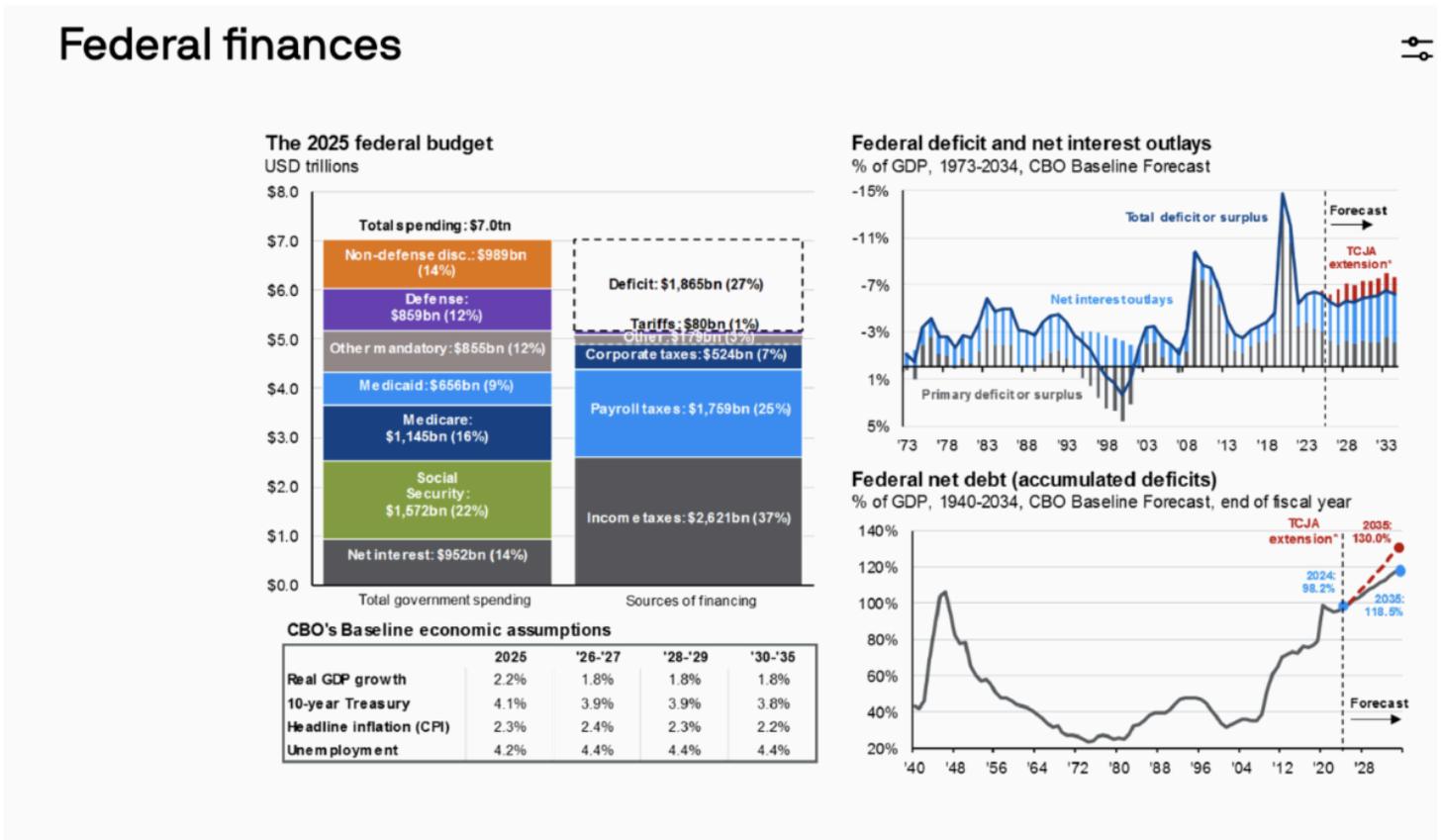
Dr. David Kelly, Chief Economist for JP Morgan, highlighted some key points:

- Bonds are undervalued: He believes 5% is a strong return in today's bond market.
- The US economy is generally healthy: Consumers and business investments are driving growth.
- However, the market is vulnerable: Current valuations are high, and unexpected events could cause significant drops. These economic drivers can also change rapidly.

Understanding Federal Finances

To illustrate the discussions happening in Washington, Dr. Kelly shared charts from JP Morgan's "Guide to Markets," which you can easily find online. We'll share the first chart, which summarizes the Federal Finances.

Federal Finances



We could spend a lot of time analyzing these charts, but let's focus on the key points.

The main takeaway is the \$1.8 trillion annual deficit. This is the difference between our expenses and revenues, highlighted in the top left of the chart.

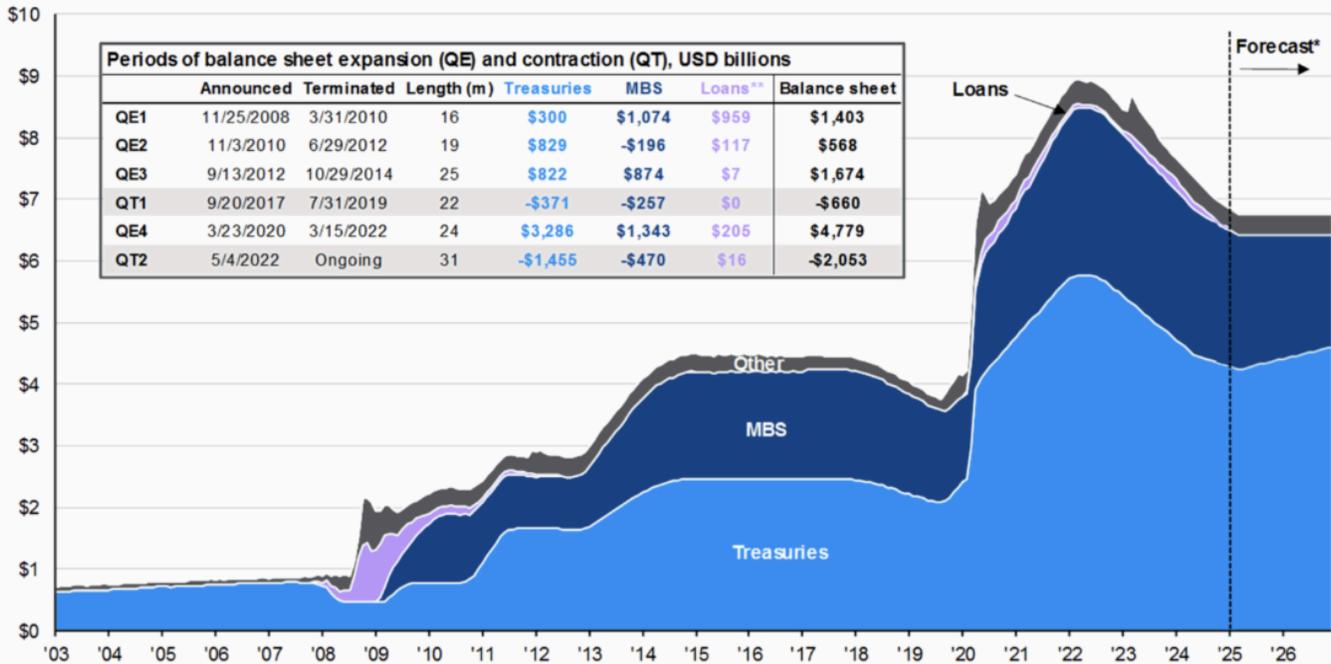
The bottom right shows the national debt, which is projected to increase. If the 2017 Tax Cuts and Jobs Act is extended, the debt will rise even faster (see the dotted red line). Significant spending cuts would be necessary to offset any further tax cuts.

There's a lot to unpack here, but the core message is clear: our current financial path is unsustainable.

The Impact of The Federal Reserve's Quantitative Easing (QE) and Government Spending

The Federal Reserve balance sheet

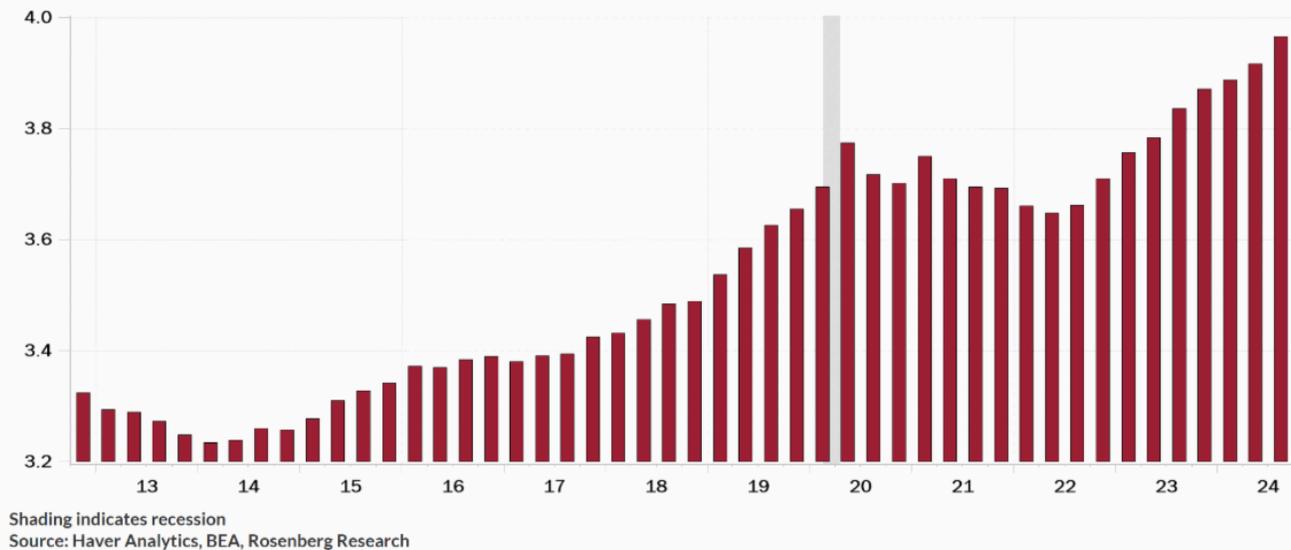
USD trillions



We've shown you this chart before, but it's important to remember: **massive stimulus has been crucial to support the stock market and our economy since the Financial Crisis and during Covid.** Now, the Federal Reserve is shrinking its balance sheet, meaning less support.

However, even after the initial Covid response, government spending has continued to be a major economic driver for the past two years. Below is a chart showing Real Government Expenditures and Gross Investment (in trillions of dollars, seasonally adjusted annual rate).

Real Government Expenditures and Gross Investment
(\$ trillions, SAAR)



Shifting Government Support and Rising Uncertainty

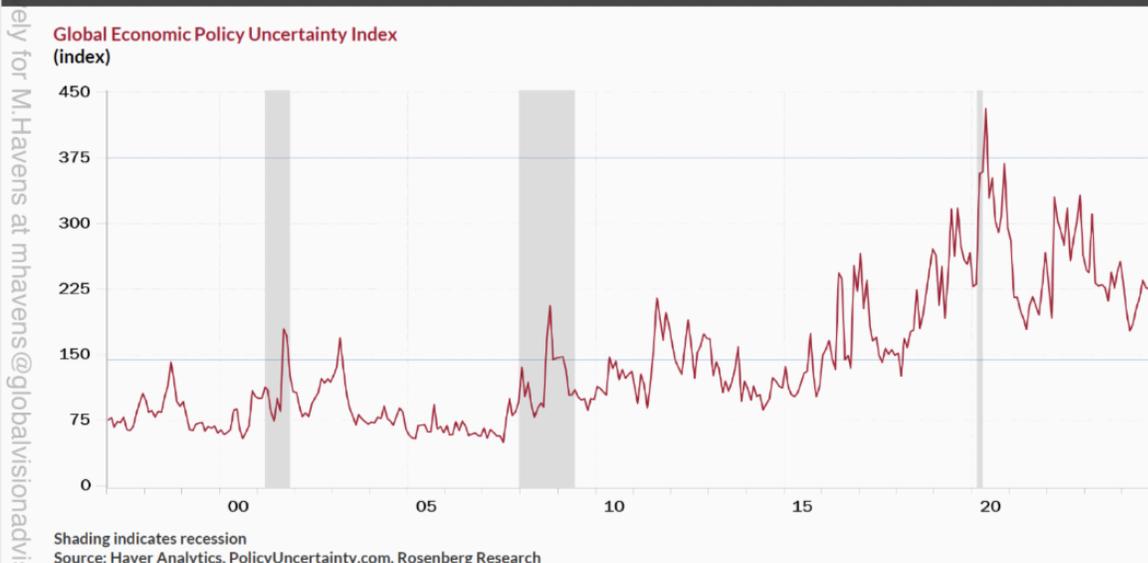
We're not debating whether past government actions were "good" or "bad." The fact is **significant government support, both fiscal and monetary, has been a major economic factor. Now, that support is waning.** This raises a key question: **how will this impact the economy and the stock market?**

Increased Uncertainty

In the short term, this shift is creating **greater uncertainty.** The charts below illustrate this.

- **Global Economic Policy Uncertainty Index: Shows rising uncertainty in economic policy.**
- **Trade Policy Uncertainty Index: Shows rising uncertainty in trade policy.**

THIS MEASURE OF UNCERTAINTY IS BACK TO 2020 COVID LEVELS



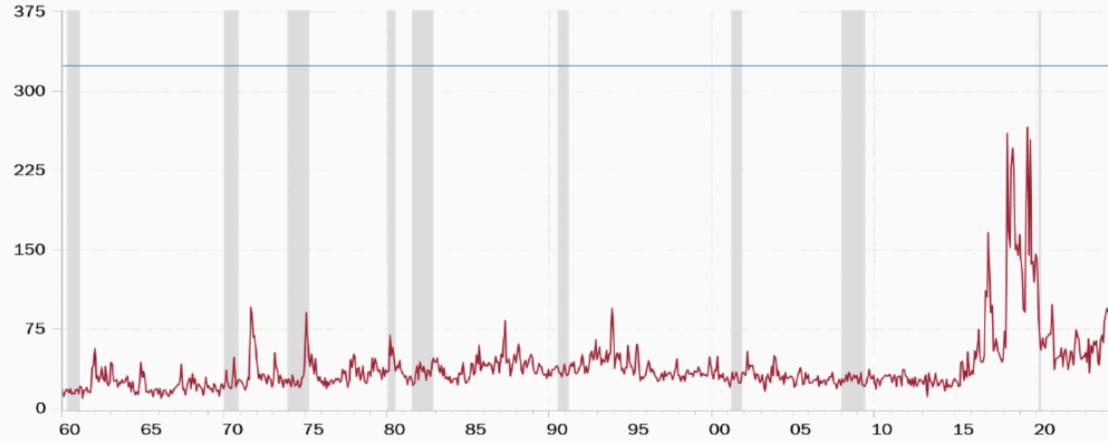
ely for M.Havens at mhavens@globalvisionadvisor



TRUMP TARIFF THREATS TRIGGER A SURGE IN TRADE UNCERTAINTY

ely for M.Havens at mhavens@globalvisionadvisor

Trade Policy Uncertainty (Index)



Shading indicates recession
Source: Haver Analytics, Matteo Iacoviello, Rosenberg Research



The Impact of Uncertainty

Why does this uncertainty matter? **When businesses are uncertain, they hold back.** They're less likely to expand and more likely to lay off workers. **Consumers also become more cautious, spending less and saving more. This can slow down the economy even further.**

Interest Rates: The Federal Funds Rate

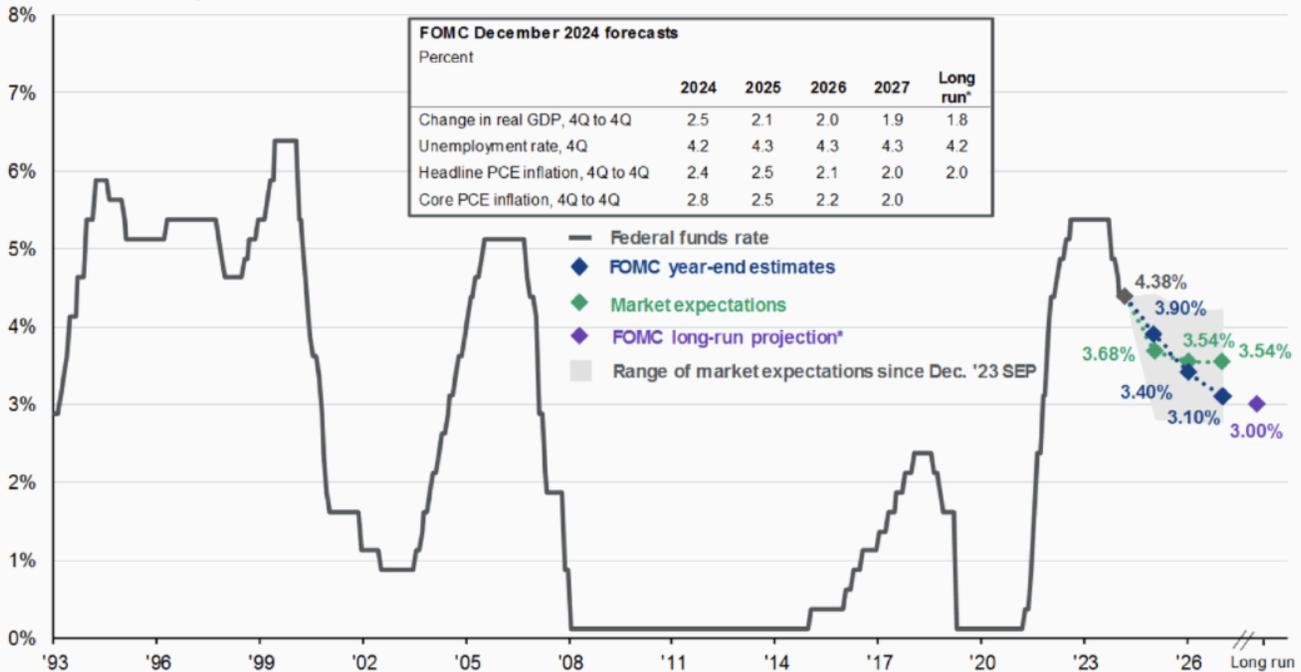
Another chart from JP Morgan shows the projected path of the Federal Funds Rate, the rate set by the Federal Reserve:

The Fed and interest rates

Actions ▾

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Interest Rate Outlook

The chart shows a forecast that the market expects the Federal Funds Rate to decline. We'll explore why in a moment.

Important Note: Remember, **real interest rates are set by the bond market, not the Federal Reserve.**

Here's a chart showing how interest rates have changed since the months leading up to the election. It compares the short-term (3-month Treasury Bills) and long-term (30-year Bonds) rates:

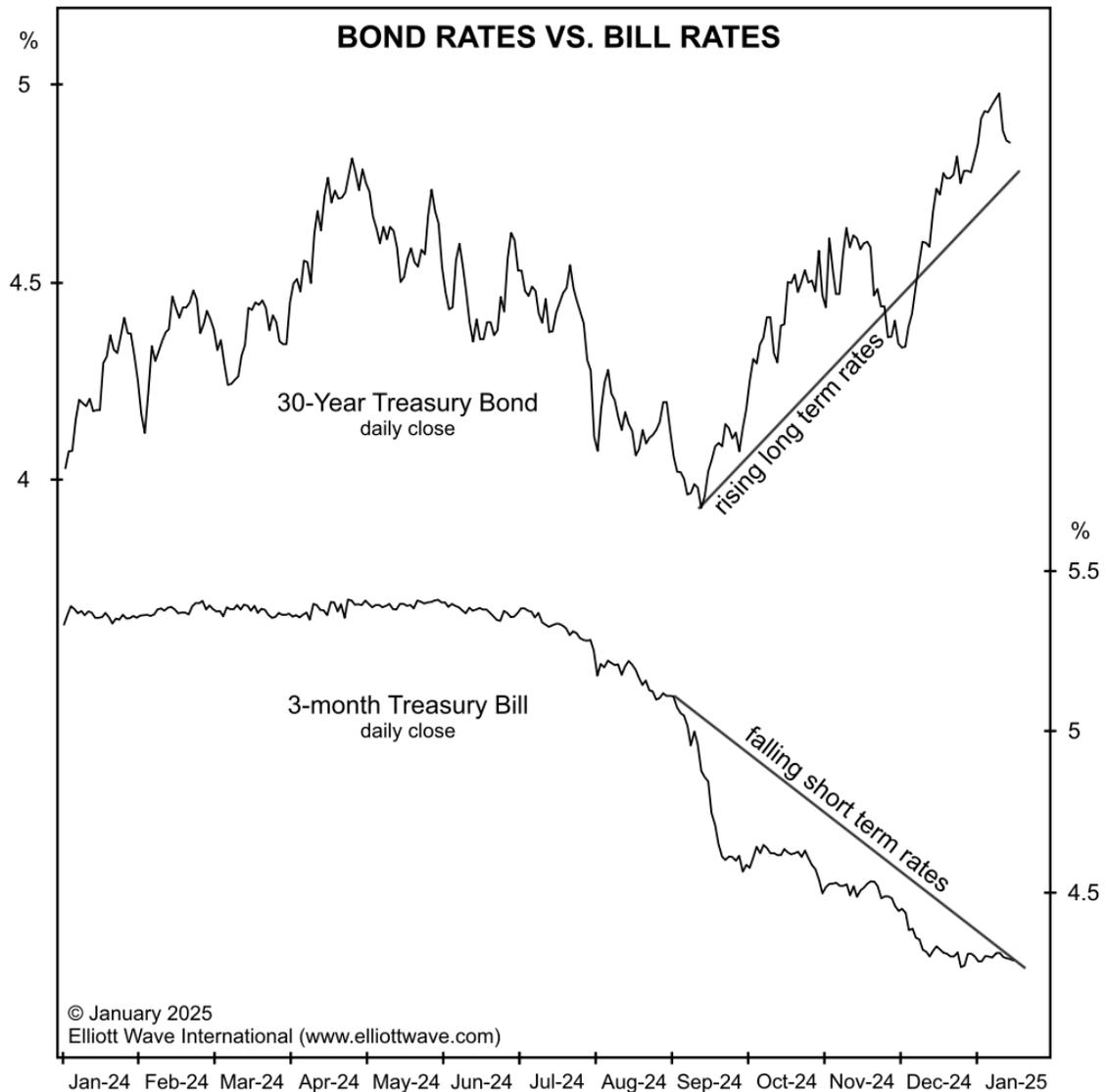


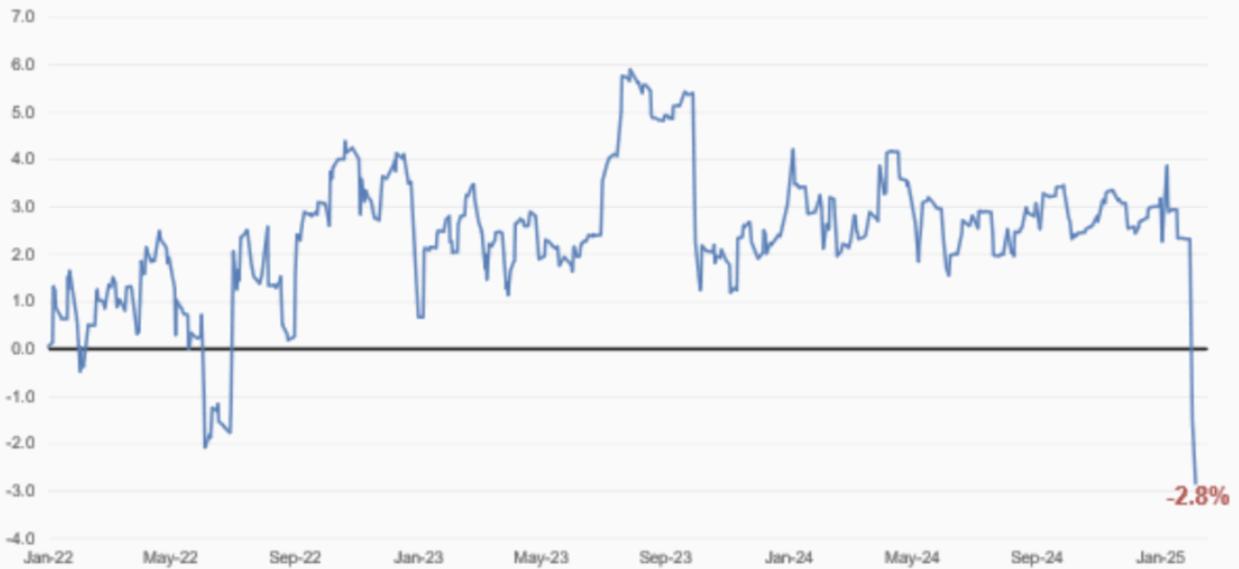
Figure 5

What this seems to be illustrating is that the short end of the curve, like the expectation of a lower Fed Funds Rate above, is forecasting a softer economy and less demand. While the longer end is forecasting higher borrowing costs for the United States? Possibly due to the conflicting financial priorities we are facing.

The Economy

We have shared for some time that the leading indicators have been warning of economic softness which is pretty normal given the sharp rise in the Fed Funds Rate rates from 2021-2023. See The Atlanta Fed just came out with some numbers that point to something more than just a little softness. See below:

Fed Atlanta GDP Model Plunges Suddenly to -2.8%, Similar to 5/2022



Source: <https://www.atlantafed.org/>

www.hsdcnt.com

Recession Timing and Economic Fragility

As Gary Shilling points out, **knowing if we're in a recession comes too late for investment decisions.** Time will tell. We believe the economy was propped up by government support while the Fed tried to slow it down. Now, that support is gone.

Stock Market Valuation: A Word of Caution

Two things make economies and markets fragile: **high debt and high valuations.** This isn't new, but we often ignore past lessons.

Remember the internet bubble? We were blinded by the "New Economy" and its supposed productivity, failing to see the trap. That trap wiped out years of savings. **Today, we seem to be repeating the same mistake, insisting, "This time is different."**

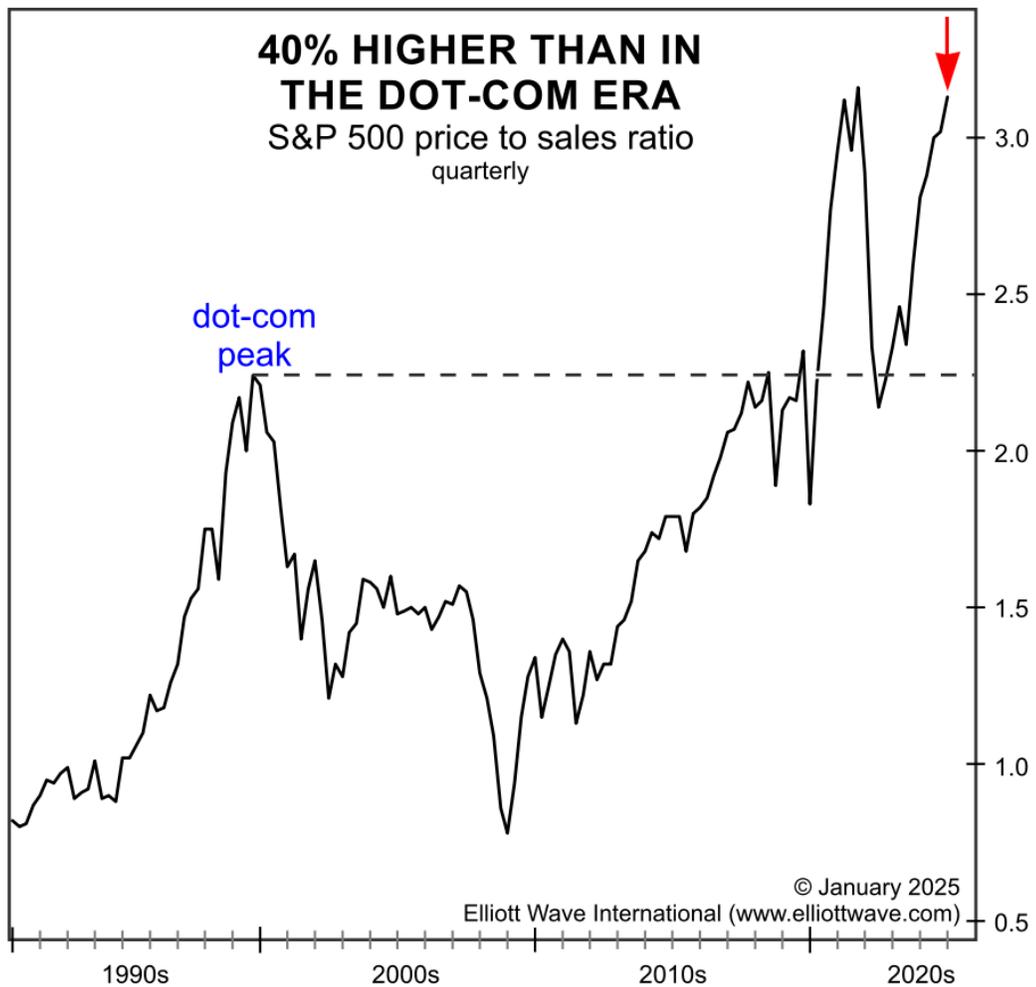
For example, look at the chart below showing the Price-to-Sales Ratio of the S&P 500 Technology Index:

Price to Sales Ratio: S&P 500 Information Technology Index



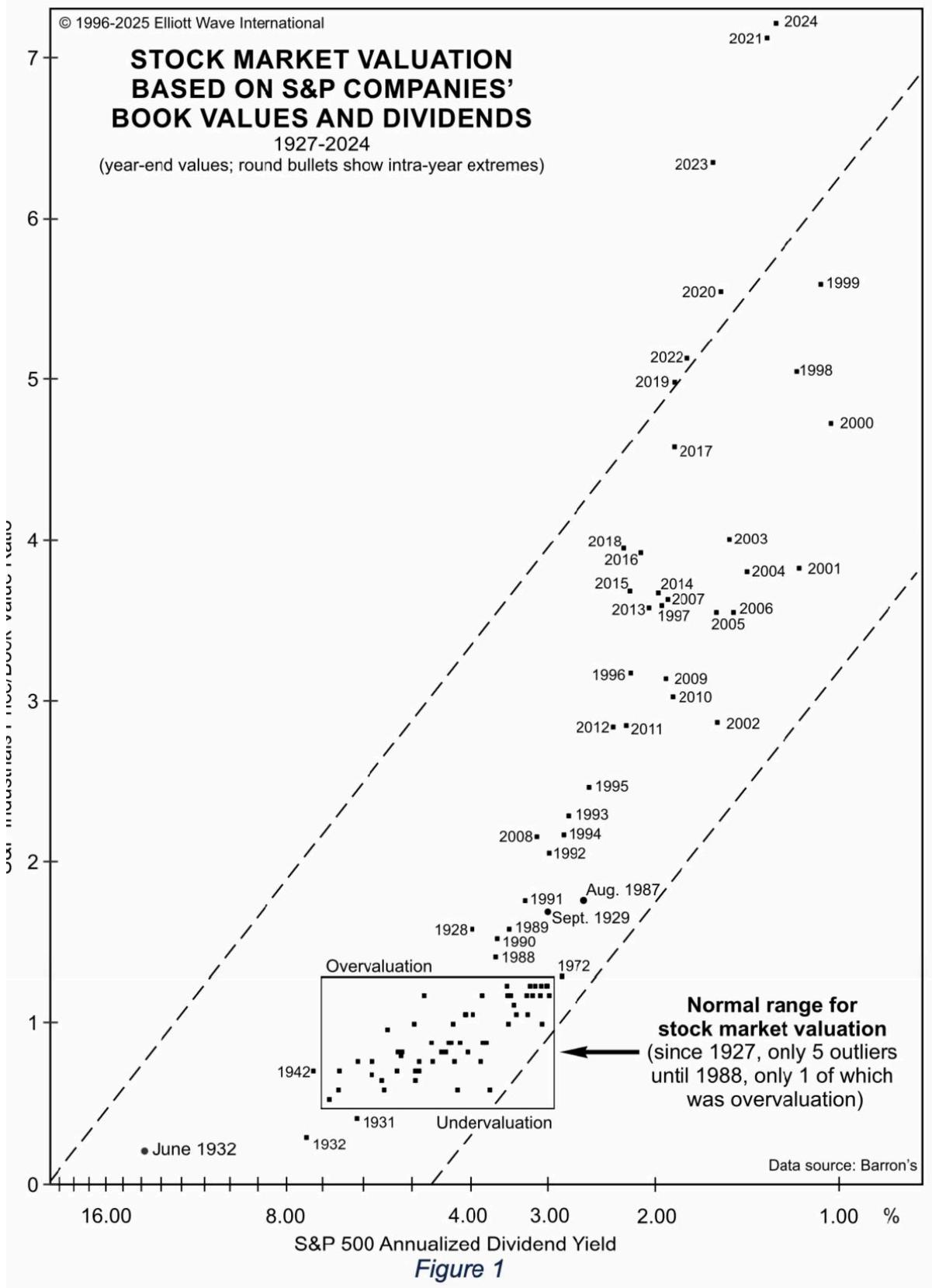
Tech Stock Valuations: A Warning Sign

"This chart isn't just about the peaks, showing we're paying record prices for tech stocks. **It's also about the valleys, which hint at potential downturns.** A broader look at the market's price-to-sales ratio reveals a similar trend."



Market Valuation: Higher Than the Dot-Com Bubble

"The S&P 500's Price-to-Sales ratio is **40% higher than during the dot-com era**. Another way to assess historical valuations is shown in the chart below, which plots Price/Book Value against Dividend Yield for each year. This is just one of many methods indicating **that the market is more expensive than ever.**"



Navigating Market Volatility

Markets don't move in a straight line. As we write, the market is experiencing a significant sell-off. Tesla is down 40% this year, and NVDA has dropped from \$150 to \$106. However, we could still see another rally, even to new highs.

Cryptocurrency and AI stocks are currently driven by speculation, similar to EV and SPAC stocks in late 2021. But there are still real investment opportunities:

- Energy Infrastructure

- Gold
- Cash
- Bonds
- Emerging Markets (e.g., India)
- Healthcare Real Estate

We're not bearish on everything. Opportunities exist.

The "Permanent Portfolio"

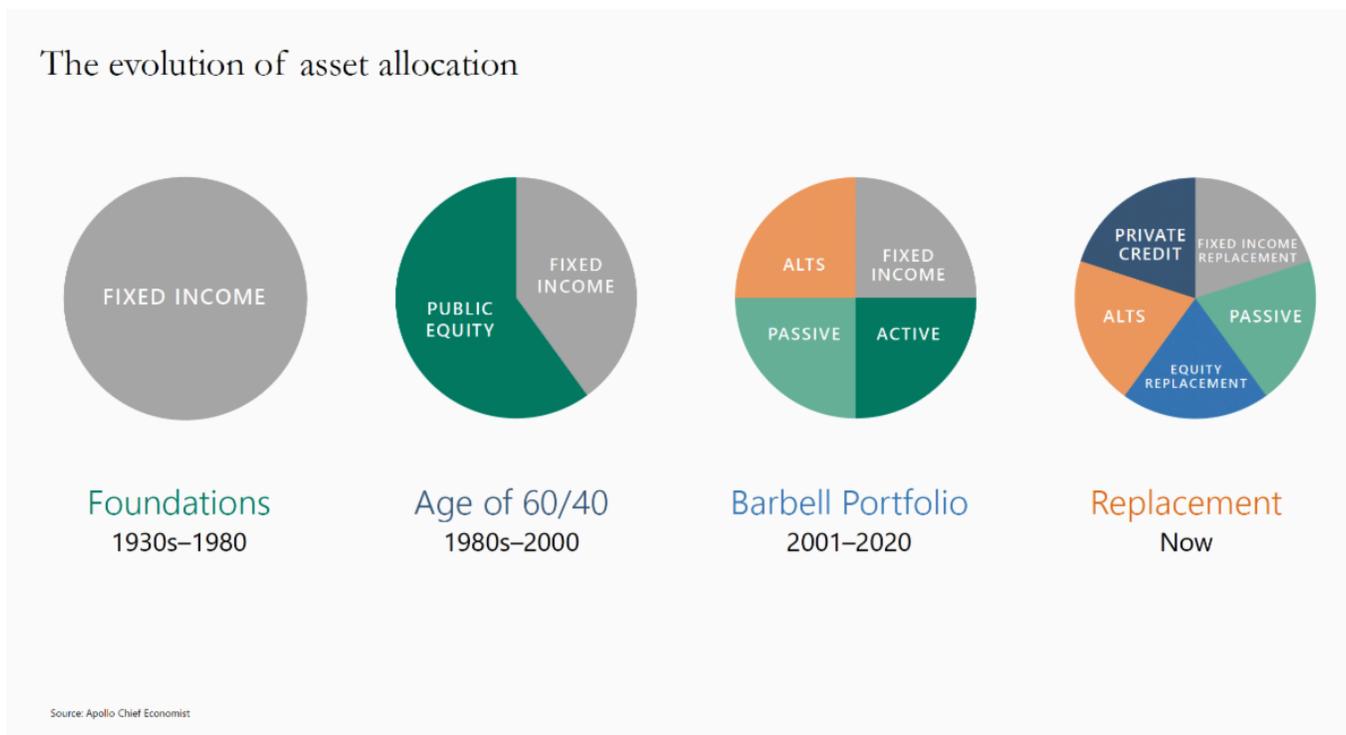
In the 1970s, Harry Brown created a strategy he called the "Permanent Fund" designed to handle various economic conditions. It consists of:

- 25% Cash
- 25% Bonds
- 25% Gold
- 25% Stocks

Brown designed this for the 1970s' challenges: structural inflation with potential deflationary shocks. This could also describe the next four years. Imagine a deflationary shock followed by aggressive government intervention in a world of tariffs and deglobalization. Many are anticipating this scenario.

The Progression of Asset Allocation

Torsten Stok of Apollo Group shared a progression of institutional asset allocation, which aligns with our experience.



Adapting to a Changing Investment Landscape

"Each portfolio change is driven by the evolving investment environment. As we consider the latest shifts, we should ask: what's behind them?"

Possible Drivers:

- **Increased Risk:** In traditional stocks and bonds.

- **New Opportunities:** In alternative asset classes.
- **Enhanced Access:** Due to financial innovation.

The Danger of Complacency

People rarely change until forced. We tend to over-credit ourselves in good times and over-complain in bad times. **The real enemy is comfort and complacency.** Don't let it creep in. We see it today: investors chasing returns without considering the risks.

Prudent Portfolio Adjustments

Portfolio changes should be measured and responsible. This isn't a call to sell everything. It's a call to be aware. **Let us help you review your portfolio to ensure it aligns with your plan and risk tolerance.**

Create Your Own Economy Corner - Imagination

What can you imagine? I have spent most of my life curious about human potential and have found that the most empowering or limiting factor in our lives is our imagination. Napoleon Hill's work "Think and Grow Rich" has a chapter devoted to imagination. He refers to it as "The Workshop of the Mind." He also writes:

"It has been said that man can create anything which he can imagine."

"Man's only limitation, within reason, lies in his development and use of his imaginative faculty."

Meriam Webster Defines Imagination as follows:

*"The act or power of forming a mental **image** of something not present to the senses or never before wholly perceived in reality"*

When you imagine your future, what do you see? Is your vision limited by your past? What would it take to expand that vision and be open to creating something new and completely of your design? What we have found is that the more you work on creating a vision for the future, the more you unlock your imagination. This is one of the things we love so much about planning. Financial Planning at its heart is a conversation about imagining the future – your future – and making plans to make that vision a reality.

Consider again the Ray Dalio quote from the introduction of this newsletter:

"Dreams + Reality + Determination = Success"

Dreams are the stuff of imagination. Are you using yours as much as you could be? Being in a planning conversation about the future would be a great way to expand your imagination. We are here to help.

Thanks for Reading and enjoy a few more quotes about imagination:

Matt and Tom

- **"The man who has no imagination has no wings."** - Muhammad Ali
- **"The world is but a canvas to our imagination."** - Henry David Thoreau
- **"Imagination is more important than knowledge. Knowledge is limited. Imagination encircles the world."** - Albert Einstein
- **"Live out of your imagination, not your history."** - Unknown

[Visit Our Website](#)



GLOBAL VISION ADVISORS
Where Wealth Meets Wellbeing™

Financial planning services offered through Global Vision Advisors, LLC. A Registered Investment Advisor. Advisory products and services offered through Cambridge Investment Research Advisors, LLC. A Registered Investment Advisor. Securities offered through Cambridge Investment Research, Inc. A Broker Dealer, Member FINRA, & SIPC. Cambridge and Global Vision Advisors are not affiliated.

Please note: Indices mentioned are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results. These are the opinions of GVA and not necessarily those of Cambridge, are for informational purposes only and should not be construed or acted upon as individual investment advice.

The information being provided is strictly as a courtesy. When you access one of these websites, you assume total responsibility and risk for your use of the websites you are linking to. We make no representation as to the completeness or accuracy of information provided at these websites. Nor is the company liable for any direct or indirect technical or system issues or any consequences arising out of you access to or your use of third-party technologies, websites, information and programs made available through this website.

Global Vision Advisors

101 Longwater Circle
Norwell, Massachusetts 02061
Phone: 781.740.8883
Fax: 781.740.0553
www.globalvisionadvisors.com

[Contact GVA Today](#)

[f Share This Email](#)

[Share This Email](#)

[in Share This Email](#)

Global Vision Advisors | 101 Longwater Circle Suite 103 | Norwell, MA 02061 US

[Unsubscribe](#) | [Update Profile](#) | [Constant Contact Data Notice](#)



Try email marketing for free today!