

ACCOMPANY

WEALTH PARTNERS

Friday January 17th, 2025

Well happy new year to everybody!

2025 Has barely gotten started and these first few weeks have been intense to say the least. From the New Year's Day morning attack in New Orleans to the horrific wildfires in and around Los Angeles, its been a tough start for sure. I am sending my thoughts and prayers to those directly affected by each of these tragedies, and hope they get the support and help they desperately need. I cannot imagine what it must be like to go through anything like this myself and count my blessings each day.

That said, I do hope you all had a peaceful and relaxing holiday season. Mine was nice and quiet, which is just fine with me. My intent was to take some time between Christmas and New Years to put together my 2025 New Year's resolutions after finding this exercise so helpful last year. Before I did though I came across an article in the Wall Street Journal that hit me pretty hard and changed my thinking. The title of this article was "Happy New Year! It's Time to Think About Your Death." The next line said "Forget About Making a Resolution, Have You Tried Writing a Premortem?" I had never heard of a premortem, but with a title like this, I had to read the article! I found it thought provoking, so I wanted to share its message with you today.

The main point was rather than put together a list of resolutions for the year ahead, give some serious thought to what your life's regrets might be later in life when you are on your deathbed. They might not necessarily be huge things, but instead of a list of resolutions, put together a short list of these premortems which can be thought of as potential regrets.

This premortem concept was first introduced by a gentleman named Ron Shaich, who built Au Bon Pain and founded Panera Bread, among other successes. He says in the article "I imagine my body old and fragile, my breathing shallow, my life energy almost extinguished. I try to evoke the feelings I want to have in that moment-a sense of peace, completion and, most importantly self-respect. And then I ask myself: what am I going to do now to ensure that when I reach that ultimate destination, I've done what I need to do? One year he vowed to study Judaism and Hebrew. Another year he set a target of exercising 6 days a week. This year he is challenging himself to develop some new skills including sailing, running a 10K and learning chess. Pretty cool stuff I thought, and certainly more impactful than setting a bunch of sometimes arbitrary short-term resolutions that most times are quickly forgotten.

I decided to take this approach and run with it. I took some time to think about what I may most regret on my own deathbed. I suspect that most of us can easily come up with a pretty decent list of these. So

instead of going with another set of resolutions for 2025, I am taking on three of my own premortems in the year ahead, one serious, one a bit scary, and the other just for fun. I will be sure to let you know how I do and hope that maybe some of you will do the same.

Ok, let's move on and talk about the current state of the markets and what is most on my mind. As I'm writing this on Wednesday January 15th, the stock market is enjoying a very strong rally today after what has been a relatively weak start to the new year. We seem to be at an economic inflection point, with many of the recent indicators presenting mixed signals on exactly how strong the economy continues to be. Last week the statistics suggested that rather than slowing down, economic growth continues to be strong and certain inflation numbers came in higher than hoped. This week we are seeing the exact opposite, which likely accounts for the rather large swings we've seen in the market in the past four trading days.

Depending upon which day and which numbers are top of mind, most market commentators are suggesting that the Federal Reserve will not only stop reducing rates but perhaps start increasing rates again in order to slow the economy back down. Interest rate swings have become much more volatile over the past couple of weeks and have generally moved higher since the election. While I am anxious to see if this becomes a longer-term trend, my own personal feeling is that we are not going to go back to the extremely low rates we saw just a couple of years ago. I also do not believe that rates are headed significantly higher, but I have to acknowledge that is a possibility as well.

While I have not quite settled on my approach to the situation now, it is likely that I will reintroduce some alternative fixed income positions that do not negatively react to rising interest rates. Back in 2021, I did move most of my clients' bond portfolios to these alternative positions when it became apparent that interest rates were moving meaningfully higher. This time I am thinking I will likely move a portion of the portfolios to these defensive positions in the next few weeks.

On the stock market front, we are starting to see fourth quarter earnings coming in a bit stronger than anticipated which is always welcome. That said it's pretty simple to acknowledge that the past two calendar years have been extremely strong and the odds are high that we won't see a 3rd consecutive year of 20 plus percent gains in the S&P 500. This does not mean I am predicting a negative market year for 2025; it does mean that I'm looking at more solutions to lock in the gains we've enjoyed without giving up on the upside. I am beginning to see more and more of those 100% principal protected exchange traded funds that I plan to deploy over the next couple of months. Additionally, there are a number of high quality stocks paying reasonable dividends that performed very poorly in 2024, I am also planning to introduce a few of these into our stock portfolios.

I do also want to make a couple of comments regarding international, small company, and medium sized company stocks. Over the past couple of months I have spent a lot of time studying the markets of the late 90s and early 2000s as I believe there are some parallels to today. During that time technology and internet stocks did extremely poorly while these other stocks did pretty well. As regular readers of this note already know, I have stayed away from these groups of stocks for many years now, and after the election we did see some relative strength in them versus US large company stocks. For now, I am going to hold off on diversifying into these other areas, I'm more likely to do so until we see a significant market downturn that makes them relatively more attractive again.

OK that is it for my serious commentary today. As always, I hope you find these notes thought provoking and insightful, and welcome any comments or questions you may have.

Before I sign off, on personal sports note I have been enjoying this new year more than any in recent memory. After decades of irrelevance, my Notre Dame Fighting Irish seem to have a real shot at the national championship on Monday. I was lucky enough to get tickets to go to the semifinals in Miami with my son Nick where we enjoyed a very entertaining game against my second favorite team Penn State. And this Monday I will be in Atlanta cheering on the Fighting Irish again as they play Ohio State for all the marbles!! At the same time, the Ravens have been equally enjoyable and I am hoping they can knock off the Bills this coming Sunday. Regardless of the outcomes it has certainly been fun for me to have two teams doing so well at the same time!

So have a nice weekend and Go Irish and Go Ravens!!

With kind regards as always,

Chris and Kate

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