

ACCOMPANY

WEALTH PARTNERS

Friday Note – November 8, 2024

Hi everyone and Welcome to our November Monthly Note!!

I am writing this one on Wednesday, the day after the election (these notes need to receive compliance approval before I can send them off) and feeling lots of emotions. Whether your candidate won or lost, this whole election cycle has been exhausting for us all. Time will certainly tell how the next 4 years will go, as it always does, but I know many of you are happy and many of you are sad this morning.

While I have very mixed emotions this week, I am relieved the stress of this election is now behind us and that all signs point to a peaceful, respectful transition of power. I am pleased that none of us made any emotional investment decisions during this time, but I readily admit that the past couple of weeks were hard for me personally for some reason. However, we are all in this together and I genuinely believe that somehow the country will become more respectful and tolerant of each other. I was having lunch with a client last week, and he said he felt that 80% of the country is in the middle, but that the extreme 10% of the right and 10% make all the trouble. I would agree with that assessment, and hope that impact of these 20% diminishes significantly sooner rather than later.

I am surprised that as I write this note, it looks like the Republican party will get control of the Senate and House. As I wrote in a prior note, I was not expecting this to be a realistic outcome. I will leave the speculation as to why this happened, but I hope that both the executive and legislative branches work responsibly to address many of the issues facing the country rather than spend time on petty inter-party fights and retribution.

Enough about the elections! Let's move on to the markets. Rather than recap the results of October, I wanted today to talk about the days, weeks, and months ahead from my perspective as we begin to assess a second Trump presidency.

Days Ahead: Certainly, the first day of trading on Wednesday once the election results were known were strong in the stock market. The Dow Jones Industrial Average was up 3.57%, the S& P 500 Index was up 2.53%, and the Nasdaq Composite Index was up 2.95%. Incredible one days returns from almost any perspective. In my opinion, these movements were based on a few things in President-Elect Trump's agenda. First, he wants to lower corporate tax rates down to 15%, which would increase earnings. Second, he wants to impose trade tariffs, which may make US goods more attractive to increase sales. And third, he wants to re-start the fracking industry, which may decrease the cost of fuel for companies and the public. Without a doubt, these are agenda items that could be potentially beneficial for US companies and earnings.

Weeks Ahead: What is not as easily recognized, however, is the fact that market interest rates increased on Wednesday, causing bond prices to go lower. This movement is also a reflection of Trump's agenda, but not a good for the overall economy. He has promised to protect government entitlements, which are becoming a larger and larger part of overall government spending. And along with the corporate tax cuts, he has proposed to end all federal taxes on Social Security and overtime. While these may be exceedingly popular, they do nothing to address the growing federal deficit and could create more inflation down the road. Speaking strictly from an investment perspective, this is not great. In fact, many stocks with high dividends, which have rallied significantly in the past year, declined in value based on that assumption. So, please know I am watching these matters closely, and will begin to spend time re-assessing my expectations for lower interest rates.

Months Ahead: I want to make sure we reflect on the markets during the time after Trump's first election. Then, many investment managers chased investments they thought would benefit under the first Trump Administration, most specifically fracking and infrastructure companies. It turned out to be short-sighted decision, as the quick runup in these stocks quickly ran out of steam and ended up trailing stocks in other industries. Will this happen again? Maybe, maybe not. But I will remain skeptical for the time being and have no plans to chase any quick "election" play. We must see what gets done and react accordingly.

Years Ahead: If history repeats itself, the Republicans have two years until the midterm elections to get any strong policies in place, as the opposing party usually gains control of the House and/or Senate. None of us plan to invest for only the next two years, so we must not get overly optimistic about any short-lived success. We must always have the long term in mind for each of you.

Last, it is likely the tax rates that were enacted under the first Trump administration will remain in place past their first expiration date of January 1, 2026, which would be welcome by many of us. The temporary nature of the rates has led us to only guess about a post-2026 tax landscape, so this would be one less unknown factor in our planning efforts with you.

Please know that while I spent a lot of time this month discussing concerns, this does not mean I am pessimistic about the future. I am not. I remain as excited today as I did last week about the strength and resilience of our country. Although it is impossible to know how I would feel about a President-elect Harris, I suspect I would feel the exact same way. You rely on me to always consider risk first, so I am simply acknowledging that the risk factors have suddenly changed and wanted to share some of them with you today. I will do my best to recognize any warning signs so I can adjust investment portfolios accordingly, as I have done this past year. As I like to say ad nauseum, I am just using common sense to assess and combat an investment world that sometimes acts in ways no one understands!

Ok, that is enough serious stuff for this note. Hoping you are all doing well these days and getting ready for a wonderful holiday season. Despite my cautious and pessimistic nature, I have a lot to be thankful for in my personal and professional life. I love helping every one of my clients and am so incredibly grateful for your trust in me. I am a lucky guy, and I need to do a better job reminding my self of that rather than dwell on the negative. So, thank you so much for being our clients!!

With Kind Regards as Always!

Chris and Kate

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