



## What We're Seeing Right Now - January 2025

*Produced exclusively for clients and friends of Triad Investment Management*

Okay, let's get the usual suspects out of the way first. The economy seems fine. In fact, it seems so fine that the Federal Reserve is hesitant to lower interest rates much further. Why? Fear of overstimulating the economy and pushing inflation back up. In fact, longer-term market interest rates have risen over the past month as investors are concerned that some Trump administration policies could lead to...higher inflation. Major drivers of higher inflation could be immigration policy, which will shrink the labor force and put upward pressure on wages; and higher tariffs on friends (Canada, Mexico, Europe) and foes (China) which could result in higher prices for most imported goods.

Speaking of the incoming Trump administration, investors are sizing up the potential policies and placing their bets on how the economy will unfold in 2025 and beyond. With Republican control of Congress, it seems likely that Trump will have an easier time enacting his agenda. He's got the next two years until the midterm elections in November 2026 as his best chance to implement his plans. Midterm elections have a way of surprising the incumbent president and not in a good way.

It promises to be an interesting couple of years. Besides our domestic politics, there are the usual international issues that can impact our domestic picture. Continuing trouble in Ukraine, along with multiple issues in the Middle East—Gaza, Iran, Lebanon, Syria, Yemen. However, the most difficult long-term challenge for the United States is China, on military and economy fronts. An optimistic scenario would include a resolution of the war in Ukraine, relative peace in the Middle East, and China realizing that compromise is better than confrontation. Not likely, but some progress in all three areas is possible.

We recognize that today's world is a dangerous place. Mostly because of nuclear weapons. Without nukes, Vladimir Putin's Russia would be a big nothing. The same goes for North Korea, Pakistan, and perhaps Iran. Most of these dictatorial nuclear powers face a challenging future, in our opinion. Most of their citizens aren't happy with their situation. One unappreciated risk is domestic conditions deteriorate so much that a nuclear-armed country feels desperate enough to launch a weapon. Russia and North Korea come to mind. We hope that the folks with their fingers on the button fully appreciate the consequences.

While there are plenty of issues to deal with both here and abroad, we still believe that a high-quality diversified portfolio of leading companies held for the long-term will provide sufficiently higher returns than most alternatives. In fact, we say that the higher returns are one side of a two-sided coin while the other side is short-term fluctuations in the stock market. You can't have higher returns without higher volatility. It simply doesn't happen. You only get one with the other. It's a package deal. And with inflation likely a continuing concern, common stocks have historically provided excellent inflation protection over long periods of time.

In summary, we remain upbeat about the long-term prospects for your investments and as always urge you not to ingest too much television or online news. There's an old saying in the news business. If it bleeds it leads. Negative news sells. Media depends on advertising, and attracting eyeballs or ears is how the news media survives. Highly inflammatory information is more likely to attract attention and sell more ads.

Don't fall for it.

John Heldman, CFA  
Partner | Portfolio Manager  
[jheldman@triadim.com](mailto:jheldman@triadim.com)  
(949) 294-9803

Dave Hutchison, CFA  
Partner | Portfolio Manager  
[dhutchison@triadim.com](mailto:dhutchison@triadim.com)  
(949) 381-7614

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Triad Investment Management | 1301 Dove Street Suite 1080 | Newport Beach, CA 92660  
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