WHERE ARE WE SO FAR?
3-18-2025

Macro View-US voters have given control of the executive branch and both houses of congress to the GOP with which they have already begun to make sweeping changes in the status quo from Washington DC to the furthest reaches of US influence. Capital markets around the world are still in the process of handicapping these actions and their eventual impacts upon money and debt.

Fixed Income-Since the eve of the 2024 election the yield on the 10-year US treasury note is unchanged, the fed funds rate is one half a point lower and the dollar is worth 4% less.

Equities-From MAG to "MEH" the S&P 500 index has slumped since the election due to its top-heavy condition which persists today with the 10 largest companies still representing 36% of the entire index.

Alternative Assets-With the "egg"ception of gold and silver many alternative assets are in negative territory year to date including cryptocurrencies, crude oil, uranium and commercial real estate. American egg farmers seem to be holding all the cards in 2025.

WHATS NEXT?

Macro View-As I mentioned in my last correspondence, be prepared for the unexpected because it's bound to be here soon. While my pre-election deep dive into empirical data from the Carter-Reagan and Biden-Trump transitions suggested a bias towards higher budget deficits, higher interest rates, lower oil prices, a lower US dollar, higher alternative asset values and higher equity index values the similarities between presidents Trump and Hoover remain a compelling study, one that should not be ignored. Geopolitical instability, an "on again off again" tariff narrative, congressional management of US debt and the infatuation with AI technology will continue to bring volatility to markets around the world.

Fixed Income-Inflation remains stubborn but has yet to disrupt bond and money markets as it did in 2023. Congress with the assistance of Elon Musk's twenty-something "Doge-Hounds" is in the process of vetting our nation's finances. The country's new management is actively transitioning a legacy fiscal policy to something yet to be embraced by bond market participants. Bankers remains cautious on the yield curve with our fixed income model weighted 40/40/20 meaning fixed income target allocations are currently 40% T-Bills and one year CD's, 40% intermediate term US Treasury notes and 20% extended duration US Treasuries. There is still too much uncertainty to "go long" on the yield curve.

Equities-Identifying and selecting great companies for a portfolio is only half the job. The latent work is understanding when they are undervalued, fairly valued or overvalued and to act upon these findings. Great companies should be held for the long term.

Alternative Assets- Although the new administration is adopting cryptocurrencies, the absence of regulatory oversight will keep Bankers cautious for now. Gold and silver remain in a long-term uptrend. The inevitable transition to alternative energy combined with the drum beat of “Drill Baby Drill” does not seem positive for oil prices. Real estate still looks expensive but Bankers maintains a target allocation in a few publicly traded undeveloped/agricultural land issues for client portfolios as an inflation hedge.

Our Process-Bankers Investment Counseling Company individually manages client portfolios by adhering to traditional old-fashioned management disciplines to serve our valued clients. Client portfolio allocations between cash, fixed income, equities and alternative assets are based upon our understanding of a client’s time horizon, investment objective, liquidity needs and risk tolerance. We maintain a selected company list which is comprised of companies with strong pricing power, high barriers to entry and recurring revenue. We also make use of individual fixed income securities and a select list of exchange traded funds in client portfolios. Our preferred custodian is Charles Schwab Institutional. Our firms form ADV will be provided upon request or you can download it from our website.

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