

GUIDANCE WEALTH, LLC

PRIVATE CLIENT NEWSLETTER

For the Calendar Quarter Ending December 31, 2024

It's a New Year and a New Direction

Election Day, 2024 offered evidence that the recent direction of the nation was not what the voters wanted. The Trump campaign not only won the electoral college, but won every swing state and also the popular vote. At the time of this writing, prospective Presidential cabinet members are in the process of being confirmed in the U.S. Senate, under the "Advise and Consent" process authorized in the Constitution. It is expected that most, if not all, of those selected by Trump will be confirmed, despite the opposition trying to slow the hearings.

Many people thought a Trump win would be an immediate boon to the investment markets. But, significant changes in government administrations can often initiate concerns about how tumultuous things might get right out of the gate, or whether the new President has the horsepower to deliver on the many promises made during the campaign. Right now, our nation is in economic distress due to a longstanding battle with inflation, on the heels of two destructive hurricanes which will require massive amounts of funding to begin rebuilding. Then there is the immigration issue, which has been, and will continue to be, an incredibly serious challenge for many reasons; and the funding to tackle it will require Congress to pass a legitimate budget and tax package.

So, almost immediately after the election, investors seemed to consider all of the above challenges and looked to take some risk off the table, pocket some gains - *and possibly offset some gains with a few losses* - both of which required some level of liquidation, injecting a little sobriety into the last few weeks of the market year.

Then, Federal Reserve Board Chairman, Jerome Powell, *perhaps attempting to spur some optimism*, authorized one year end rate reduction of 0.25% on Dec 18th. However, any visible market reaction was muted at best, overshadowed by doubts that inflation troubles were over, and leaving many to wonder why he did anything. As a result, markets moved pretty much sideways for the final weeks of 2024, without much momentum at all. Despite the post-election slump, 2024 was a fairly robust year for the broader markets and the economy.

President Trump has promised to bring down Inflated Prices: It is an ever-present fact that prices of just about everything are still very high compared to the years just prior to the Covid pandemic in 2020. As we have continued to highlight, one of the primary causes of inflation is the cost of fuel - *but that's just where it begins*. Higher fuel prices result in higher food prices. This is further compounded by the increased costs of paying a human workforce after our government continued paying people to stay home after the pandemic was over, *thereby directly competing with private employers who needed people to come back to work*. Employers everywhere had to pay their people more, resulting in higher prices for the goods/services they produced, which required everyone else to increase their prices - *while also competing for the same available workforce* - creating an upward spiraling of cost which had to be slowed. But, slowing the inflationary spiral doesn't bring down prices, it just slows the rate of price increases. So, the first order of business is to bring down the cost of fuel which should eventually bring down food prices, and additional cost decreases should continue from there.

Reducing fuel prices is the main reason we need to produce our own oil and natural gas domestically and get "cleaner" U.S. energy into the world market as soon as possible. Although the theory is simple, it takes time to put everything into motion. It would be nice to think that running everything on electricity is the way to go because it is clean and quiet. However, electricity first has to be generated and stored; but without oil, natural gas and coal, there isn't nearly enough green energy to power a 100% electric world. In 2023, cities in Germany were turning to "bio-fuel" to generate electricity. While this sounds wonderfully "green", their definition of bio-fuel was harvesting and burning the pulp of dead trees - which is essentially what they were doing 100 years ago. And, as a result of Russia holding European nations hostage to natural gas supplies they desperately needed to survive the winters, the European Union reversed policy to re-define nuclear power as "sustainable low-carbon energy". In short, we still need to "burn" a multitude of things to survive and prosper. And, responsibly producing our own cleaner energy allows us to set our own prices, and remain fully independent.

For Every Generation there is an Investment Trend. For the time being, it is Artificial Intelligence or “AI”.

Before the Civil War, it was Gold. After the War, it was Silver needed by the treasury to pay off the debt incurred by the Civil War. Before WWII, the investment was oil and land that might contain oil. After WWII, it was anything Nuclear and Uranium, then Space and Aviation, then Solid-State Micro-Circuitry, then the Internet, Micro-Computing and anything Dot.Com, then Green Energy (specifically solar)...and now it is AI. Artificial Intelligence is the ability to allow computers to think and learn at amazing speeds, efficiently gathering and processing vast amounts of available information via the internet through programming instructions, hoping to solve so many important problems humans have struggled with.

AI is not only critical for technology, improving health care and controlling infectious diseases, but for farming, transportation, etc. Virtually all industry and commerce on the planet could benefit, but it is absolutely vital to the defense of our nation and our allies around the world. China believes their dominance in AI will enable them to dominate the world, as both an economic and military superpower. However, their definition of dominance also means dominating mankind and turning populations of the world into subservient nations - which is essentially what communists have been striving to do for the past century. With dominance in AI, the ability to dominate in conflicts to control multiple nations is the next step. Therefore the U.S. and our allies in the free world must act with speed and efficiency to outmatch our adversaries' efforts in research and gain of reliable function of this technology. We will also need to continue upgrading and hardening our own defense technologies to prevent AI from learning and exploiting whatever weaknesses may exist.

What does AI mean for Investors? There are too many facets of this investment trend to fully list, with more to come. Computing power will require microprocessors, which means more advanced microchip manufacturing. Currently, the island nation of Taiwan is the world's microchip superpower, but China is maneuvering to fully annex Taiwan in order to control and even deny access to these products. This means we need to produce more of what we need in the U.S. and continue to wean ourselves off ALL critical products which have been more cheaply outsourced to China for several decades. By producing more of what we need and consume domestically, our own people will be employed, our own nation will be enriched, we can sell more of our own products to other nations, and those resulting profits and tax revenues can be put to use directly here in the U.S. to promote more stable and positive futures for our next generations.

In order for the U.S. to dominate in the AI space, we will need mining and processing of various critical elements, upgraded manufacturing technologies, land and buildings to house the manufacturing, and a well-trained tech workforce. More efficient energy production - *specifically electricity* - will be needed to sustain such manufacturing and the data centers for housing and safeguarding massive amounts of information. There will be many large infrastructure projects required to build everything out, and there will likely be so many sectors of investment positively affected by this, that it will act as a rising tide, lifting all boats, large and small. If you are invested in stocks and bonds through mutual funds, you are likely to participate and benefit in much of this new technology and the broader infrastructure that supports it.

A Quick Comment on Crypto-Currency: *President Trump and others with influence have been verbally promoting the use of Bitcoin and other crypto-currencies. Some may see this as a reason to venture into this extremely volatile investment. We know that it is possible to experience some significant gains, but it's important to fully understand why you might want to own it. The original purpose of such currency was to allow people to own something the government could not regulate, confiscate, tax, or even know you have. For those same reasons, it very quickly became the currency of choice for organizations sponsoring all types of terrorism, illegal drugs, human trafficking and those simply wanting to skirt the financial/tax laws of any given nation for profit. When more people invest in something, the valuation of the investment typically increases. So, when more people invest in crypto-currency, logic would follow that you are increasing the wealth of these same nefarious actors. You can now easily buy crypto through various brokers such as Fidelity, Schwab and others, and hold it in an account. But, if your trading platform is holding it, they have to report it, so it isn't secret anymore. The government knows you have it, how much it's worth, when you bought or sold it... and will now tax you accordingly.*

**Our mission at Guidance Wealth is to be a reliable source of direction for our clients
to help them improve the quality of their investments and their lives.**

This information is not intended as a recommendation. The opinions are subject to change at any time and no forecasts can be guaranteed. Investment decisions should always be made based on an investor's specific circumstances. Investing involves risk, including possible loss of principal. Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group