MONTHLY VIEWPOINT

OUR CURRENT VIEW ON MARKETS
AND THE ECONOMY
FEBRUARY 2025

FORWARD
WEALTH MANAGEMENT

BIG THOUGHT

Assets started the year on positive footing in January. US stocks, bonds and commodities were higher as volatility eased. Major news stories included Trump's inauguration (& tariffs), no January rate cut, China's DeepSeek, and Treasury Secretary Bessent's 3-3-3 plan. The plan, a key aspect of Trump's domestic agenda, aims to increase real economic growth to 3%, reduce deficit spending to 3% of GDP and increase domestic energy production. If successful, the US will move from a regime of high nominal GDP (stable growth/high inflation) to one of high real GDP (increasing growth/falling inflation). The barometer to measure success? The US 10-year yield falling closer to the 4% mark (See "Chart of the Month"). Despite the positive tone in markets, our assessment of the intermediate-term investment outlook remains decidedly mixed. The combination of extended valuation accompanied by weak trend strength and negative money flow is the basis for our cautionary stance. More recently, we're noting a spike in companies lowering future guidance during the current earnings season.

DASHBOARD

Valuation	Red
Trend	Yellow
Economy	Green
Inflation	Yellow
Money Flow	Red
Credit	Green

BULLISH

- Real GDP remains robust
- Credit markets are supportive to debt issuance
- Investors are exhibiting risk-seeking behavior
- Application of AI seen as pathway to increase productivity

BEARISH

- Narrow market leadership shows participants "herding" in top performing stocks
- Market valuation at levels last seen in 2000
- Big institutions selling (Negative Money Flow)
- US Debt levels unsustainably high. Low and stable interest rates needed for debt financing

6201 Fairview Road, Suite 200, Charlotte, NC 28210 I (704) 595-3386 I info@forwardwm.com

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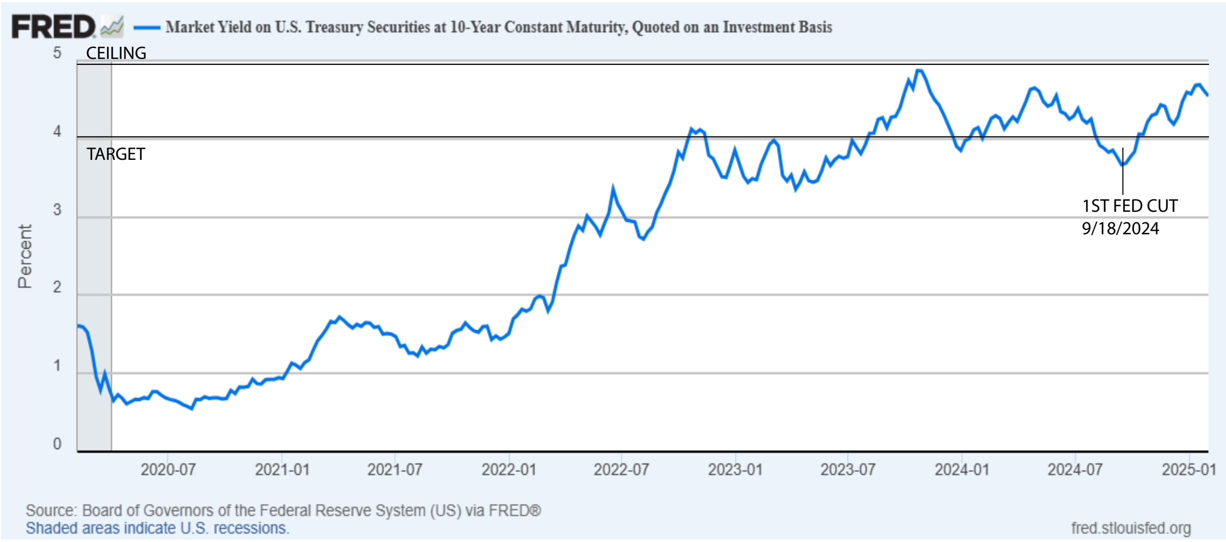
CHART OF THE MONTH



Here's a head-scratcher to most Americans. Since the Federal Reserve began lowering short-term interest rates in September of last year, many borrowing costs are higher today. The cost of financing corporate debt, mortgages and the US debt burden have all risen over this period. While it seems counter-intuitive, this is a key aspect of how borrowing costs work their way into the economy. The Fed controls short-term lending rates, which impact autos, credit cards and small business loans extended by financial intermediaries. Other products, such as the big three listed above, price off the Treasury curve—specifically, the US 10-year. Each aspect of Mr. Bessent's plan looks to guide this key rate lower. Moving the focus from Fed Funds to a market rate directly influenced by policies seems like a prudent step. A rate closer to 4% over the coming months on the back of a strong economy means we are likely tracking for success. A rise above 5% with sticky inflation expectations, and we have more problems.

ABOUT FORWARD WEALTH MANAGEMENT

Established in 2014, Forward Wealth Management provides personalized financial advice that delivers peace of mind and confidence where client goals and money decisions intersect with markets and investing. Forward's proprietary approach, TRAC, is a goals-based guidance process which measures and maps Timelines, Resources, and a portfolio's Asset Allocation against current market Conditions and the expected cost of retirement income.

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