

An Unusual Period in America

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Most investors anticipate another favorable year for the economy and stock market in 2025. The dominating factor in this expectation is the proposed economic policies of the incoming Trump administration and the impact of these policies on the economy's direction. From a past president who was subject to numerous investigations and two assassination attempts, we have the second non-sequential term of a president in history who promises enormous changes in the way the economy is managed. Implementing these plans is given greater credence since Congress is dominated by his party and conservative judges dominate the Supreme Court. For the first time since the Reagan presidency, there will likely be significant changes to how the U.S. economy is managed.

How could such changes affect us? Economists have mixed opinions. Often, the negative interpretation rests on the imposition of broad tariffs on U.S. imports and how those tariffs would affect inflation and international trade. Some economists have inferred that such duties are good bargaining tools that limit imports of specific items from specific countries, ultimately pressuring them to play by the rules. The president-elect is a businessman first and likely to be a great negotiator protecting the interests of America's businesses.

Conversely, positive factors favoring both businesses and consumers include proposals to lower marginal tax rates that act as a stimulus and help increase supply and demand, giving the economy a further boost. Recent favorable measures of both consumer and small business confidence suggest that these changes will be well received. Another encouraging factor is plans to reduce government regulations -- another form of taxation. Over the years, Congress has delegated the making of regulations to government agencies that have limited the private sector. The new administration plans to reduce these onerous regulations, leading to increased economic output. These proposed changes will also affect the roles of government agencies and free market activities.

The stock market's initial response to these proposals has been positive. Many economists and strategists have upped their economic growth expectations and stock market prognostications. To the extent that the new administration can implement these proposals, financial markets should continue to respond favorably. There are always bumps along the way, but we are optimistic that most of the proposed changes will steer America in the right direction. We are entering an unusual period in American history.