NEXADVISORS

January 2025
NEX NEWS

Keen monthly insights on both the economy and the markets

The Economy

As we close out 2024 optimism continues to build about the prospect of a more prosperous year ahead. Of course, only time will tell if that hope proves correct, or not.

We are among the optimists and are happy to see the US yield curve *finally* normalize. While there is still risk that its record 2-yr inversion will ultimately cause a recession in the US, this normalization is indeed 'good news'.

The NY Federal Reserve Bank seems to agree. Bloomberg reports that they have lowered their odds of recession from 63% in Dec'24, to 29% for Dec'25. While not yet 'out of the woods', clearly movement in the right direction.

The Markets

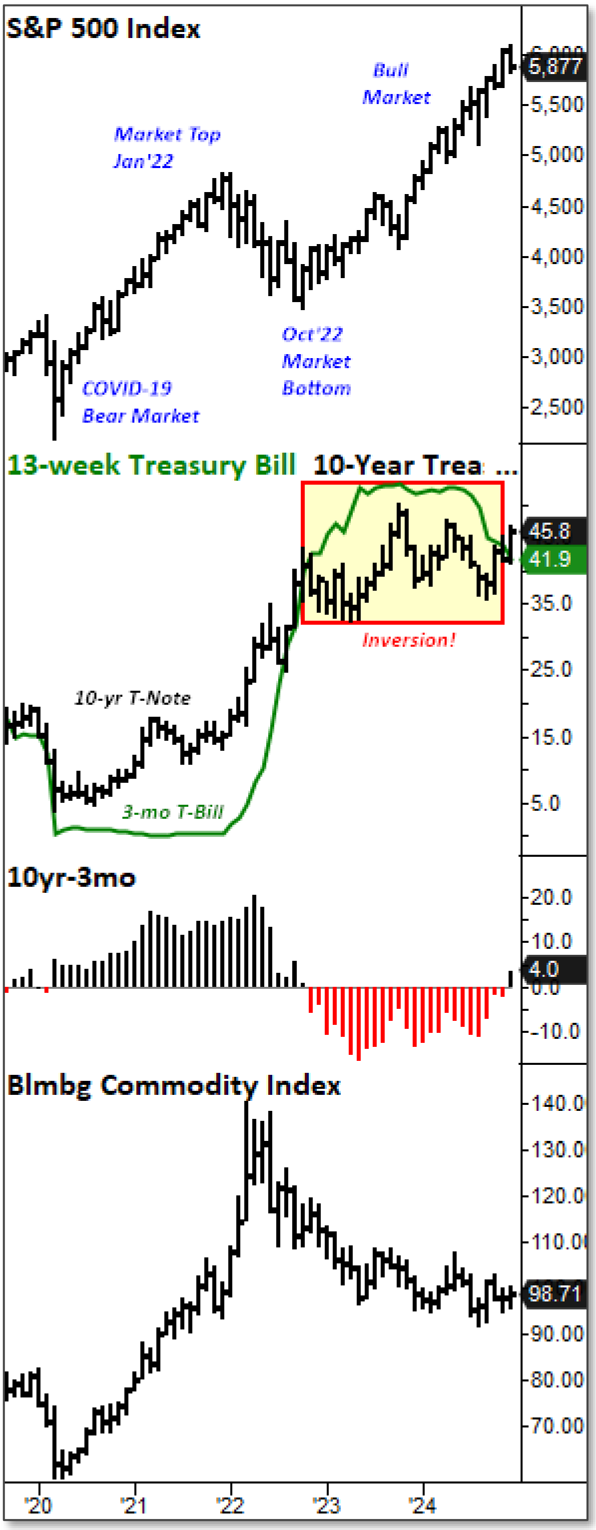
Year-end is also a good time to step back and look at the big picture in the markets. Since bottoming Oct'22, stocks have advanced for 27 months. Since the 1932 low, the average bull market has lasted 36 months. Meaning this one may be getting into the later innings of the game.

So far, the uptrend remains intact and until we see actual damage to it, we will remain optimistic here, as well. Our view being, there is no better voice in which to listen, than that of the market itself.

Another voice we will be listening particularly closely to in 2025, will be that of the Bloomberg Commodity Index. As shown to the right, commodity prices in aggregate have stabilized over the past 2 years.

Should the Trump Administration be able to bring prices down, it will likely be seen here well ahead of data like CPI & PPI. Similarly, a sharp move higher would suggest the US may have to endure another nasty wave or inflation.

Mike Hurley, CMT
Chief Investment Officer



Charts courtesy of TradeStation, as of December 31, 2024

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Traditional Strategies

We start our process with traditional, modern portfolio theory models, then adjust them based on our outlook. Specifically, we seek to:

1) Maintain higher cash levels when we're expecting a cyclical downturn, or 'bear' market
2) Add gold to portfolios during periods of inflation
3) Tilt fixed income positions based on credit conditions and the trends in interest rates

We offer Conservative, Moderate and Aggressive models, which use stock/bond ratios of 40/60, 60/40 & 80/20, as their starting points, respectively.

Adaptive Strategy

Our 'adaptive' model breaks from modern portfolio theory, based on the observation that markets typically become highly correlated when under stress.

This strategy applies momentum and risk parity to a universe of 10 ETFs, selecting a portfolio of 5. The portfolio is rebalanced monthly using the 60-day volatility to weight the top 5 ETFs. The goal being, to provide stock like returns with lower volatility.

About NexAdvisors

NexAdvisors is a privately owned, independent wealth manager located in Dallas, Texas, comprised of professionals with over 100 years of combined experience in the industry. We provide both traditional investment strategies along with forward-thinking approaches to help our clients meet their goals. Please visit www.nexadvisors.com or call us at 214-550-8350 to learn more.

NexAdvisors is a NexAnnuity company. NexAnnuity's mission is to develop and deliver solutions for modern retirement needs. Please visit www.nexannuity.com to learn more about NexAnnuity solutions.

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