NEXADVISORS

February 2025
NEX NEWS

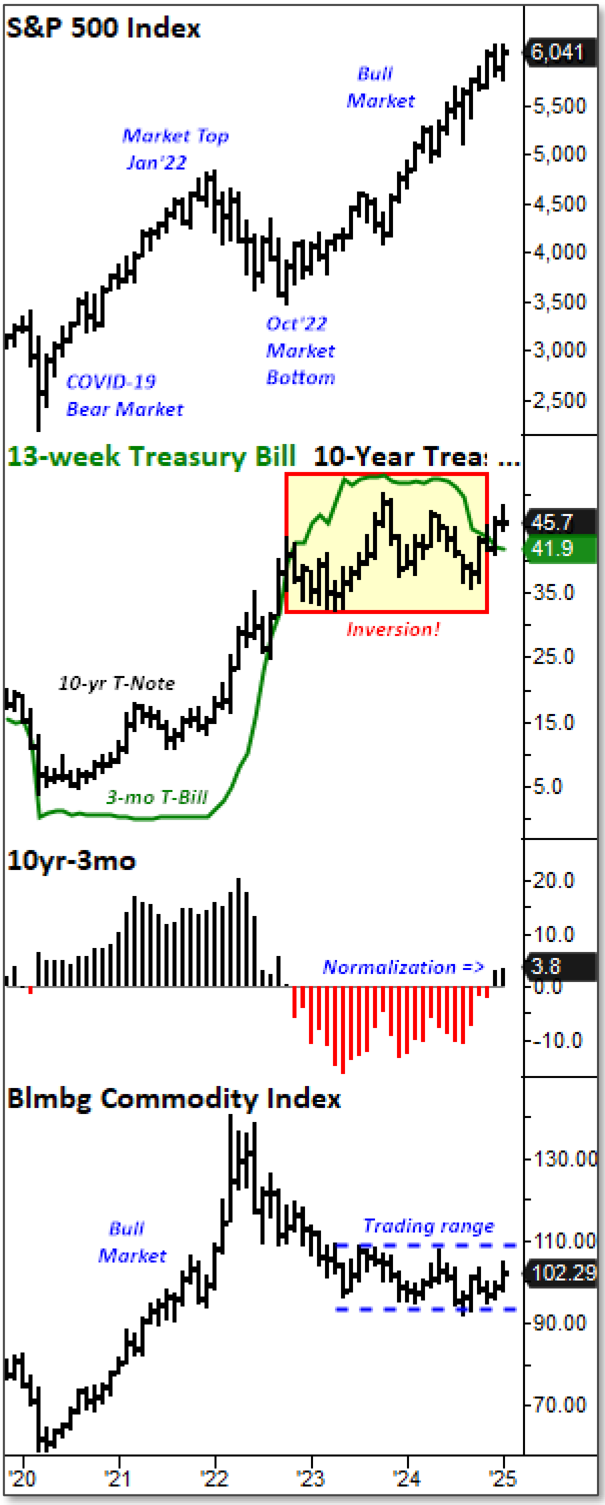
Keen monthly insights on both the economy and the markets

THE ECONOMY

We opined in previous installments that Trump's election may well usher in a 'New Day in America' and that certainly seems to be the case. Love him or hate him (and there are very few folks in the middle), Donald Trump has done more in a mere 2-weeks than any U.S. President in history – and arguably more than most during an entire 4-year term!

The debate continues to rage however, on how the Trump Administration's policies will impact the U.S. economy. We believe many of them have the potential to be negative over the short run. Tariffs would clearly fit in this category, as the goal is to push prices higher and to lower consumer demand.

While inflation is not the Administration's goal, they appear willing to accept the short-term discomfort it may bring in exchange for the long-term benefits of a secure border. Only time will tell if either occurs – and if it's a good trade.



Charts courtesy of TradeStation, as of January 31, 2025

THE MARKETS

Despite the bluster, stocks are little changed since election day. As we noted last month, history suggests this bull may be getting into the later innings of the game. While internals are weakening, we intend to give the bull the benefit of the doubt until we see the market actually forming a top.

Financial conditions continue to improve, as evidenced by the 'normalization' of the U.S. yield curve. A very welcomed development, which eases pressure on the financial system.

Commodity prices are also in the 'good news' category, in that they remain in a trading range. Stocks typically perform best when commodities are 'low & stable', and not suffering under either inflation, or deflation. Hopefully, this continues.

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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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