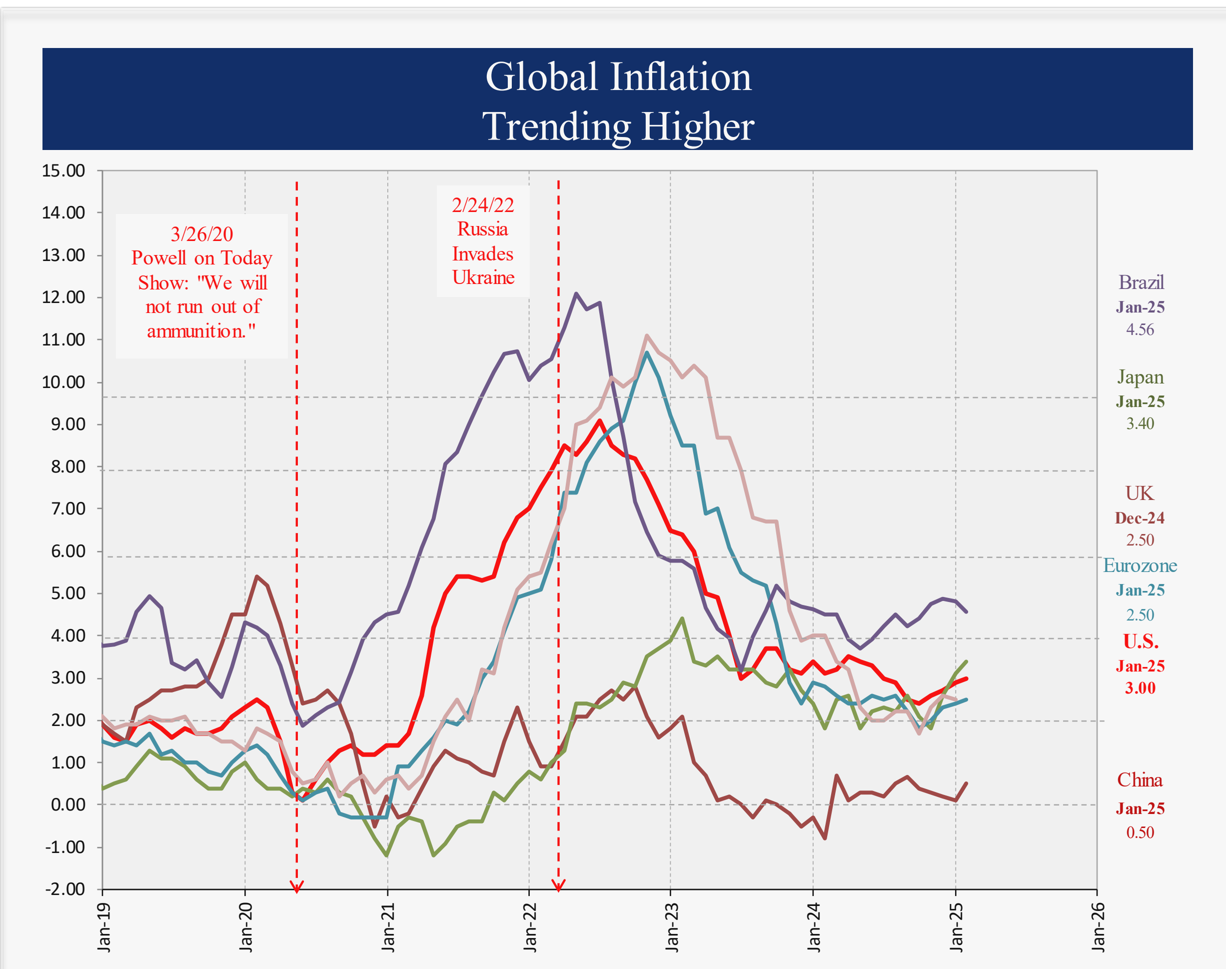
BRENTON POINT
WEALTH ADVISORS

March 4, 2025

Investing Environment Review and Outlook – Volume 90

Global Inflation: Trending Higher

Last month we discussed the significant implications of the trend change in U.S. CPI inflation, which has risen from 2.4% in September to 3.0% in January. We are not alone. China, Brazil, Japan, and even the Eurozone, show higher rates of inflation over the last 3-6 months. Global inflation is trending higher with implications for many assets. Our inflation outlook indicators remain neutral, but we are watching commodity prices like copper and crude oil and even agricultural commodities for upside confirmation.



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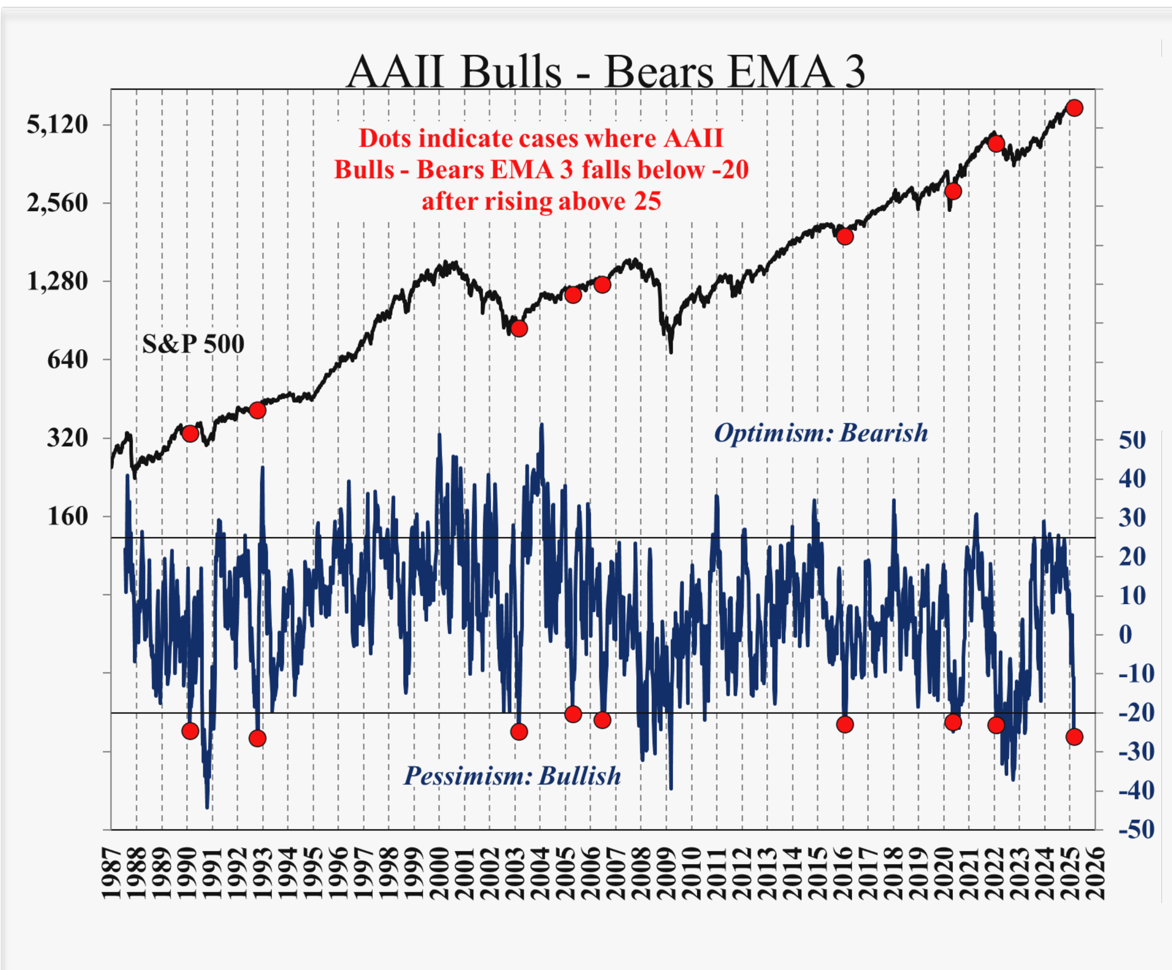
Individual Investors Pessimistic: Positive for S&P 500

The latest survey of Individual investors (AAII) is exhibiting significant pessimism – with the Bulls-Bears now -41.2%, its lowest level since September 2022. To deal with volatility, we generally look at that metric with a 3-week average, which has now dropped below -10%. Comparable prior cases were bullish with a 2-month median S&P 500 return of +5.2%, and all cases positive. The next 5% and 10% moves were up in all but one case back to 1987.



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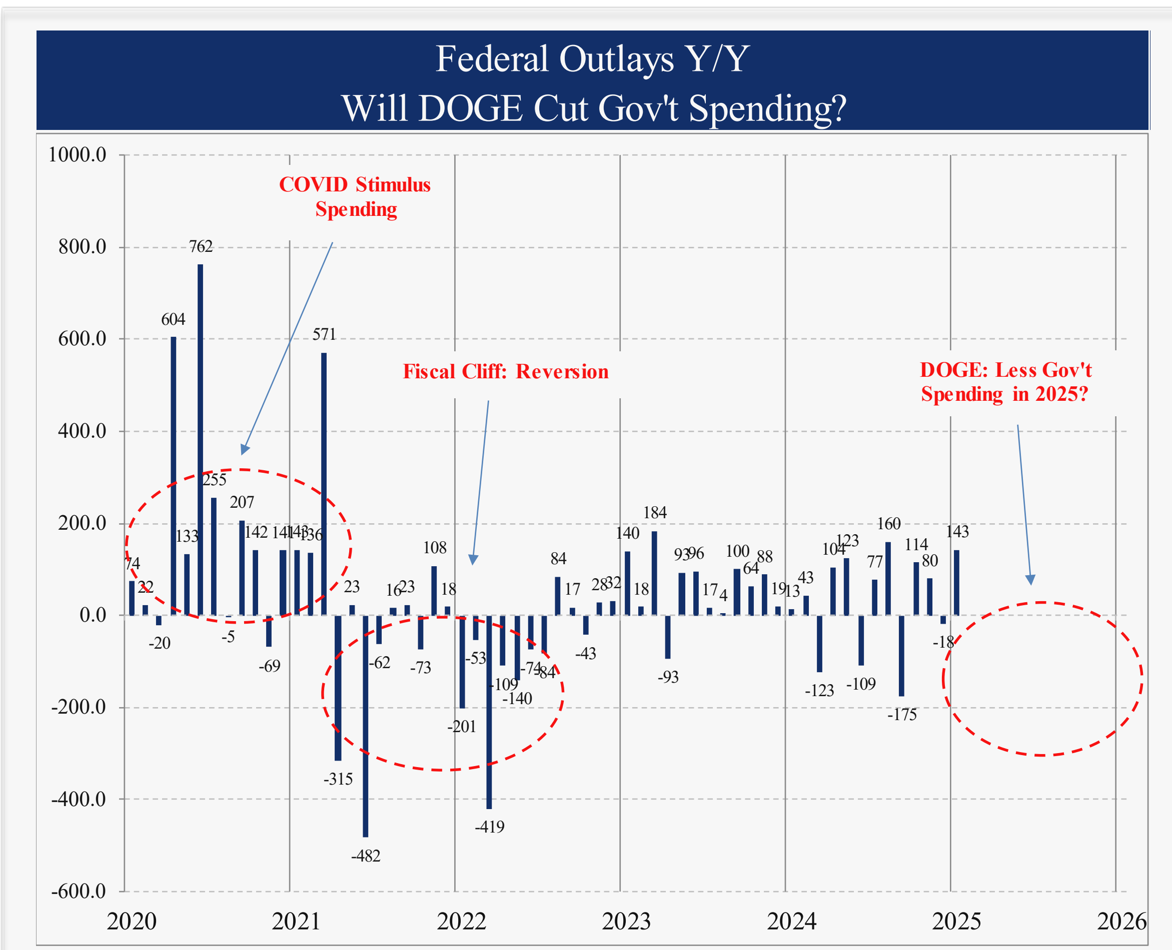
Impact of DOGE: Lower Government Outlays and Slower Economy?

DOGE efforts have generated a lot of press. The monthly Federal Government report will be a great objective measure to determine if DOGE can make a significant dent in government spending beyond publicity stunts. In January, Federal outlays were $143 billion higher than January 2024. Cutting government spending and the record Federal debt over 120% of GDP is a worthy goal but begs the question of the effect on the economy and interest rates. Some argue the U.S. is so dependent on government spending that cuts will cause a recession. For now, our economic indicators are neutral and improving, and most bond indicators are negative. But we are watching for signs that lower government spending and employment will lead to a slower economy and lower interest rates.



We continue to monitor economic and market conditions and analyze their impact on asset classes. Thank you for your support and please contact us with any questions.

Michael Schaus
Director of Market Research