DECEMBER 2024

MORAN MONTHLY DIGEST

Insights From Our Founder

Thomas M. Moran AIF®

Chairman | CEO | CIO

Dear Clients,

As 2024 concludes, we offer our warmest wishes for the holiday season and a prosperous New Year. December is often a time for both reflection and forward-looking anticipation. In this month's economic commentary, we examine both the resilience of the U.S. economy and the challenges that warrant a cautious approach as we enter 2025.

A Resilient Economy on the Surface
A wave of encouraging economic data was released last month. The U.S. economy demonstrated resilience in 2024, with third-quarter GDP growth revised upward to 3.1%. Consumer spending has been a key driver, rising at an annualized rate of 3.7% in Q3—its strongest performance since early 2023. The holiday shopping season has maintained this momentum, with retail sales on track for a 3.5% year-over-year gain. This spending strength reflects improving household disposable income. Real wages are now outpacing inflation, with average hourly earnings up 1.3% year-over-year after accounting for inflation. Concurrently, the personal savings rate, a key indicator of financial health, climbed to 4.4% in November from its July low of 2.9%.

Uneven Recovery: The Bifurcation of the U.S. Consumer
Beneath these encouraging aggregate metrics, the recovery has been far from uniform. While higher-income households have leveraged rising real wages to boost both savings and discretionary spending, lower-income families face mounting financial pressures.

WHAT'S INSIDE

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Credit card delinquencies now exceed pre-pandemic levels, with many lower-income households struggling to manage higher interest payments as borrowing costs remain elevated. Similarly, auto loan delinquencies have approached levels last seen during the 2008 financial crisis, underscoring the financial strain on lower- and middle-income households.

A Tale of Two Retailers: Success and Struggle

This bifurcation in consumer spending is clearly reflected in the retail sector. Households earning over $100,000 drove much of the seasonal holiday spending, splurging on luxury goods and higher-end experiences. In contrast, lower-income Americans have pulled back on discretionary purchases as they grapple with rising costs for essentials like groceries and childcare.

For example, premium retailers like Williams-Sonoma have flourished, while budget-focused chains such as Big Lots and Party City have recently filed for bankruptcy amid rising costs and weakening demand from their core customers.

The widening spending gap reveals a crucial reality: aggregate statistics often mask the full economic story. In this case, the financial strain on lower-income households presents broader risks, as their diminished spending power not only exacerbates economic inequality but also undermines the stability of businesses reliant on widespread consumer demand. Ultimately, this bifurcation poses a risk to the overall economy, since sustained economic growth depends heavily on a strong middle class with reliable purchasing power. In the short term, we believe that companies with strong pricing power and a diversified customer base could still be favorable in this uneven recovery.

Labor Market: Strength Amidst Moderation

Employment data reveals similar complexity and conflicting signals in late 2024. The BLS conducts two pivotal monthly surveys: the Establishment Survey, focused on larger employers' payroll data, and the Household Survey, which provides insights from individual households including self-employed and multiple job holders.

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In November, the Establishment Survey reported the addition of 227,000 jobs, suggesting robust job growth and an economy surpassing pre-pandemic employment levels by 7 million jobs. Conversely, the Household Survey depicted a grimmer scenario, with a reduction of 355,000 jobs, an increase in unemployment by 161,000, and a troubling 368,000 individuals withdrawing from the labor force altogether. Such divergences prompt critical questions regarding the real health of the labor market, particularly the sectors less represented in establishment data such as the gig economy and small businesses.

Additionally, the unemployment rate rose to 4.2%, a peak not observed since 2021, signaling increased employer selectivity and potentially higher competition for jobs. The persistence of 1.91 million individuals in continuing unemployment claims could indicate difficulties in securing new employment, possibly due to a skills mismatch or fewer available positions. Moreover, a decline in temporary help payrolls, traditionally a precursor to broader labor market trends, suggests potential caution among employers about the economic outlook.

Looking forward, the labor market may face headwinds such as the Federal Reserve's tight monetary policies, sector-specific layoffs in technology and finance, and dampened hiring intentions among small businesses as reported by the NFIB (National Federation of Independent Business).

While current conditions don't suggest an imminent crisis, the combination of falling temporary help payrolls, rising unemployment claims, and divergent employment surveys indicate increasing labor market stress heading into 2025. The key question remains whether this represents a healthy normalization or signals a more concerning deterioration ahead.

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Federal Reserve and Market Dynamics

Monetary Policy Challenges

In December 2024, the Federal Reserve reduced the federal funds target range by 25 basis points to 4.25%-4.50%, marking its third consecutive rate cut this year. While the annual core PCE inflation remained steady at 2.8% from October, it remains above the Fed's 2% target. Chair Jerome Powell emphasized that although overall core inflation has eased from 3.2% last year, core services inflation remains stubbornly elevated at 4.5%. The persistent nature of core services inflation, driven by rising costs in sectors like housing and healthcare, underscores the complexity of achieving the Fed's inflation targets. As we look toward 2025, the Fed scaled back their rate cut projections from four to just two, suggesting a more accommodative approach than previously anticipated. In our view, the Fed will need to adopt a wait-and-see approach in 2025. This flexibility could prove valuable as conditions continue to evolve.

Market Implications of Policy Adjustments

Investors are currently digesting the implications of the Fed's recalibration, completely erasing the post-election gains the market benefited from. Historically, equity markets have responded unevenly to monetary easing, especially when implemented near record highs. December's rate cut provided a modest boost to equities, yet the S&P 500, which briefly reached an all-time high of 6,090.27 earlier in the month, has since experienced heightened volatility. This aligns with historical patterns where initial market optimism following rate adjustments has often been tempered by subsequent pullbacks. We anticipate the market to remain sensitive to upcoming economic data and corporate earnings reports, as investors weigh the potential for further rate cuts against signs of an economic slowdown.

The Economy Under Trump's Administration

Under the Trump administration, we anticipate policies that could have both supportive and challenging effects on the economy. Fiscal stimulus is expected to take center stage, with the administration likely pursuing a combination of tax cuts and infrastructure spending.

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These measures could provide a tailwind to the economy, particularly in cyclical sectors such as industrials, materials, and financials. Furthermore, a business-friendly regulatory environment and a focus on domestic energy production may enhance corporate earnings across various industries.

On the other hand, potential risks include the implementation of stricter immigration policies and trade tariffs, which could disrupt labor supply and global trade dynamics. If enacted, such policies may exacerbate inflationary pressures and complicate the Fed's efforts to maintain accommodative monetary policy. Additionally, the impact of tax cuts on fiscal deficits could lead to upward pressure on interest rates over the medium term, affecting borrowing costs for both businesses and consumers.

For investors, we anticipate the market to react with heightened sensitivity to these policy shifts, reflecting both optimism around fiscal stimulus and infrastructure spending and caution regarding potential disruptions from trade and immigration policies.

Conclusion

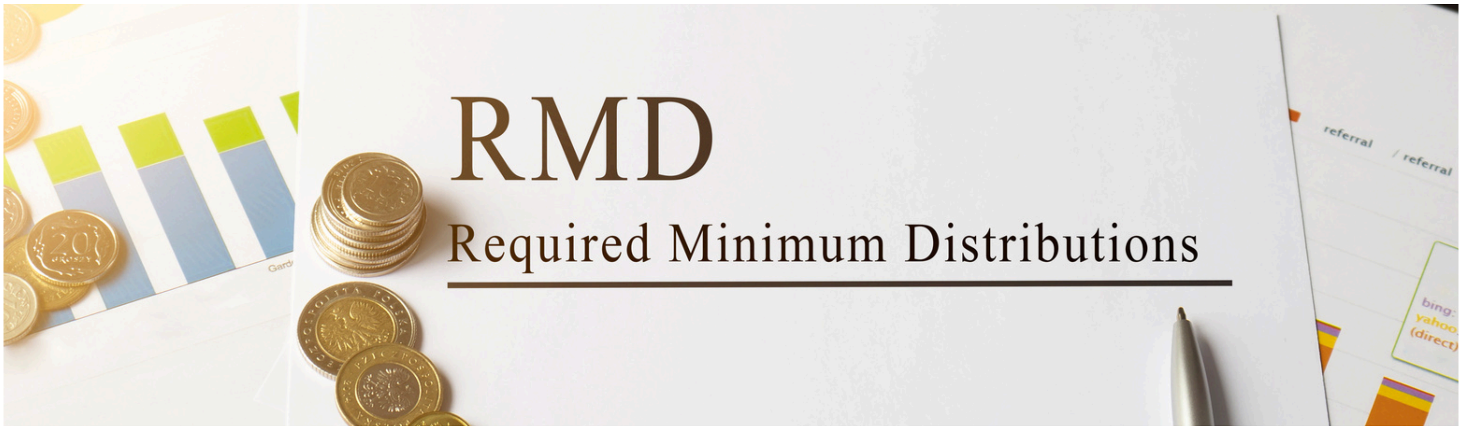
As we look ahead to 2025, the U.S. economy presents a complex outlook. While headline growth remains robust at 3.1% GDP, mounting pressures on lower-income consumers and mixed signals in the labor market suggest increasing economic complexity ahead.

While we expect modest market gains in 2025, we believe market conditions are likely to remain dynamic, with both opportunities and challenges for investors. At Moran Wealth Management, we are committed to helping guide you through these uncertainties, aiming to safeguarding your vision and preserving your legacy.

Thank you for your trust and partnership. Wishing you and your loved ones a joyous holiday season and a prosperous New Year.

Warmest regards,
Tom Moran

CLIENT UPDATE



Required Minimum Distributions

The deadline for the Required Minimum Distribution (RMD) is December 31, 2024. It's crucial to note that the IRS imposes penalties for missed distributions, which is why we aim to process all distributions by mid-December.

If we have processed an IRA distribution for you in the past, we may already have the necessary paperwork on file to proceed in accordance with those specific instructions.

New paperwork is required if you would like to change the federal tax withholding or if you have changed the receiving checking account this year.

You may elect to donate directly to a charitable organization from your IRA, also known as a Qualified Charitable Distribution (QCD). It's always best practice to contact your tax professional to see how you may benefit from charitable giving. We recommend initiating the request early to ensure timely processing.

If you call our office and your primary contact is unavailable, we invite you to speak with any other qualified associate. Any of our Client Relations team members can provide the exceptional service in which you are accustomed to. Kindly contact us at 239.920.4440.

CLIENT UPDATE

USA Today - Best Financial Advisory Firms 2025

We're excited to share that Moran Wealth Management® has the opportunity to be recognized by USA TODAY as one of the Best Financial Advisory Firms in 2025.

The survey seeks insights from clients, employees, and industry experts to recognize standout firms in the industry.

The **survey** is now open and will remain available until Friday, January 10th, 2025. Results will be published in April 2025.

Your feedback provides valuable insights that highlight the quality of service and dedication provided by financial firms across the country.

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USA TODAY's Best Financial Advisory Firms ranking is conducted by USA TODAY and Statista. Rankings will be based on recommendations from clients, financial advisors, and industry experts, along with evaluation of firms' AUM growth. Rankings are not indicative of future performance, nor should they be construed as USA TODAY's endorsement of the firm. Individual client experiences may vary. No compensation was paid in exchange for participation in the survey or ranking. Results will be published in April 2025.

Moran Wealth Management® is proud to be ranked #70 on Financial Planning's Top 150 Fee-Only RIA Firms.

The annual list ranks the firms based on assets under management (AUM). The final rankings, **published online**, also include the number of employees, client accounts and financial advisors at each firm. This year's edition featured a combined $894.8 billion across more than 815,000 client accounts amongst the 150 firms.

Moran Wealth has built a strong reputation for providing comprehensive, customized portfolio management and financial planning services. As a fee-only registered investment adviser (RIA), the firm the firm focuses on providing unbiased, client-centered guidance, free from commission-based incentives.

This national recognition reflects our continued growth and leadership in the financial planning industry, driven by a team of experienced professionals dedicated to service, integrity, and results.

Moran Wealth Management® is proud to be named one of Financial Planning's "**Best Workplaces in Money Management**" and "**Best RIAs to Work For**."

The annual list includes companies located across the country and is compiled using responses from employer questionnaires and company-wide employee surveys.

We are grateful to every member of our outstanding team and all of our wonderful clients for making Moran Wealth a special place to work.

Congratulations to our Chief Data Officer, Christina Shaw, on earning her Certified Investment Management Analyst® (CIMA®) certification, joining a global community of over 8,500 CIMA® professionals.

With over nineteen years at Moran Wealth Management®, Christina has held several roles, including Client Associate, Financial Consultant, and Chief Trading Officer. Now as Chief Data Officer, she ensures seamless data integration, regulatory compliance, and operational efficiency.

A Florida Gulf Coast University alumna with a B.S. in Finance and an MBA, Christina also holds Series 7, 66, and a Certificate in Investment Performance Measurement. We're proud of Christina's dedication to excellence, which drives our team's success

Click **here** to check out our upcoming seminar dates.

Please feel free to call us to schedule a private meeting at **239.920.4440**.

To learn more about Moran Wealth Management® visit our **Client Experience** page for more information.

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