NORTHWEST FINANCIAL GROUP LLC

Weekly Market Commentary

What moves financial markets? The short answer is: Lots of things!

Almost one hundred years ago, Benjamin Graham and David L. Dodd wrote, “the market is a voting machine, whereon countless individuals register choices which are the product partly of reason and partly of emotion.” Today, the same holds true. Stock prices are influenced by many factors. Here are three examples:

1. **Market trends**. Last year, companies with strong momentum characteristics—meaning their prices were trending higher—generally did well. “The main rationale behind momentum investing is that once a trend is well-established, it is likely to continue,” reported the Corporate Finance Institute.

   The idea may seem contrary to the primary rule of investing, sell high and buy low, but the approach is backed by academic research. It “captures the tendency for market trends to persist for a while, whether it’s because more investors are jumping in or are late to absorb new information,” reported Justina Lee of Bloomberg. As one researcher told Lee, “Momentum investing is great until it’s not.”

2. **Investor sentiment.** Emotion plays a significant role in stock market volatility. For example, last week, we saw a relief rally. Asian stocks rose and the Standard & Poor’s (S&P) 500 Index hit a new high because the news was less bad than investors had expected. Isabelle Lee, Lu Wang, and Phil Serafino of Bloomberg explained:

   “Despite the protectionist threats of the campaign trail, Trump held off on imposing levies on key trading partners this week, and just last night delivered his most mollifying message yet to China by saying that he would rather not have to use tariffs against the world’s second-biggest economy. Cue a relief rally across markets.”

3. **Company fundamentals**. Graham and Dodd recommended fundamental analysis to identify stocks with good value. Investors who rely on fundamental analysis study companies’ financial statements, and consider assets and liabilities, revenue and expenses, earnings and cash flow, and other factors. Then they do some math to

evaluate the company's value using various measures like the price-to-earnings ratio. In theory, a company with a low share price relative to its earnings is a good value.

No one knows how markets will perform over the short term. That's one reason it's important to hold a diversified portfolio. Owning investments that perform differently in various market conditions helps manage investment risk and may smooth returns over time.

Last week, major U.S. stock indices rose. The S&P 500 moved higher over the week, the Dow Jones Industrial Average gained 2.2 percent, and the Nasdaq Composite rose 1.7 percent, reported Paul R. LaMonica of Barron's. Yields on U.S. Treasuries were relatively steady.

Data as of 1/24/25	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.7%	3.7%	25.3%	11.4%	13.1%	11.5%
Dow Jones Global ex-U.S. Index	2.6	2.9	8.1	0.4	2.2	2.7
10-year Treasury Note (yield only)	4.6	N/A	4.2	1.7	1.7	1.8
Gold (per ounce)	2.3	6.4	37.2	14.9	12.2	8.0
Bloomberg Commodity Index	-0.3	4.7	5.0	-0.4	6.0	0.3

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

PLANNING FOR REQUIRED MINIMUM DISTRIBUTIONS. If you save for retirement in a qualified plan, such as a 401(k) plan or an IRA, the government currently requires you to take withdrawals from these accounts during retirement. The withdrawals, known as required minimum distributions or RMDs, are taxable so it's a good idea to plan ahead and avoid unexpected tax consequences.

Here is some basic information about RMDs. It is offered with the caveat that RMDs have complex rules. It's important to talk with your financial or tax professional before taking action.

If your 73rd birthday is in 2025, your first RMD must be taken by April 1, 2026. Your second RMD by December 31, 2026, your third RMD by December 31, 2027, and so on.

If you delay your first distribution until April 1, 2026, then you will need to take two RMDs in the same year.

If you have multiple 401(k) plan and IRA accounts, you typically must calculate the RMD for each one of them. You can, however, withdraw the entire amount from a single account.

If you're still working at age 73, you don't have to take an RMD from your workplace retirement plan account (as long as the plan allows it). This exception does not apply to traditional IRAs. You must take RMDs from traditional IRAs, even if you're still working.

If you inherit an IRA from a spouse (after 2019) who already reached age 73, you will normally need to take an RMD for the year of death, if your spouse did not already take one.

If your spouse dies before age 73, you may be able to keep the inherited account, roll it over into your IRA, or withdraw the money in a lump sum or over a period of time.

If you inherit an IRA from someone other than your spouse (after 2019), usually the funds must be completely withdrawn from the account within 10 years. RMDs may be required if the person from whom you inherited the account was already taking RMDs. There are some exceptions.

If you miss an RMD deadline or you don't withdraw the full amount, penalties are steep. The penalty tax is 25 percent of the amount you failed to withdraw. If you correct the issue within two years, the penalty tax is lower.

If you own a Roth IRA or Designated Roth account in workplace plan, you do not have to take RMDs—unless you inherited the account. In that case, RMD rules usually apply.

Again, the rules governing RMDs are complex, and calculating RMDs is not always straightforward. If you would like help, or you have questions, please get in touch.

Weekly Focus – Think About It
"Never wear anything that panics the cat."

—P.J. O'Rourke, comedian

Best regards,

Michael W. Gray, Kerry L. Dyer, C. Travis Gray, CFP®, Nathan P. Graff, Katy McLeod, Ron Cornelison

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

Sources:
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