



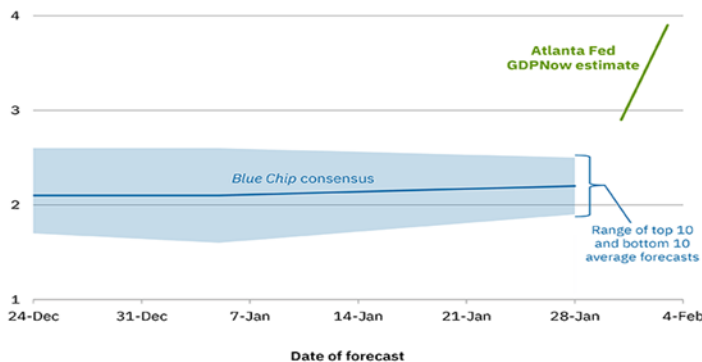
Market Musings

A newsletter brought to you by Victoria Capital Management, Inc.

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Expectations for economic growth in the first quarter of January were revised up to 3.9% from 2.9% according to the Atlanta Fed GDPNow report released February 3rd. This is the second upward revision that has been made.

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1
Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

“I can’t change the direction of the wind, but I can adjust my sails to always reach my destination.”

- Jimmy Dean

Market Commentary

Global financial markets got off to a good start in January. The S&P 500 gained 2.8%, while mid and small-cap stocks as measured by the S&P 400 and S&P 600 rose 3.8% and 2.9%, respectively. European equities started the year impressively with the S&P Europe 350 index having had its best January in a decade. Individual Asian equity markets had mixed returns but overall the region, as measured by the Pan-Asia BMI index, finished in the green. Domestic bonds had slight gains with high yield bonds rising the most at 1.5%. Foreign bond markets were mixed. Commodities wrapped up January on a high note, led by Precious Metals, with Gold posting another record high, as tariff uncertainty led to safe-haven demand and the U.S. dollar declined.

A Turning Point

After World War I, the U.S. went back into its Western Hemisphere shell because the consensus believed that America would never have to get involved in a global conflict again. Pearl Harbor was an event that changed that belief. How would the country respond to entering a war with Japan in the Pacific and the Axis powers in Europe at the same time? The Japanese had essentially destroyed most of the U.S. naval fleet in the Pacific while marauding German submarines would undermine any help the U.S. could give England in the battle for Britain. According to Arthur Herman, a senior fellow at the Hudson Institute, what made the difference in the U.S. transitioning to victor in WWII was the productivity of the American worker combined with big government handing over control to American businesses to wage war on two fronts. President Roosevelt gave that responsibility to the President of General Motors, William Knudsen. Knudsen was given this responsibility in early 1940.

By 1944 American industry was producing eight aircraft carriers a month, 50 merchant ships a day, and a war plane every five minutes—without even one computer! The combination of a motive—survival, and the means to produce weapons catapulted America into the most powerful nation ever and the power of capitalism made all the difference. Strangely enough, if WWII never occurred, the U.S. may never have emerged as the great nation that it has become.

The purpose of focusing on a major turning point in American history is the prospect of a return to the capitalist model that allows for the freedoms to do what is necessary to succeed. In the coming months, there are likely to be changes in the way growth is managed. As with the power granted to William Knudsen turned into a commitment to do what it takes to win, we may see similar commitments to officials in and outside of the new Administration to move away from the big government model. Government had given up governing and allowed government agencies and bureaucrats the power to make rules and regulations that constricted our ability to grow. America is on the path to a model that is based on incentives to achieve the goals that can make America stronger and wealthier.

“BIG” business: The \$20.9 trillion combined market cap of the ten largest US companies now represents more than 70 % of US GDP.
(source: Bespoke Investment Group)