Q1 2025

QUARTERLY NEWSLETTER

ST. THERESE FINANCIAL LLC

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ST. THERESE FINANCIAL

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Reflecting on Q1 2025, there are some opportunities and dangers.

In my opinion 2025 is shaping up to be a riveting year. Trump starts his 2nd term as president. Elon and DOGE start cutting spending and jobs in the federal government. [24] Tariff wars threaten relationships with other countries, discussions of the beginning stages of recession, large amounts of debt, and much more.

However, despite all this there may be some opportunities and dangers that lie ahead. One that I believe is a danger and opportunity is DOGE. I am all for cutting government spending and finding ways to make the federal government more efficient. However, the proposed taxpayer dividend, in my opinion, is a bad idea. I believe money saved from DOGE needs to be used to either pay down the national debt or take dollars out of circulation.

I believe taking dollars out of circulation will strengthen the US dollar over time which can curb inflationary policies. If DOGE follows through with the taxpayer dividend, in my opinion, it has the potential to keep inflating the markets that are in desperate need of a pullback.

The markets are pulling back so far in 2025 and with a pull back, in general, comes fears of a recession. While a recession does come with potential dangers, in it lies opportunity to potentially get in the market at low prices which, in the long run has the potential to do great things for your finances.

Don't let the world scare you. If you have financial plans in place, stick to them. If you don't, now may be an appropriate time to start.

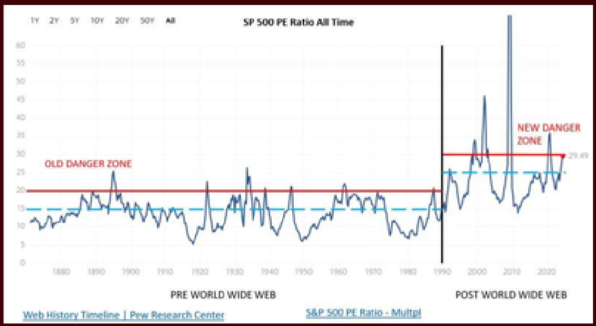
In this newsletter you can expect:

- Q1 2025 Commentary
- US Markets Decline
- Greece
- Gold and the Dollar
- References and Contact Info

US MARKETS TAKING A DIP

2025 has been a bit of a mixed bag. Trump's election into office gave the markets a boost that has all but been wiped away by the recent pull back. As of writing, the YTD returns of the S&P 500 are -5.35% and the NASDAQ is -9.23% [12]. In my opinion there are reasons being pointed too as the culprit, first and foremost is Trump's tariff wars with other countries. Other possible reasons are the public losing faith in the magnificent seven companies as they burn cash trying to build AI infrastructure; the enormous amount of credit card debt and other debt the American public has taken on; and rising inflation eating away at people's disposable income. I believe the American people are tapped out and don't have enough money to bail out the economy again and, like mentioned in the Q1 commentary, the government giving people money isn't going to fix the problem but, potentially make it worse.

The markets need a pull back as the S&P 500 has a current PE ratio of 30.66 [13] which is high. This means that on average a stock in the S&P 500 is trading at almost 31 times its earnings for a year. Since the advent of the world wide web in 1990 a PE above 30 has been achieved a few times for the S&P 500; The Dot Come Bubble, The 2008 financial crisis, and the COVID pandemic. The graph to the right shows a black line representing 1990 and the red line represents a "danger zone" where the S&P 500 become overpriced and has been associated with recessions in the past. [13] [14]

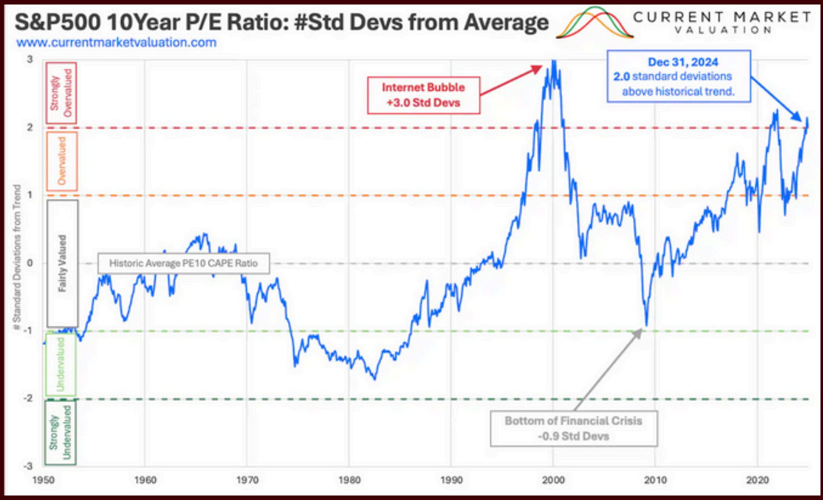


Are we currently in a recession or are we going to be in one soon? I don't know. In terms of investing in the long term I believe it should be irrelevant. I believe an individual with a 20-30-year time horizon investing for retirement shouldn't be concerned at all as in the long run historically the markets tend to work themselves out. During a recession it is tempting to take the money out but, doing so can potentially damage their long-term returns. I believe you shouldn't try to time the market as it is a recipe for disaster.

In my opinion downturns, corrections, and recessions are all normal and healthy and markets can exceed far past their earnings and occasionally the market needs to correct itself to be more in lined with the earnings of the companies represented in them. Peter Lynch stated, "in the long run there is a direct correlation between a company's earnings and its stock price.".

	YTD	1YR	5YR	10YR
DJIA	-2.26%	7.19%	15.88%	8.69%
S&P 500	-4.54%	9.03%	18.55%	10.34%
NASDAQ	-9.36%	8.70%	20.15%	13.39%
RUSSELL 2000	-7.78%	2.60%	17.01%	6.55%

DJIA DATA: HTTPS://WWW.MORNINGSTAR.COM/INDEXES/DJI/!DJI/PERFORMANCE
S&P 500 DATA: HTTPS://WWW.MORNINGSTAR.COM/INDEXES/SPI/SPX/PERFORMANCE
NASDAQ DATA: HTTPS://WWW.MORNINGSTAR.COM/INDEXES/XNAS/@CCO/PERFORMANCE
RUSSELL 2000 DATA: HTTPS://WWW.MORNINGSTAR.COM/ETFS/XNAS/VTWO/PERFORMANCE
DATA COLLECTED ON 3/19/2025



HTTPS://WWW.CURRENTMARKETVALUATION.COM/MODELS/PRICE-EARNINGS.PHP

GREECE

As of writing this newsletter the GREK ETF (Global X MSCI Greece ETF) was up 24.67% YTD reaching a new 52 week high [15]. Greece has had a tough road since it won its independence from the Ottoman Empire in the 19th century. The last two decades haven't been much easier. [16] The Greek debt crisis started in 2008-2009 and was amplified more in 2015 when the country defaulted on its loans to the IMF. [17] While the debt crisis started in 2008-2009, in my opinion, the Greek economy was doing poorly before then as government spending and lying about its debt position for decades finally came to a head, sending the country in a downwards spiral. [18]

However, in recent years the Greek economy has had some bright spots that show signs of a positive future. First and foremost, in an article by the associated press, the Greek government debt has been raised to investment grade by Moody's [1]. The second, which related to the first, is the government of Greece is paying down their debts and staying conservative on spending. According to trading economics, since 2013 the debt to GDP ratio was hovering around 180% until 2020 when it reached 207%. Every year it has been going down and as of 2024 the debt to GDP ratio is around 155% [2}. Third, in the fourth quarter report from the National Bank of Greece, one of the systemic banks in Greece, it stated the Greece economy is resilient and robust and looks like it is going to be going forward into this year. [19]

Greece, in my opinion, does have a few problems going forward that prevent it from potentially being a long-term play. Since the financial crisis of 09' a lot of their young people are wanting to move to other countries to seek opportunities. [20] Particularly dangerous since Greece has one of the lowest fertility rates (1.265) [4] in the world and has been low for some time. Greece's average age for its population, as of 2020 was 44.3 [5]. I believe this leads to a scary situation where, if their young people move away, Greece may find itself unable to support its own country.

Lastly, recent news about a government cover-up of a railroad incident a few years ago has sparked protests from the Greek people towards its government. The rail incident involved a collision that killed 57 people. The associated press reported a story of newly elected president, Constantine Tassoulas. A conservative who is pledging national unity and increased defense spending [6]. It will be interesting to see if the conservative side of the government can win back trust from the citizens of Greece.

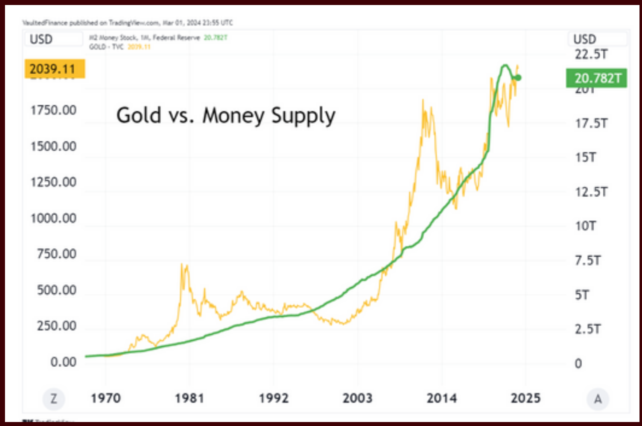
Between January 26 and February 22, more than 20,000 minor earthquakes of magnitude 1 or higher were recorded off the Mediterranean island, according to the Interdisciplinary Committee for Risk and Crisis Management at the University of Athens. One registered 5.3 on the Richter scale. [22]

Clashes broke out in Greece's two largest cities Friday, as protesters hurled gasoline bombs and flares outside parliament, during a censure motion debate against the government over its handling of a deadly rail disaster two years ago. [23]

GOLD AND THE US DOLLAR

Prior to 1971, Gold was fixed at $35/oz. That meant for every $35 the United States printed off it needed to have 1 oz of Gold in its reserves. [7] However, in 1971 the US Dollar was taken off of the Gold Standard which meant that the United States currency turned into “fiat” money. In fact, since the creation of the Federal Reserve in 1912, the U.S. dollar has lost nearly 98% of its purchasing power. [9]

What does that mean for Gold going forward? Well, that means that Gold is no longer fixed at $35/oz and is now mainly affected by the money supply, M2 Money Supply specifically. [9] On the right you will see three graphs. The top graph is from CNBC.com [21] and shows the price of an ounce of Gold since 1981. The second is the price of Gold and the M2 money supply lines overlapping each other. [9] The third, in relation to the second, is the ratio of Gold’s price to M2 Money Supply. [9] The middle graph shows a relationship of every $10 trillion the M2 Money Supply increases the price of gold increase $1,000.



In my opinion, Gold is a good long-term play. For two specific reasons. The first being social security. Social security has been underfunded for decades and with every baby boomer being over the age of 65 by 2029, this could potentially get worse. Social security themselves created a marketing flyer [11] that stated by 2034 their Trust Fund will be depleted and will only be able to bring in enough FICA taxes to pay 80% of scheduled benefits. What about the other 20%? In my opinion, the federal government will print off the rest thus increasing M2 Money Supply, causing the price of Gold to increase.

DOGE is trying to cut down on government spending [24] and, in my opinion, they still have a long way to go before they are in a surplus and until then, the federal government will keep taking on more debt. There are two ways to pay off this debt, in my opinion. One is the slow methodical method of spending less than you make, cut costs, and use the rest to pay down the debt. The second is to hyper-inflate the currency by printing off more money thus, increasing M2 money supply.

I believe the US government is like a company that can’t rein in spending and is having to take on more debt and sell more shares to keep it afloat. There is a potential to eat away at earnings and could possibly devalue the stock of the company. Do it for long enough and there is a possibility the company goes bankrupt.

	YTD	1 YR
GOLD	14.37%	34.05%

GOLD RETURNS SOURCE: HTTPS://WWW.CNBC.COM/QUOTES/@GC.1:
RETRUNS COLLECTED ON 3/19/2025

REFERENCES

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