Jan 31, 2025

F3 ADVISORS
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Dear Investor,

US markets navigated through year-end then Inauguration with a boost in stock prices that coincided with a boost in overall business optimism. Mood in markets has been positive. But, the 'game' our fiat financial 'markets' has become should get very interesting this week.

The 'Magnficent Seven' stocks and their nose-bleed valuations were challenged this week. China entered the AI arena with 'DeepSeek', an AI alternative 30x cheaper than the US versions, and importantly … more accurate. The AI tech bubble may be peaking. Big Tech earnings this week were strong, but the projections softened a bit suggesting a pause.

Marc Andreesen, the well connected, formerly liberal, Silicon Valley tech legend (founder of Netscape) in a 3 hour interview revealed the government corruption that funnels Americans into the control of only a few companies, excluding competition, while ensuring ability for full capture: tracking, monitoring, censoring and so on. Most importantly, he illustrated the way the government violates the Constitution regularly through these 'private companies'. The source of the Mag7 strength seems to be a monopolistic relationship with the government.

The villain of our Q3 letter, Yellen, blew a debt-bubble now in jeopardy. Incoming Treasury Secretary Scott Bessent is gifted with Yellen's trojan horse: her $800B quarterly pillaging exercise renews Feb 3rd. Reducing that pace of debt removes equivalent revenue from S&P 500 companies … not a great move if US success is measured by stock prices. Bessent is far more capable than Yellen, globally well-connected, and understands global-finance plumbing. But Yellen has pinned him in a corner. Following his confirmation he made comments about eliminating the income tax and bringing gold back into US money. He has his hands full.

The Fed held rates steady Wednesday, ignoring Trump clamoring for lower interest rates. Inflation returned prior to Trump, due to Fed pre-election cuts, so no more cuts! Housing prices are teetering, 30 year mortgage rates are at 7%, and commercial real estate troubles remain. Banks would have collapsed in 2023 if Yellen and Powell didn't bail them out (with $1T) to hide the damage caused by the monetary abuse those two created in the first place.

Tariff wars are underway, too: Trump and Colombia went toe to toe with tariff tit-for-tat. It was entertaining, but Trump won that battle easily. China, Canada and Mexico are in the cross hairs this coming weekend.

A chart we ran prior to 2022's heavy decline is now stretched even more. We expected a new hysteria soon, something to distract from Yellen's time-bomb, and divert attention from the Senate hearings that pit Big Pharma owned politicians against RFK Jr and those of other nominees that threaten the Deep State. Vigilance this quarter remains prudent.

Best Regards,

Mike Sullivan

Detail:

Mixed results in Q4, $800 Billion per quarter in new debt doesn't buy what it used to:

INDEX	Description	Q4	2024
Standard & Poor's 500	US Based Large Stocks (500)	2.4%	25.0%
Dow Jones Industrials	US Based Large Stocks (30)	0.9%	15.0%
Nasdaq 100	US Based Large Stocks	6.2%	28.6%
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	0.3%	13.9%
Russell 2000	US Based Small-Cap Stocks (2000)	0.3%	11.5%
Dow Jones Transports	US Based Transportation Stocks	**-2.0%**	1.5%
Dow Jones Utilities	US Based Utility Stocks	**-6.6%**	15.1%
EAFE International Index	International Large Cap	**-8.1%**	4.3%
MSCI Emerging Markets	Diversified Emerging Markets	**-8.0%**	7.5%
Commodities	Bloomberg Commodity Index	2.4%	9.5%
10Y US Treasury Bonds	10 Y Us Treasury Bond	**-5.1%**	**-1.7%**

Sources: *Bloomberg, vanguard.com, yahoo.com*

Yet another 'YES' answer regarding whether Yellen-markets can continue to advance.

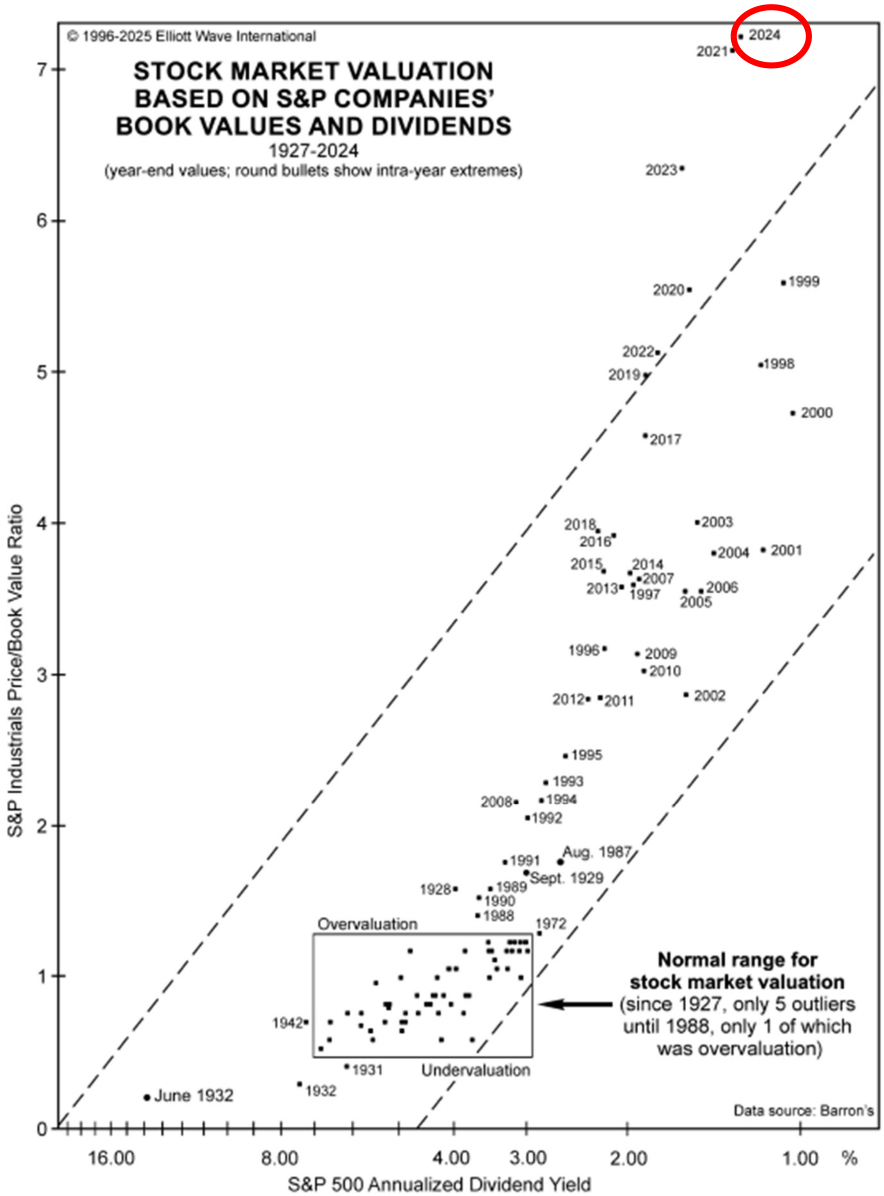
Economic data continues to be revised since the last election with the general trend being it was worse than originally reported. Here is some recent data:

- The latest Price/Earnings ratio for the S&P 500 sits at **22.3**.
  - 'Alligators Jaws' have opened, a technical pattern where stock prices rise while earnings growth levels or falls. Over the past 30 years, the pattern has appeared six times, and is 6-0 at resulting in market declines. Not a guarantee … just an observation.
- Inflation is no longer subsiding as Personal Consumption Expenditures (PCE) jumped up 2.3% in Q4, versus the more modest increase of 1.5% the quarter before.
- Residential Real Estate continues cooling, particularly in Florida and Texas, but the northeast continues to hold up quite well. The 30 Year Mortgage rate is 7.02% and:
  - Pending Home sales dropped **-5.5%** month over month, **-5.0%** year over year.
- Commerical Real Estate struggles further. DOGE activities contemplate adding half of US government owned office space to markets … suggesting price pressure ahead.
- The Fed met this week and held rates steady, the first pause since September:
  - The 1% in cuts between September and December caused bond investors to call their bluff. With the move being viewed as inflationary bond investors drove bond yields UP by almost 1% instead. The 10 Year Treasury has held at 4.5%.
- Tech overlord companies were clipped upon China's release of 'DeepSeek' which provided a better, much-cheaper alternative to US company offerings.
  - Information Technology is posting the second biggest rate of change in expected earnings for Q1 2025, actually anticipated to slow by **-5.5%**.
- Consumer debt remains high particularly underneath the Top 10% of wealth owners.
  - Delinquencies are surging as savings and stimulus has dried up.
  - The Consumer Discretionary sector is posting the biggest drop in earnings of all sectors, targeting a **-6.2%** drop.
- The GDP quarterly growth rate slowed from 3.1% to 2.6%
- Regional business barometers have slowed notably, in contrast to business sentiment surveys which have risen recently. Stock markets may be ahead of the real economy.

This updated chart shows that valuations at year-end 2024 have surpassed those last run at year-end 2021. The box at the bottom shows the range of valuations that were the norm before the Fed began unleashing currency destruction and interest rate suppression.

Notice almost every year above and to the right of that box occurred after Alan Greenspan uncorked the money printing that has doomed virtually every fiat-money society throughout history. Every empire falls when it prints money and issues exponentially increasing debt.

The left scale represents 'book value' of industrial companies, while the bottom scale shows earnings yields of the S&P 500. The higher the circle goes and the further to the right it moves, the more overpriced stocks are. Even 2021 was less insane than 2024's YE value.



How can valuations like the preceding example and Price Earnings ratios reach such nose-bleed heights?

We need look no further than central banks themselves, but other relationships in the deeply embedded 'Deep State' system are coming into the light.

In that wide-ranging interview with podcaster Joe Rogan, Marc Andreesen, founder of Netscape and Silicon Valley private equity investor disclosed a recent meeting where the US government declared AI start-ups would be a wasted effort since the government was going to funnel business (paid for with Yellen's debt- money) into the subservient Tech Lords, those that do the government's bidding, tracking, monitoring, and censoring Americans.

Not only do Yellen's actions provide the funding for the government to employ those large cap tech firms, they take conflict of interest to an entirely new level. Andreesen deftly discloses all of the crony capitalism and observes how unconstitutional the entire exercise is.

Below we see the Swiss National Bank's 'holdings'. When the same entities that are in charge of money supply, funnel business to public companies, then enjoy the rise in their stock prices, we have reached a new level of graft and abuse. This is going on worldwide.

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SNBN SW Equity | Alert | Settings | Holder Ownership

Schweizerische Nationalbank | All Securities

Type Institution: Government Management Type Active

Historical View Periodicity Quarterly 2024 Q2 - 2025 Q1 Field Position

Group By None Show Asset Type All Currency USD Total Curr Mkt Val 174.0B Num of Holdings 2,797

	Security	Ticker	Source	Position	Pos Chg	% Out	Curr MV↓	Filing Da...
			All					All
1)	Apple Inc	AAPL US	13F	43,239,168	-194,800	.29	9.94BLN	09/30/24
2)	Microsoft Corp	MSFT US	13F	20,957,770	+57,800	.28	9.11BLN	09/30/24
3)	NVIDIA Corp	NVDA US	13F	73,018,200	-1MLN	.30	8.65BLN	09/30/24
4)	Amazon.com Inc	AMZN US	13F	27,800,300	+80,000	.26	6.54BLN	09/30/24
5)	Meta Platforms Inc Class A	META US	13F	6,504,600	+17,100	.30	4.21BLN	09/30/24
6)	Tesla Inc	TSLA US	13F	8,519,675	+33,100	.27	3.38BLN	09/30/24
7)	Alphabet Inc Class A Common Shares	GOOGL US	13F	17,435,400	-12,600	.30	3.34BLN	09/30/24
8)	Alphabet Inc Class C Common Shares	GOOG US	13F	15,005,200	-106,400	.27	2.91BLN	09/30/24
9)	Broadcom Inc	AVGO US	13F	13,125,930	+91,300	.28	2.65BLN	09/30/24
10)	Eli Lilly & Co	LLY US	13F	2,397,890	+5,100	.25	1.94BLN	09/30/24
11)	Berkshire Hathaway Inc CLASS B	BRK/B US	13F	3,931,105	+49,600	.30	1.87BLN	09/30/24
12)	Visa Inc Class A Common Shares	V US	13F	4,672,400	-10,300	.27	1.56BLN	09/30/24
13)	UnitedHealth Group Inc	UNH US	13F	2,731,961	+2,100	.30	1.48BLN	09/30/24
14)	Exxon Mobil Corp	XOM US	13F	13,315,218	+33,400	.30	1.47BLN	09/30/24
15)	Mastercard Inc Class A Common Stock	MA US	13F	2,464,300	-2,400	.27	1.35BLN	09/30/24
16)	Walmart Inc	WMT US	13F	13,131,200	+9,300	.16	1.28BLN	09/30/24
17)	Costco Wholesale Corp	COST US	13F	1,315,900	+2,800	.30	1.27BLN	09/30/24
18)	Home Depot Inc/The	HD US	13F	2,943,400	+9,200	.30	1.25BLN	09/30/24
19)	Netflix Inc	NFLX US	13F	1,279,000	-2,900	.30	1.24BLN	09/30/24
20)	Procter & Gamble Co/The	PG US	13F	7,005,790	+39,000	.30	1.19BLN	09/30/24
21)	Johnson & Johnson	JNJ US	13F	7,143,707	+8,900	.30	1.09BLN	09/30/24
22)	Salesforce Inc	CRM US	13F	2,876,177	+4,200	.30	998.32MLN	09/30/24
23)	AbbVie Inc	ABBV US	13F	5,240,910	-1,600	.30	927.12MLN	09/30/24
24)	Chevron Corp	CVX US	13F	5,196,735	+700	.29	817.08MLN	09/30/24
25)	Oracle Corp	ORCL US	13F	4,913,300	+30,700	.18	777.68MLN	09/30/24
26)	Coca-Cola Co/The	KO US	13F	12,147,700	+21,500	.28	775.87MLN	09/30/24
27)	Merck & Co Inc	MRK US	13F	7,517,951	+19,400	.30	736.31MLN	09/30/24
28)	Swiss Confederation Government Bond	SWISS 2 0...	Research	415,000	0	12.18	732.10MLN	08/02/24
29)	AstraZeneca PLC	AZN LN	ULT-AGG	5,103,263	0	.33	709.70MLN	12/09/24
30)	Cisco Systems Inc	CSCO US	13F	11,958,400	-30,000	.30	706.50MLN	09/30/24
31)	Accenture PLC Class A Ordinary Shares	ACN US	13F	1,859,200	-2,200	.30	693.76MLN	09/30/24
32)	ServiceNow Inc	NOW US	13F	608,500	+1,500	.30	684.55MLN	09/30/24
33)	Abbott Laboratories	ABT US	13F	5,163,580	+26,000	.30	668.32MLN	09/30/24
34)	Thermo Fisher Scientific Inc	TMO US	13F	1,133,000	+2,800	.30	661.26MLN	09/30/24
35)	General Electric Co	GE US	13F	3,249,062	+12,200	.30	631.81MLN	09/30/24

The Fed does not own company stocks outright, but American politicians who have input to contractual decisions to those companies (like Nancy Pelosi and Dan Crenshaw among many) certainly do. We are obviously in a far-from-virtuous loop of graft in our system.

The world has been dominated by the fiat, paper-money, 'western central bank' complex for the entire lifetime of everyone reading this letter. Each country subject to a fiat western central bank system is flooded with debt, paper-money, and financial manipulation. Hence, markets are pinned to the regular meetings of these central banks to find out what interest rates they will impose, whether or not they will issue more paper money or reel it back in to slow things down, and quite simply dictate the quality of life the masses experience or suffer.

The truth is any citizen of any country has to pay for what their government spends, either through taxes, tariffs, or through inflating prices. The semantics of the policy (tax, tariff or print) simply disguise that reality. What the government spends (or steals), we pay for.

The BRICS block of countries broke from the subjugation to the western central bank system beginning in 2014 (when the U.S. formerly intervened in Ukraine under President Obama, John Kerry, Victoria Nuland and 'the Big Guy') and imposed monetary sanctions on Russia. That was the first major weaponization of theUS Dollar, although sanctions had been used before that. But, it was then that Russia and the BRICS countries began aggressively moving away from the western money system used to clear trade: SWIFT.

The sanctions imposed again on Russia, under Biden this time (but once again connected to Ukraine) simply hastened the departure.

Quite simply, the U.S. is no longer trusted to be the keeper of the world's Reserve Currency after that, and other countries logically moved towards alternatives.

Trump's move towards Tariffs is not exactly a peaceful act, but it is a different form of economic battle that differs from the use of the US dollar itself.

We have seen steady movement away from this dollar dominated system (that we Americans have known all of our lives), but it is still intact for now. The dollar is still the most widely used currency across the globe. We may have crossed the Rubicon however, so to speak.

Within the context of the existing system, much of the growth in stock prices across the world simply rotates from one country to the next as money leaves countries that pay low interest rates or offer little growth potential and moves towards countries that offer higher interest rates and growth.

In that simple equation, US markets have found great strength, as our higher interest rates, tech dominance, and overall stock market growth have attracted money from countries with low rates, political instability, economic instability or all three.

But, we have reached a point where US companies and their stocks hold a disproportionate share of the world's invested capital. Much of it is money that either comes from overseas investors, or is financed by domestic US investors who borrow money cheap from other countries, largely Japan, then use that borrowed money to invest in the 'better' markets.

That concept is known as the 'Carry Trade'.

Japan has been the source of cheap money for years as their Bank of Japan (BOJ) has printed money hand over fist, used it to buy Japan's own debt, and flattened interest rates.

Japan is now raising rates:

As Japan's rates rise, the borrowed money becomes more expensive, and those investors who borrowed Yen will begin to sell the assets they previously bought (US stocks), and return it.

That reverse trade is known as the 'Carry Unwind', a somewhat self-explanatory term.

So, in addition to Yellen's folly, which Treasury Secretary Bessent must deal with the Quarterly Refunding February 3rd, he has a potential Carry Trade Unwind to deal with too.

If Trump is seen as the Disruptor, Bessent may not be too far off. His recent ideas consider:

- *eliminating* the income tax,
- shifting to a consumption based tax,
- supporting tariffs, and
- backing the dollar by gold.

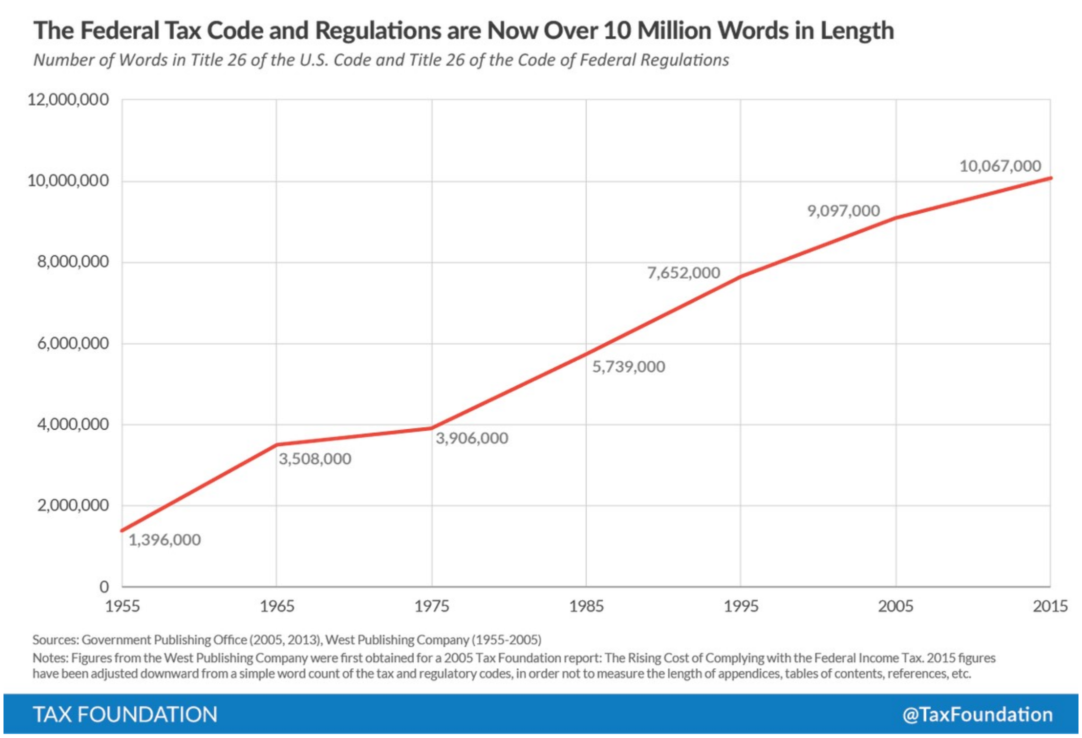
Quite an adventure awaits Americans if those concepts are pursued. And we do not think those changes are so far-fetched. They might just pursue them, which will be disruptive.

As many readers know, 1913 was a horrific year for American history, giving birth to:

- The Federal Reserve (privately owned)
- The Internal Revenue Service
- The American Medical Association

Combined, those three systems served to capture Americans in a world of financial servitude and subjugated them to the world of pharmaceuticals, some of which are of course very good, but some not so much.

Regarding money, Americans' have since 1913 been forced to spend much of their life energy tracking, reporting and paying into a system that many deem unconstitutional from the get-go. Here is a look at the level of nonsense that 'taxpayers' must wrestle with, or otherwise pay others to handle, as it has become increasingly unmanageable over the years:



Very interestingly, attention has become focused on the US tax machine itself. When forced under oath, agents of the IRS itself do more than suggest tax is 'voluntary' to begin with:

https://x.com/MarioNawfal/status/1876543860274577487

We live in an era where *everything* is being questioned.

Those who are tired of being taxed and inflated into oblivion are beginning to question things that have been in place for over a century … Disruptive.

On the medical and health front, the long-standing Rockefeller medical system is under assault by an army of providers who were censored, sued and subjugated following the absurd and draconian methods deployed after COVID. The Rockefeller medical system is so named because of the establishment and funding of that institution by oil baron John D Rockefeller and the Association's usage of pharmaceutical products, many of which apparently are oil based derived from both petroleum and seed oils.

We will get out of our depth on that topic, so we will leave it to the experts in that field, but even laymen could observe rather factually that the COVID response unleashed a stunning number of broken protocols, policies and mandates never before seen in America.

Many of the '*follow the science*' protocols have been smashed, proven false, or deemed irresponsible in hindsight. Data now being culled from government databases and private insurance companies' financial reports show substantial increases in cancers, heart ailments, and neurological conditions that clearly began to spike after the vaccine campaigns.

So … 2025 has brought us an assault on all three 1913 institutions.

We expect volatility. And we expect to learn and experience ***a lot*** as the year unfolds.

In the meantime, we will continue to favor caution over risk, at least until we see how Bessent handles the February 3^{4d} QRA hot potato, and whether the various nominees of the new administration are either appointed or defeated … hence, the disruption that awaits.

Call us at (614) 698-0333 (FFF) if we can be of assistance!
