Howard: "*Disclosure: The opinions voiced in this show, Financial Edge, are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult with your attorney, accountant, and financial advisor or tax advisor prior to investing. Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through NewEdge Advisors, LLC dba Silver Edge Financial Group, a registered investment advisor and separate entity from LPL Financial.*"

Michael: "Good morning, everyone, and welcome to *Financial Edge with Silver Edge Financial Group*! I'm Michael Bass, and with me, as always, is my partner and co-host, Howard Silver. We're here to bring clarity and expertise to financial planning every Sunday morning. Let's dive right into today's topic: *Nearshoring Manufacturing.* It's a big one, and I know it's a topic on a lot of people's minds, especially as we see more headlines about supply chains, reshoring, and U.S. manufacturing. Howard, why don't you kick us off by explaining what 'nearshoring' actually means?"

Howard: "Absolutely, Michael. Nearshoring is the process of relocating manufacturing and production operations closer to the United States, often to Mexico, Latin America, or even back to the U.S. itself. The idea is simple: Instead of relying on long, complex supply chains stretching across the globe — particularly China — companies aim to move production closer to their end markets. This shift reduces shipping costs, cuts lead times, and, most importantly, increases supply chain resilience. And with the recent disruptions from the COVID-19 pandemic, companies are starting to rethink the 'efficiency at all costs' model of global production."

Michael: "Right, and the big driver here is 'resilience' rather than cost efficiency. It used to be all about 'where can we produce it cheapest?' but after years of factory shutdowns, port delays, and container shortages, companies are starting to see the value of control and predictability. But, Howard, I think people hear 'manufacturing renaissance' and immediately think of steel mills and auto plants coming back to American soil. Is that what's happening?"

Howard: "Not exactly, Michael. While the U.S. is making moves to increase production, it's not going to look like the 1950s where large swaths of manufacturing jobs flood back to American soil. It's more nuanced. Heavy manufacturing, like low-cost consumer goods, electronics, and apparel, is still going to be hard to bring back. Why? Cost. Labor in the U.S. is simply more expensive, even with automation. We're also missing key parts of the supply chain. For example, to manufacture a T-shirt in the U.S., you need to spin raw cotton into thread, weave it into fabric, dye it, and finish it. Most of that infrastructure was outsourced decades ago, and it's not coming back overnight."

Michael: "Exactly. But there *is* a shift happening. We're seeing it in high-tech areas like semiconductors, advanced batteries, electric vehicles, and clean energy technologies. These industries are where the U.S. government is focusing its efforts. We've seen huge spending bills like the CHIPS Act, the Inflation Reduction Act, and the Infrastructure Investment and Jobs Act. These are all targeted at high-end manufacturing — not so much on low-cost goods like clothing or consumer electronics. Howard, walk us through what these bills are doing and why they matter."

Howard: "Sure thing, Michael. The CHIPS Act is probably the most famous one, and it's aimed at bringing semiconductor production back to the U.S. After we saw a global chip shortage, especially in the auto industry, it became clear how vulnerable we were. The Act dedicates $280 billion to semiconductor R&D

and manufacturing. Intel and TSMC are building massive semiconductor plants in Arizona as a result. Then there’s the Inflation Reduction Act, which is more focused on green energy — electric vehicles, solar panels, and battery technology. These areas offer higher-margin, higher-tech opportunities for American companies. Finally, the Infrastructure Investment and Jobs Act isn’t directly about manufacturing, but it’s setting the stage for it. This Act is funding better roads, bridges, and power grids — all of which are essential if you’re going to increase domestic production."

Michael: "So, to recap: We’re not bringing back T-shirt factories, but we are bringing back semiconductor fabs, EV battery plants, and maybe some of the critical components that go into clean energy. Does that sound right, Howard?"

Howard: "That’s right. The jobs that are 'coming back' are higher-skill, higher-paying positions in advanced manufacturing. But let’s be clear, these changes aren’t happening overnight. It’s a 5-to-10-year process at best, and even then, we’re still going to be heavily reliant on global supply chains for subcomponents. Take Boeing as an example. Even though final assembly happens in the U.S., most of the parts for a plane like the 787 Dreamliner come from abroad — like the all-composite wings built in Japan. So, nearshoring isn’t about 'Made in America' from start to finish. It’s about getting critical stages of production closer to home to avoid disruptions."

Michael: "Good point. And it seems like the public perception doesn’t match reality. You see headlines like, 'Manufacturing is Back!' but the data tells a more nuanced story. U.S. manufacturing employment has fallen from 17 million jobs in 1992 to 13 million in 2023, and manufacturing as a percentage of total employment dropped from 15% to 8% in that time. Those are big declines. Howard, if I’m a listener, I might be asking myself, 'Does this even matter to me?' What would you say to that?"

Howard: "That’s a great question. It matters *if* you’re an investor, a business owner, or even an employee in industries tied to manufacturing. If U.S. manufacturing grows in sectors like semiconductors or EVs, it could open up investment opportunities. If you’re an investor, you want to be watching companies like Intel, TSMC, and companies building out EV infrastructure. On the flip side, businesses that rely on imports from China could see rising costs, so if you run a small business importing electronics, you’ll feel it. This is why keeping an eye on global trade and nearshoring trends matters, even if you’re not directly working in a factory."

Michael: "And that’s where we come in. If you’re not sure how these shifts could impact your investments, give us a call at 561-300-0090 or visit us at www.silveredgefg.com to schedule a free, no-obligation consultation. You can also email Howard directly at howard@silveredgefg.com."

Howard: "That’s right. We’re happy to help you position your portfolio to take advantage of these trends — or protect against them. We’re here to make sense of the complexity, and with nearshoring, the picture is complex. It’s not a black-and-white 'manufacturing is back' story. It’s selective, it’s long-term, and it’s focused on higher-end production."

Michael: "So, to reiterate, let’s hit a few key takeaways. One, nearshoring is real, but it’s not happening everywhere. It’s focused on semiconductors, EVs, and green energy. Two, it’s a long-term process — think five to ten years, not overnight. And three, while it won’t bring back millions of low-wage factory jobs, it *will* create higher-skill, higher-paying jobs in advanced manufacturing. Howard, your thoughts?"

Howard: "Just one. Don't get caught up in the hype. Be aware of what's happening, but also recognize that China isn't going away as the world's factory anytime soon. Even when companies move production to Mexico, much of the supply chain still relies on Chinese subcomponents. But if you're looking for opportunities as an investor, this is a space to watch."

Michael: "Well said. Alright, let's shift gears and talk about something that's grabbing everyone's attention right now — this *bullish sentiment* sweeping across the market as we head toward the end of 2024. If you've been watching the markets, you've probably noticed that U.S. stocks have been on a serious roll, and it's not just retail investors piling in. Institutional money is coming in heavy. Bank of America's December Global Fund Manager Survey revealed that 36% of fund managers are overweight U.S. equities — that's the *highest level on record* in the survey's history. Howard, is this noise or a major signal?"

Howard: "When fund managers, who are typically more conservative, start shifting aggressively into U.S. equities, it says a lot. These aren't day traders — these are large institutions managing pensions, endowments, and sovereign wealth funds. This shift in sentiment isn't random. It's tied to several key narratives that have been building throughout the second half of 2024. First, there's the idea of U.S. 'exceptionalism,' which essentially means that the U.S. economy is expected to continue outperforming the rest of the world in 2025. Second, there's growing optimism about a return to growth driven by possible interest rate cuts from the Federal Reserve next year. And third, there's talk of policy shifts following the election, with some investors believing that Donald Trump's second term could bring back pro-business, pro-market policies. Put it all together, and you have a recipe for bullish sentiment."

Michael: "Right, and we've talked about 'U.S. exceptionalism'. The idea is that, compared to Europe and Asia, the U.S. is seen as the 'safe haven' for capital. If you look at GDP growth forecasts for 2025, the U.S. is expected to lead the pack. We also have this perception that U.S. companies, particularly in the tech and energy sectors, have stronger earnings potential. It's why we're seeing investors shift out of global stocks and into U.S. stocks."

Howard: "And that's why the fund manager survey results are so striking. When you see a *record-low allocation to cash* — just 3.9% — it's a sign that investors are no longer sitting on the sidelines. They're taking action. Cash positions under 4% are usually seen as a red flag. Historically, it's been a short-term 'sell signal' because it means everyone is 'all in' and there's not much dry powder left to keep the rally going. Since 2011, when the cash level in this survey dips below 4%, the MSCI World Index has typically fallen 2.4% in the following month and 0.7% over three months. But here's the twist: when that signal flashed back in October, instead of selling off, the market actually rallied. The MSCI, which Bank of America tracks through BlackRock's iShares MSCI ETF (ACWI), is up more than 1% since then."

Michael: "So, Howard, let me ask you this. Does that mean the 'sell signal' is broken, or is this just a temporary break from the pattern?"

Howard: "Great question, Michael. I'd say it's a little bit of both. The 'sell signal' isn't foolproof. It's a probability indicator, not a guarantee. Just because cash levels are low doesn't automatically mean the market will drop, but it does suggest that there's less available cash to drive prices higher. The reason this time might be different is that the bullish drivers are pretty unique. We've got potential Fed rate cuts, optimism around U.S. growth, and the possibility of increased government support for key industries like semiconductors and green energy. Those tailwinds are strong enough to keep the market rallying, even if cash is tight. Plus, the broader sentiment is that there won't be a recession in 2025."

Michael: "Yeah, and that really caught my attention. We spent most of 2023 bracing for this so-called 'hard landing,' where the economy would slow sharply because of higher interest rates. But now, that fear is fading. Howard, only 6% of fund managers think we'll see a hard landing in 2025. That's a huge shift from earlier this year when recession fears were front and center. What changed?"

Howard: "What changed, Michael, is that the U.S. economy proved to be far more *resilient* than expected. We had all these interest rate hikes, and yet the labor market stayed strong, consumer spending stayed strong, and GDP growth held up. A lot of people were predicting a slowdown that just never came. Instead, what we're seeing now is the concept of a '*no landing*' scenario. This is a term we've heard tossed around lately. Unlike a 'soft landing' — where inflation cools and growth slows gently — a 'no landing' means the economy just keeps chugging along. Growth stays strong, and inflation stays higher than the Fed's 2% target."

Michael: "Right, we might not get the inflation drop that the Fed is hoping for. If inflation stays sticky and the economy stays strong, it forces the Fed to make tough decisions. Do they raise rates again, or do they just live with higher inflation? Howard, how do you see this impacting portfolios?"

Howard: "This is where it gets tricky. If inflation stays higher for longer, the Fed could delay or reduce the size of any rate cuts, which would dampen the bullish sentiment. On the other hand, if the Fed prioritizes growth over inflation, we could see rate cuts anyway, which would be positive for growth stocks, tech in particular. For investors, it's a balancing act. If you're heavily invested in fixed income, you may want to position yourself for rate cuts, which would boost bond prices. If you're in equities, you'll want to lean into growth sectors like tech, which historically benefit from falling rates. This is a key moment to reassess your allocation. If you're not sure what moves to make, give us a call at **561-300-0090** or visit **www.silveredgefg.com** to schedule a free, no-obligation consultation."

Michael: "That's such an important point, Howard. We've got a lot of investors out there who were sitting in cash all year, waiting for a pullback that never came. Now, with cash positions at record lows, people are feeling the fear of missing out. They're rushing back in, and that's why we're seeing the market rally. But if you're feeling like you've missed the boat, it's not too late. This is where personalized advice matters most. Get in touch with us. Call **561-300-0090**, visit **www.silveredgefg.com**, or email **howard@silveredgefg.com** to schedule a consultation. Don't wait until next year to get your plan in place. It's easy to get started, and it could make a big difference for your financial future. Howard, I think we need to address one of the biggest developments that's set to shape the markets in 2025 — the return of Donald Trump as President of the United States. Regardless of political preferences, his return has significant implications for markets, and we're already seeing it reflected in investor sentiment. Trump's rhetoric, tariffs, and tax policies have historically driven market shifts, and it looks like we're headed for another wave of change. Let's break down what this could mean for the economy, for U.S. manufacturing, and most importantly, for our listeners' portfolios."

Howard: "Absolutely, Michael. Love him or hate him, Trump's economic playbook is pretty well understood at this point, and that actually gives us an advantage when it comes to market strategy. We know what to expect, more or less. There are three key pillars to pay attention to here: tariffs, tax policy, and the broader 'America First' approach. Each of these could impact certain industries, sectors, and even specific stocks in a big way. Let's walk through each of them, starting with tariffs."

Michael: "Right. When he was president from 2017 to 2021, tariffs were one of his signature moves. We saw hundreds of billions of dollars in tariffs placed on Chinese goods, and that single decision had a ripple effect on global supply chains. The goal, of course, was to make it more expensive to import products from China so that U.S. companies would be incentivized to bring manufacturing back home or, at the very least, closer to home — like to Mexico or other Latin American countries. Howard, how do you see tariffs playing out under Trump 2.0?"

Howard: "Well, Michael, I think it's safe to assume that tariffs are coming back in a big way. Trump has already made it clear that he views tariffs as a negotiating tool and a way to 'punish' countries that he believes are taking advantage of U.S. trade policies. Expect tariffs to be reimposed on a larger scale, possibly even broader than what we saw in 2018 and 2019. Now, what's really interesting is that while many thought these tariffs would reduce imports from China, in reality, it just shifted the *appearance* of imports. Companies started routing their goods through countries like Vietnam, India, and especially Mexico. But here's the catch — a lot of those so-called 'Mexican imports' still rely on *Chinese subcomponents*. This means that while it looked like we were importing more from Mexico, we were really just importing Chinese-made parts assembled in Mexico. I think Trump is going to try to close that loophole this time around."

Michael: "Exactly, and that's a big deal for companies like Apple, which sources parts globally before assembling them in one location. If Trump tries to clamp down on that strategy by blocking the flow of subcomponents, we could see major supply chain disruptions again. But, on the flip side, it could drive nearshoring even harder. If it becomes too costly to import products made from Chinese parts, companies may decide it's cheaper to produce everything closer to home — or at least within North America. That's where the nearshoring theme comes back into play. I think you'll see new investments in Mexico, but maybe even in U.S. assembly plants for products like electronics and auto parts. Howard, which industries should we be watching here?"

Howard: "Great question, Michael. If tariffs come back with the kind of force we're expecting, you want to watch industries that are *import-reliant*. Think consumer electronics, retail, and apparel. If you're a company like *Walmart or Target* that imports cheap goods to sell at razor-thin margins, tariffs increase your costs, and that has to be passed on to the consumer. But on the flip side, you also want to watch for *domestic manufacturing opportunities*. Companies involved in industrial robotics, factory automation, and logistics infrastructure could benefit. If companies need to bring more production back to the U.S., they'll need to invest in automation to offset the higher labor costs. Names like *Rockwell Automation and Honeywell* come to mind. If you're an investor, you want to think about how tariffs will drive shifts in production. Will companies bring production back to the U.S.? Will they just lean more into Mexico? Or will they do a mix of both? Either way, you want to be ahead of that move, not chasing it."

Michael: "Great points, Howard. And I think that leads us naturally into tax policy. If there's one thing Wall Street remembers about Trump's first term, it's that *corporate tax cuts* lit a fire under the stock market. His *Tax Cuts and Jobs Act of 2017* reduced the corporate tax rate from 35% to 21%, and that extra profit went straight to the bottom line for companies. It sparked a wave of stock buybacks and dividend increases, especially from tech giants like Apple, Microsoft, and Alphabet. Do you think Trump will bring back more tax cuts, or is it unlikely given today's debt situation?"

Howard: "I think he'll absolutely push for more tax cuts, Michael. It's part of his brand. He campaigned on being pro-business, pro-growth, and pro-investment. While the U.S. has a high debt burden, Trump will likely argue that tax cuts will *pay for themselves* by boosting growth and increasing tax revenue in the long run. If he can get corporate taxes down even further — say, from 21% to 18% or 15% — it could be a *huge tailwind* for the stock market. Companies would have more cash to invest in growth initiatives, pay higher dividends, or buy back shares. And that's where investors benefit directly."

Michael: "No doubt about it, Howard. Investors love buybacks, and so does Wall Street. When a company buys back its own shares, it reduces the total share count, which increases earnings per share (EPS). Higher EPS often means higher stock prices. It's a win for shareholders. I think companies like *Apple, Google, and large industrial firms* would take full advantage of new tax cuts if Trump can get them through Congress. Investors should be thinking about how they can position themselves to *capture some of those gains*."

Howard: "That's right, Michael. If you're a long-term investor, you want to be in sectors that benefit from lower taxes. Large-cap tech, industrials, and financials all stand to benefit. Banks, for instance, would have more flexibility to increase dividends or repurchase shares. I'd also keep an eye on mid-cap growth stocks, which tend to be more sensitive to corporate tax changes. If Trump's tax cuts target middle-market companies, those could see a bigger percentage increase in profits than the larger firms. Investors should be asking, '*Am I positioned for a potential tax windfall?*'"

Michael: "I think you nailed it, Howard. It's all about being *positioned for the shift*. If you're unsure how Trump's return, tariffs, and tax cuts will affect your portfolio, now's the time to take action. Call **561-300-0090**, visit **www.silveredgefg.com**, or email **howard@silveredgefg.com** to schedule a no-obligation consultation. Don't wait for headlines to hit. Get ahead of it, and let us help you plan for the opportunities on the horizon. Alright, as we bring today's show to a close, let's tie it all together. We've talked about nearshoring, Trump's return as president, and the bullish market sentiment rolling into 2025. But if there's one thing all of these themes have in common, it's the underlying message of *volatility and uncertainty*. Whether it's the unpredictability of trade wars, shifts in manufacturing supply chains, or policy changes that can alter the tax landscape, market volatility is inevitable. And if you're not prepared for it, it can catch you off guard. That's why I want to shift focus for a minute to portfolio strategy — specifically, how pairing trend-following with long-short quality strategies can be a game-changer when it comes to defending against market volatility."

Howard: "You're absolutely right, Michael. If we've learned anything from events like the COVID-19 sell-off, the collapse of Silicon Valley Bank, or even the rapid market reversals tied to central bank announcements, it's that *volatility doesn't wait for anyone*. Markets can shift on a dime. Relying on a single strategy — like trend-following — can leave you vulnerable. Trend-following does a great job when there's a sustained downturn, like during the dot-com bubble or the financial crisis, but it struggles when you get sharp, sudden volatility spikes, like the ones we saw in August 2024."

Michael: "Right, and that's where *long-short quality strategies* come into play. If you're unfamiliar, a long-short quality strategy takes long positions in high-quality companies while shorting lower-quality companies, often measured by profitability, leverage, or earnings stability. The beauty of this approach is that it's essentially *market-neutral*. It doesn't rely on whether the broader market is going up or down. Instead, it focuses on capturing that 'flight-to-quality' effect that happens during market sell-offs. When fear hits, investors tend to pile into high-quality assets, and this strategy is designed to profit from that exact shift."

Howard: "Exactly. The data on this is pretty compelling. In moments where volatility spikes sharply — like during COVID-19 in March 2020 or the yen carry trade unwind in August 2024 — we saw that long-short quality strategies performed significantly better than trend-following. To put it simply, trend-following wins when there's a *long, protracted downturn*, while long-short quality wins when there's a *sudden, fast spike in volatility*. So, why not have *both* strategies in your portfolio? They complement each other perfectly."

Michael: "Right, Howard. It's like having both a *fire alarm* and a *fire extinguisher* in your house. Trend-following strategies are like the alarm — they alert you when the fire has been burning for a while, giving you time to react. But long-short quality strategies are more like the extinguisher — they can act immediately and protect your portfolio the moment volatility spikes. When you have both, you're much better prepared for any type of fire, whether it's a slow burn or a sudden blaze."

Howard: "That's a great analogy, Michael. And let's not forget that a big part of this comes down to *positioning*. Trend-following works best when it's positioned long in safe-haven assets like bonds or the U.S. dollar before the spike occurs. But if the strategy is caught in long equities when a market crash happens, it can be a disaster. With a long-short quality strategy, you're always taking advantage of that 'flight-to-quality' behavior, regardless of where the trend-following strategy is positioned. You're not at the mercy of luck or timing as much."

Michael: "And that's really the key here — *taking control of your defensiveness*. If you rely on one strategy to do all the work, you're essentially rolling the dice. Think about it: in March 2020, trend-following worked perfectly because the strategy was already long on U.S. Treasuries and short on risk assets. But in August 2024, trend-following *lost 4.2%* because it was long on stocks and the U.S. dollar just as markets took a nosedive. That's the problem with relying on just one approach — you have to hope that you're positioned correctly *before* volatility hits. And hope is not a strategy."

Howard: "That's why we believe in *pairing trend-following with long-short quality*. If you combine these strategies, you're no longer hoping for one type of crisis or another — you're prepared for both. If volatility builds slowly, trend-following kicks in and takes advantage of that drawn-out downturn. But if volatility spikes suddenly, long-short quality offers an immediate first line of defense. Together, they can give your portfolio better stability through any type of market turbulence."

Michael: "So if you're listening right now and wondering, *'How can I implement this in my portfolio?'*, that's where we come in. This is the type of portfolio customization we do every day for our clients at Silver Edge Financial Group. We look at your exposure to equity, fixed income, and alternatives, and we assess how vulnerable you are to volatility shocks. If you're relying on trend-following alone, you could be exposed to sudden reversals like we saw with the yen carry trade unwind. If you're relying solely on bonds or equities, you might be leaving yourself exposed to liquidity crises or interest rate shocks. But with the right mix of *trend-following, long-short quality, and strategic diversification*, you can build a much more resilient portfolio."

Howard: "Absolutely, Michael. We help clients think beyond just stocks and bonds. If you've been feeling like every move the Fed makes is putting your portfolio at risk, it's because you don't have enough *diversification of strategy*. Most people diversify across asset classes, but what about strategy diversification? That's where pairing trend-following with long-short quality really shines. You're not just diversifying what you own — you're diversifying the *how* you make money. And that's a whole new level of protection for your wealth."

Michael: "If you've been feeling like you're at the mercy of market headlines, interest rate announcements, or geopolitical surprises, it's time to take back control. Don't leave your portfolio to chance. Call us at **561-300-0090**, visit **www.silveredgefg.com**, or email **howard@silveredgefg.com** to schedule a no-obligation consultation. We'll show you how to integrate *trend-following, long-short quality, and strategy diversification* into your portfolio. We'll show you how to defend against slow-burn downturns, sudden volatility spikes, and everything in between."

Howard: "And if you're thinking, *'This sounds complicated,'* don't worry. That's exactly why we're here. We'll walk you through it step by step, explaining each move in plain language. Our goal is to *simplify the complexity* so that you feel confident in every decision you make. Our approach is proactive, not reactive, and it's designed to give you peace of mind, even during the most volatile markets."

Michael: "And let's be honest, 2025 is shaping up to be one of the most uncertain market environments we've seen in a while. You've got a new Trump presidency, potential tariffs, possible tax changes, and the ongoing debate over interest rates. If you think you can just 'set it and forget it' with your portfolio, you're in for a rough ride. But if you want to be proactive, if you want to *be ready instead of reactive*, give us a call at **561-300-0090**, visit **www.silveredgefg.com**, or email **howard@silveredgefg.com** to schedule a consultation. We'll sit down with you, assess your portfolio, and show you how pairing *trend-following with long-short quality* can give you a first and second line of defense."

Howard: "Well said, Michael. If 2024 taught us anything, it's that volatility is unavoidable — but your losses don't have to be. Give us a call, email us, or visit the website. The sooner you take action, the more prepared you'll be. As always, we're here to help you stay sharp, stay informed, and stay financially ahead with *Financial Edge*."

Michael: "That's it for today's show. Thanks for joining us on *Financial Edge with Silver Edge Financial Group*. Call us at **561-300-0090**, visit **www.silveredgefg.com**, or email **howard@silveredgefg.com**. Until next time, stay prepared, stay ahead, and we'll see you next Sunday."