ECONOMIC SITUATION AND OUTLOOK WITH IMPLICATIONS FOR INVESTORS

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WHERE IS THE ECONOMY NOW?

2ND LONGEST GROWTH PERIOD

ACCELERATING GROWTH

TIGHT LABOR MARKETS

RISING INTEREST RATES AND RISING INFLATION

WHY THE IMPROVEMENT?

DE-REGULATION

MARKETS LIKED TAX CUTS

IMPROVED FOREIGN MARKETS

CHEAP ENERGY

BUT HOW LONG WILL IMPROVEMENT LAST?

BENEFITS OF TAX CUTS BAKED IN

ENERGY COSTS NOW HIGHER

UNCERTAINTY ABOUT CONTROL OF CONGRESS

3% GROWTH THIS YEAR; REVERT TO 2% IN FUTURE?

OTHER QUESTIONS

TRADE

* NAFTA
* CHINA
* TARIFFS

INTERRUPTION OF TRADE CONSIDERED A NEGATIVE FOR THE ECONOMY

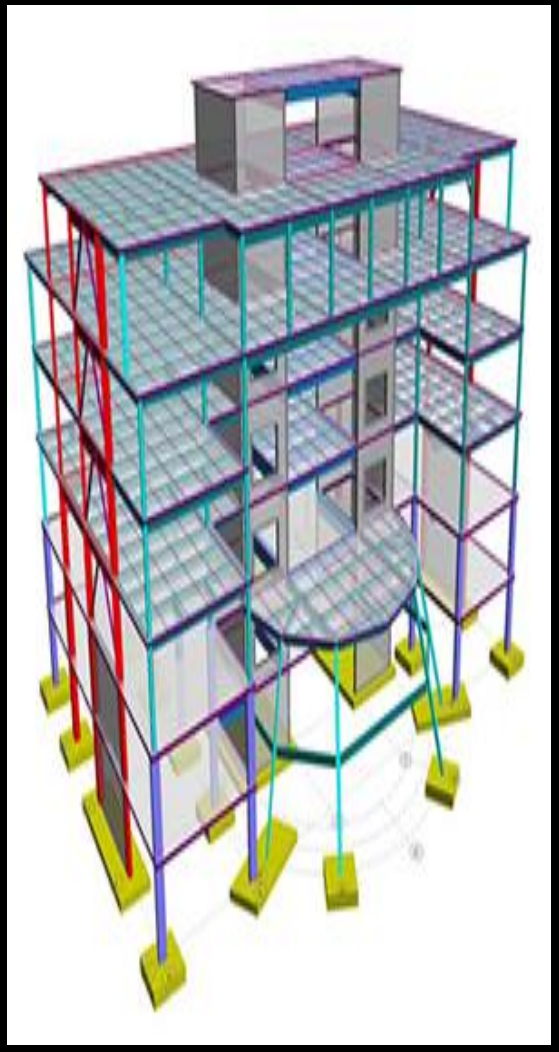
EXPLODING PUBLIC DEBT

WE SLEEPWALKED THROUGH RECENT GROWTH AS INTEREST RATES FELL

BUT WITH HIGHER RATES AND FASTER DEBT GROWTH:

INTEREST ON DEBT AS % OF BUDGET COULD DOUBLE FROM 7% TO 14% IN 2028

STRUCTURAL CHALLENGES



SLOW PRODUCTIVITY

AGING POPULATION/SLOW LABOR FORCE GROWTH

"INVISIBLE" UNEMPLOYMENT

HOLLOWING-OUT OF LABOR MARKET

URBAN/RURAL DIVIDE

WHEN'S THE NEXT RECESSION?

NO CURRENT IMBALANCES

CONSUMER DEBT PAYMENT % IS STILL LOW

HOWEVER, WATCH AUTO LOANS AND CREDIT CARDS

WATCH FOR INVERTED YIELD CURVE

NEXT RECESSION: 2020

OUTLOOK

CONTINUED GROWTH FOR IMMEDIATE FUTURE

SEEING THE "COSTS OF GROWTH"

LOOK FOR TRUMP "WAR OF WORDS" AGAINST THE FED

IN THE "LATE INNINGS" OF THE EXPANSION

FACTORS FOR INVESTORS TO CONSIDER

IF AN "ACTIVE" INVESTOR:

STOCK MARKET RUN MAY BE COMING TO AN END

COMMODITIES AS INSURANCE AGAINST HIGHER INFLATION

SHORT TERM MONEY YIELDS ARE RISING

BE CAREFUL WITH LONG BONDS

FACTORS FOR INVESTORS TO CONSIDER

IF A "PASSIVE" INVESTOR:

NOTHING DIFFERENT

CONTINUE TO BUY AND HOLD
CONTINUE TO BE DIVERSIFIED
REALLOCATE AS AGE
REBALANCE ANNUALLY

PARTING COMMENT ON JOAN CRAWFORD AND BETTE DAVIS

QUESTIONS? BUT QUIETLY!