

The American Worker

After the rocky end to 2018, the S&P 500's return of 13.65% is the biggest 1st quarter gain in over 20 years sending the Bad News Bear back into hiding. **The American Worker** is the backbone of this thriving U.S. economy. The rest of the world is not so lucky. The lengthy US-China trade war, uncertainty around Brexit, and disappointing Euro growth have stifled foreign growth causing the International Monetary Fund to lower their world growth estimate twice in the last year.

At the same time, the U.S. economy grew a solid 2.9% last year, partly due to the tax cuts, but mainly due to full employment and a pop in productivity. After years of subdued productivity gains, U.S. worker productivity registered the strongest gains in the nine-month stretch through December in many years. Worker productivity is the most significant determinant of a country's living standards. America's flexible, skilled labor force has adapted quickly to our changing world whose tech innovations has enhanced their productivity.

Many economists reasoned that with the unemployment rate hitting a 49-year low of 3.7% last November that continued labor force growth couldn't muster 2% GDP growth, and wage pressures would spur inflation. But U.S. labor force growth has defied predictions of demographic-driven declines with more people entering from the sidelines. U.S. labor-force participation has actually increased even though our population is aging.

"The performance of labor-force participation over the last three or four years has been an upside surprise that most people didn't see coming", said Fed Chairman Jerome Powell. With more people in the workforce, the economy can grow faster without kindling inflation. The Fed's preferred inflation gauge is the Personal Consumption Expenditures Price Index (PCE). The PCE rose only 1.4% in January from a year earlier with signs that inflation will stay low throughout the year.

Entering 2019, the softness in the world economy, along with our governmental shutdown has weakened the momentum here at home and stalled corporate profit

growth. The stock market rout at the end of last year spooked consumers and CFOs alike curbing retail sales and business investment. Everyone worried that the dramatic loss in household wealth due to the December meltdown would damage our future growth prospects.

With this *topsy-turvy* stock market's rapid recovery this quarter, many forecasters now feel that this weakness will be transitory and at the same time triggered some positive effects. Consensus is that the Fed will likely hold rates steady for the rest of 2019, while at the same time inflation expectations have resulted in a precipitous decline in interest rates.

The 30-year mortgage rate tumbled to 4.06% from 4.28% in just one week according to data from mortgage finance agency Freddie Mac, the steepest decline in a decade. With these lower mortgage rates, purchasing a home just became a lot cheaper reenergizing the housing market. The Commerce Department reported that new home sales surged 4.9% in February.

For the American Worker, the job prospects have never been better. The resurgence in manufacturing offers opportunities that had been lost to foreign workers in the past. In the last eight years, 1.1 million manufacturing jobs have been created. Contrary to popular belief, American Workers have not lost their work ethic. Americans still believe they can exceed if they work hard. According to the Organization

of Economic Cooperation, Americans work harder than the other industrialized nations and are among the most productive workers in the world.

The recent economic slowdown from the "synchronized global growth" of last year elicits pessimistic warnings of immanent disaster. There will always be uncertainty and trepidation, but the American Worker has propelled a historic rally and we're riding the wave of the longest expansion in our history. With near-full employment, the American Worker is alive and well and that old *American Dream* is still at hand.

