

Investment Watch

4th Quarter, 2024

Full Steam Ahead

America's economic locomotive is running on high speed rails while most other rich nations have yet to get back on the tracks. After the economy was derailed by COVID, extraordinary fiscal support and America's structural resilience stoked a swift and robust recovery. Defying all expectations, the American economy has not only avoided recession, but rather has spurred surprisingly solid growth in spite of headwinds caused by elevated inflation and rising interest rates. The U.S., fueled by robust Gross Domestic Product gains, has once again become the engine of global growth.

◆ Consumer Spending (68%)

Consumer Spending is by far the largest component of our Gross Domestic Product (GDP) and has been a key driver of the economy's recovery since the pandemic. Americans, turbocharged by \$5 trillion in federal pandemic stimulus, unleashed a flood of cash on the products and services that were inaccessible during the COVID-19 lockdowns.

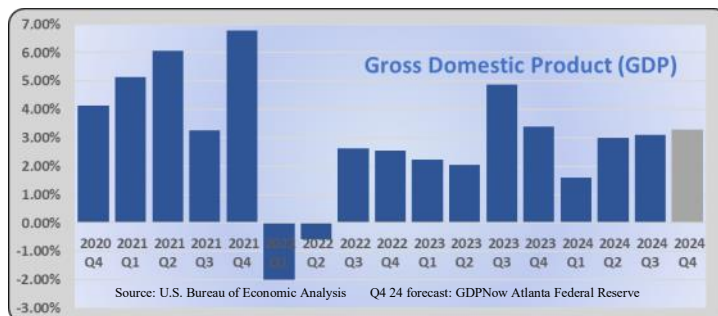
Primed by governmental stimulus, the true drivers of consumer spending kicked in - strong job growth, low unemployment and real wage gains boost workers' paychecks and amplify their spending. Unemployment hit a 50 year low of 3.6% in March, 2022 and has stayed historically low just above 4%. Recently, many economists are warning that the American consumer is tapped out feeling the strain of high prices and sky-high interest rates which would slow future GDP growth.

◆ Business Investment (18%)

In order to prosper, U.S. companies must reinvest their profits to generate efficiencies, create new jobs and boost productivity. Tech giants are making enormous investment in Generative AI which may have even a bigger boost to GDP than that reaped from the two prior tech advances of personal computers and the internet. AI investment, boosted by governmental subsidies devised to dominate this technology, will soar even higher next year. Today's trend toward nationalism with tariffs and sanctions will require American ingenuity to decouple from China.

◆ Government Spending (17%)

Massive government stimulus spending during the pandemic contributed to an excess contribution to GDP but also added to the federal deficit. The government's spending is focused on defense, federal and state healthcare, education, and infrastructure. Defense spending will grow in this combative world.



◆ Net Exports = Exports-Imports (-3%)

The U.S. is the world's largest importer of goods while China is the world's largest exporter. Because the U.S. imports more than it exports, net exports lower GDP. Onshoring jobs and manufacturing may help.

The United States is the foremost economic power in the world combining military strength, technological leadership, cultural influence, and democratic values. Now more than ever this outsized GDP growth has secured U.S. economic lead in an ever intensifying adversarial world. Throughout the 2000's, the U.S. was the locomotive for global growth. China's explosive growth challenged America's dominance during the 2008 Great Recession. Now, however, America's soaring growth has stoked the boiler to surge ahead of its competitors.

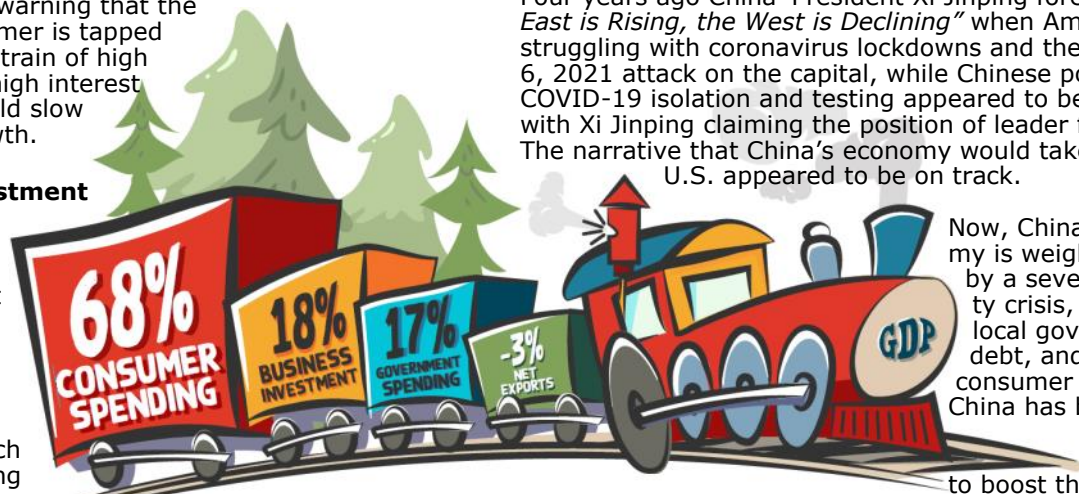
Four years ago China's President Xi Jinping foretold "*The East is Rising, the West is Declining*" when America was struggling with coronavirus lockdowns and the January 6, 2021 attack on the capital, while Chinese policies of COVID-19 isolation and testing appeared to be superior with Xi Jinping claiming the position of leader for life. The narrative that China's economy would take over the U.S. appeared to be on track.

Now, China's economy is weighed down by a severe property crisis, excessive local government debt, and weak consumer demand. China has been

relying on exports to boost their GDP,

but could soon face stiffer U.S. tariffs as the U.S. tries to decouple from China. As Xi Jinping's dreams fade, China formed tighter alliances with Russia, North Korea, and Iran to sustain its challenge to America's global lead. This autocratic "*Axis of Upheaval*" share the disdain for and desire to displace Western culture and influence.

America's epic economic expansion has kept the U.S. on track with its real GDP soaring while its adversaries' economies have jumped the rails. America's outsized dramatic growth, combined with a strengthening dollar, has secured its position as the world's leading economy for the foreseeable future.



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