

10/28/21

Good Morning,

Corporate earnings continue to nudge stocks higher, except for the companies that disappoint shareholders with lower than anticipated numbers. Those companies immediately get punished with sharply lower prices. In other words, things are sort of normal for the moment. Along with earnings, market watchers are keeping an eye on Washington as the Biden Administration attempts to pass some version of their infrastructure and social spending plans. With trillions of dollars at stake, some have concerns about the extent of the proposed programs, higher taxes, and mounting US debt. Others are worried the plan is not extensive enough.

Speaking of debt, the budget deficit for the United States in fiscal year 2021 (i.e., the 12 months that ended 9/30/21) was \$2.772 trillion. The US has run a budget deficit in 56 of the last 61 fiscal years (1961- 2021). The only surplus years were 1969, 1998, 1999, 2000 and 2001 (source: Treasury Department). The cover story for Time Magazine on 3/05/84 was “That Monster Deficit, America’s Economic Black Hole.” The article, written by Charles Alexander, chronicled how the nation’s projected 1984 budget deficit threatened to derail the United States’ economic recovery. The 2021 budget deficit of \$2.772 trillion is 15 times the size of the fiscal year 1984 budget deficit of \$185 billion. Will our national debt eventually slam the brakes on our economy, or does it really not matter?

Last week we discussed the problem of too few workers to fill the job openings in the US. Here are some additional thoughts about population and immigration. The US population grew by +7.4% during the decade of the 2010s (2010-2019), our nation’s lowest percentage growth rate in any decade since the 1930s (source: Census Bureau). Our population growth is slowing, and fewer people will be entering the workforce. In addition, we’ve seen a steady drop in immigration over the past five years, including an 87% drop in 2020 compared to 2019. With so many jobs currently going unfilled, should immigration be expanded to help meet the needs? After all, we are a nation of immigrants. Some folks tend to forget that.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week!

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