U.S. Economy Caps Off Decade of Growth – Video Transcript

The current economic e*xpansion* passed the 10-year mark in June 2019, becoming the longest growth streak in U.S. history.

Surprisingly, U.S. GDP growth was slower than expected over this period, averaging just 2.3% annually since the expansion began in June 2009.

By comparison, GDP grew at a vigorous 3.7% annual rate during the 1990s expansion that lasted slightly less than 10 years.

Economists have noted mixed signals about growth prospects for the U.S. economy in the coming months.

On the plus side…

Since early 2018, there have been more job openings than workers, and the unemployment rate was at a 50-year low of 3.6% in May 2019.

Inflation has remained low, and overall household debt seems to be at sustainable levels.

And currently there are no obvious examples of heavily overvalued assets as there were with the last two recessions (Internet stocks in March 2001 and housing in December 2007).

But on the negative side…

Workers' wages are taking longer than normal to recover from the last recession.

The ongoing trade conflict with China and the resulting back-and-forth tariffs could cut more deeply into the profits of U.S. companies and/or push up costs for consumers.

And for several weeks in May and June, the yield on 3-month Treasuries was higher than the yield on 10-year Treasuries which can be a sign of looming economic trouble.

An inversion in the curve, which occurs when short-term yields are higher than longer-term yields, is typically (but not always) followed by a recession in the next two years.

Also, there are some concerns that the Federal Reserve Board may have raised interest rates higher than the economy can tolerate.

While the Fed left rates unchanged at its June 2019 meeting, at its July meeting it cut the federal funds rate by a quarter percentage point to a range between 2% and 2.25% — the first reduction since 2008. The Fed also left the door open to further rate cuts in the months ahead.

The hard truth is that many recessions occur unexpectedly when the economy is operating at peak levels.

So whenever the economy takes its next downward turn, you may not see it coming, and you may not even realize it until months after it begins.

For this reason, it might be wise to have a financial strategy that takes ever-changing economic conditions into account.

U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value fluctuates with market conditions. If not held to maturity, they could be worth more or less than the original amount paid.