

Clear Sailing Ahead



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Bitcoin

The “founder” of bitcoin is Satoshi Nakamoto. Or not!



Bitcoin

Mt Gox had \$450 million stolen in 2014.

NiceHash had \$70 million stolen in 2017.

Coincheck in Japan reported that \$450 million
in customer assets disappeared in 2018.

Crypto Exchange lost \$170 million to hackers,
can't pay back customers.

\$20,000 intraday on Dec 17

Fell 25% on Dec 22

Falls below \$11,000 on Jan 16

Falls to \$7,700 on Feb 2

Falls to \$6,000 on Feb 5

China closes crypto exchanges in 2017.

Bitcoin Speculators



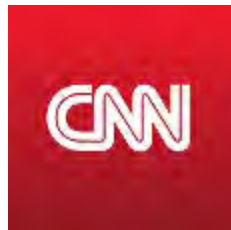
States With Most Employment Growth In the 21st century

2,742,414	Texas
2,031,864	California
1,792,590	Florida
655,684	Arizona
643,179	North Carolina
584,698	Georgia
547,395	Virginia
544,388	Washington
500,825	Colorado

States With Least Employment Growth In the 21st century

-377,273	Michigan
-125,967	Ohio
- 56,537	Illinois
- 42,461	Mississippi
- 28,284	West Virginia
1,499	Rhode Island
8,559	Kentucky
8,661	Maine
11,511	Vermont

Be Very Skeptical of Everything You Hear on Television “News”



Defining the Terms

From a real American Heritage Dictionary

News – Information about recent events of general interest

Propaganda – the systematic propagation of a given doctrine or of allegations reflecting its views and interests.

Gossip – Trifling, often groundless rumor. Usually of a personal, sensational, or intimate nature.

Bias – Preference or inclination that inhibits impartial judgement.

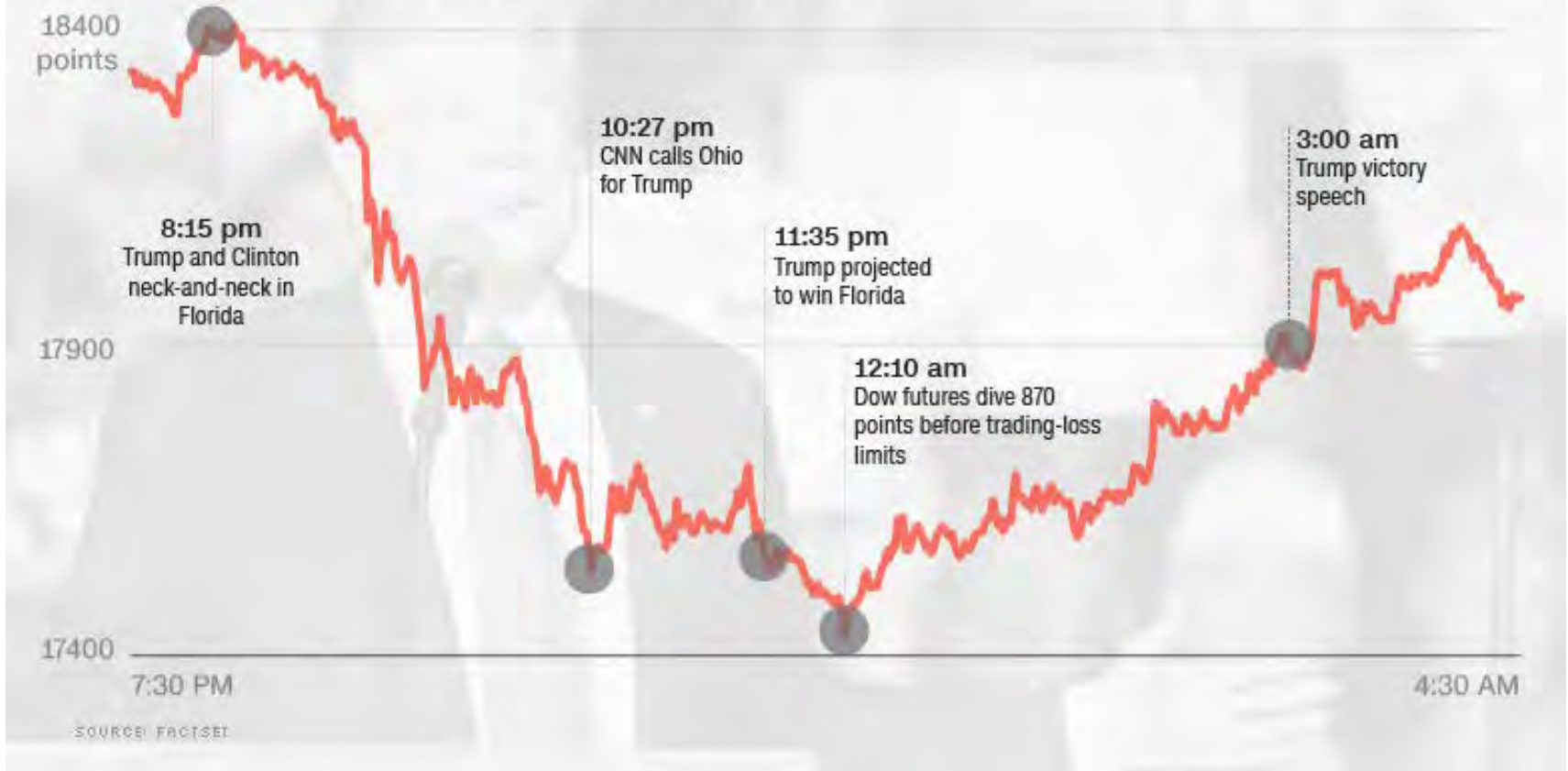
Market Predictions Gone Wrong

Investors in the stock market currently regard a Trump presidency as a relatively low-probability development. But while the precise consequences of bad policies are always hard to predict, if investors are wrong and Trump wins, we should expect a big markdown in expected future earnings for a wide range of stocks — and a likely crash in the broader market.

Dr. Simon Johnson, professor at MIT's Sloan School of Management

Nov 1, 2016 in MarketWatch.com

Election night freakout for stocks



Source: CNN Money



Fed Speak

“A major duty of every central banker is to learn how to exude confidence without positively lying.”

-Sir Leslie O'Brien, head of the Bank of England in 1966



Fed Dissembling

The Fed raised rates, LBJ called Martin to his ranch in the Hill Country.

“You went ahead and did something that I disapproved of... and can affect my entire term here. You took advantage of me and I just want you to know that’s a despicable thing to do.”

Martin dissembled to the press, saying Johnson “in no way placed me in the role of defying the President or the Johnson administration.”

December 1965

Source: Robert Bremner, Chairman of the Fed: William McChesney Martin

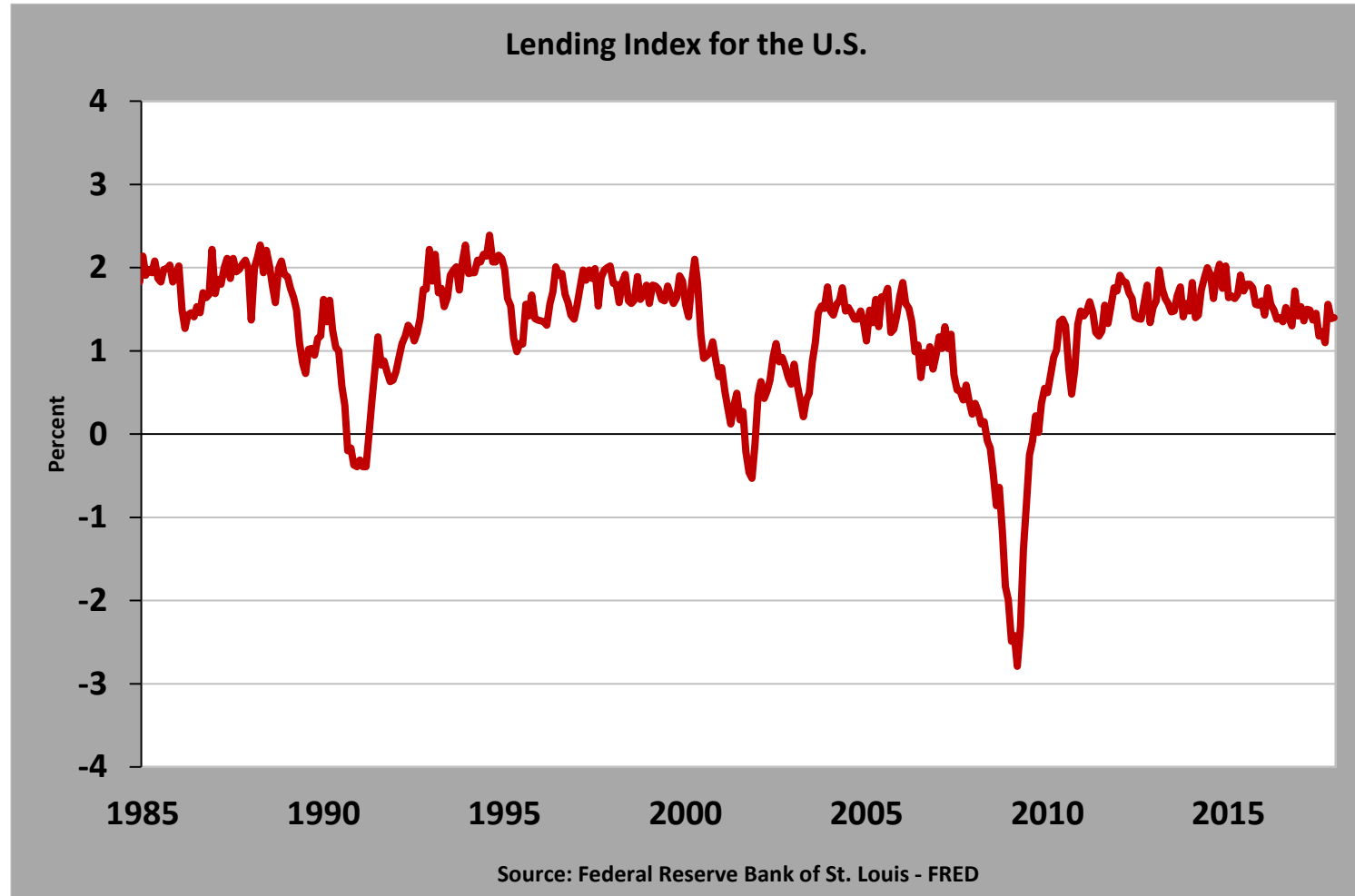
Longest U.S. Economic Expansions

Current expansion began in June, 2009

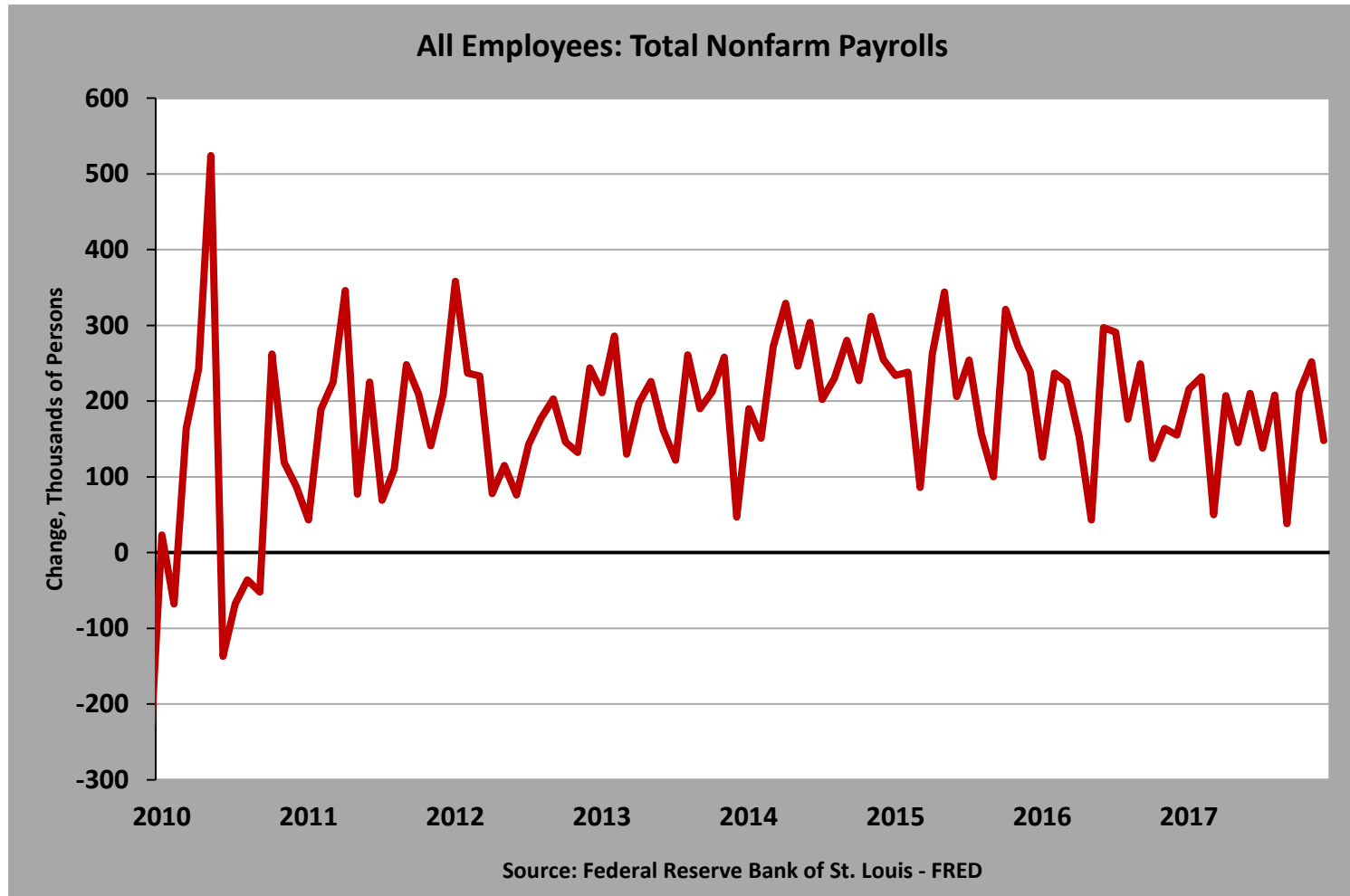
- Mar 1991 to Mar 2001 120 months
- Feb 1961 to Dec 1969 106 months
- Nov 1982 to Jul 1990 92 months
- Jun 1938 to Feb 1945 80 months
- Nov 2001 to Dec 2007 73 months

Current expansion as of Apr 2018 is 106 months

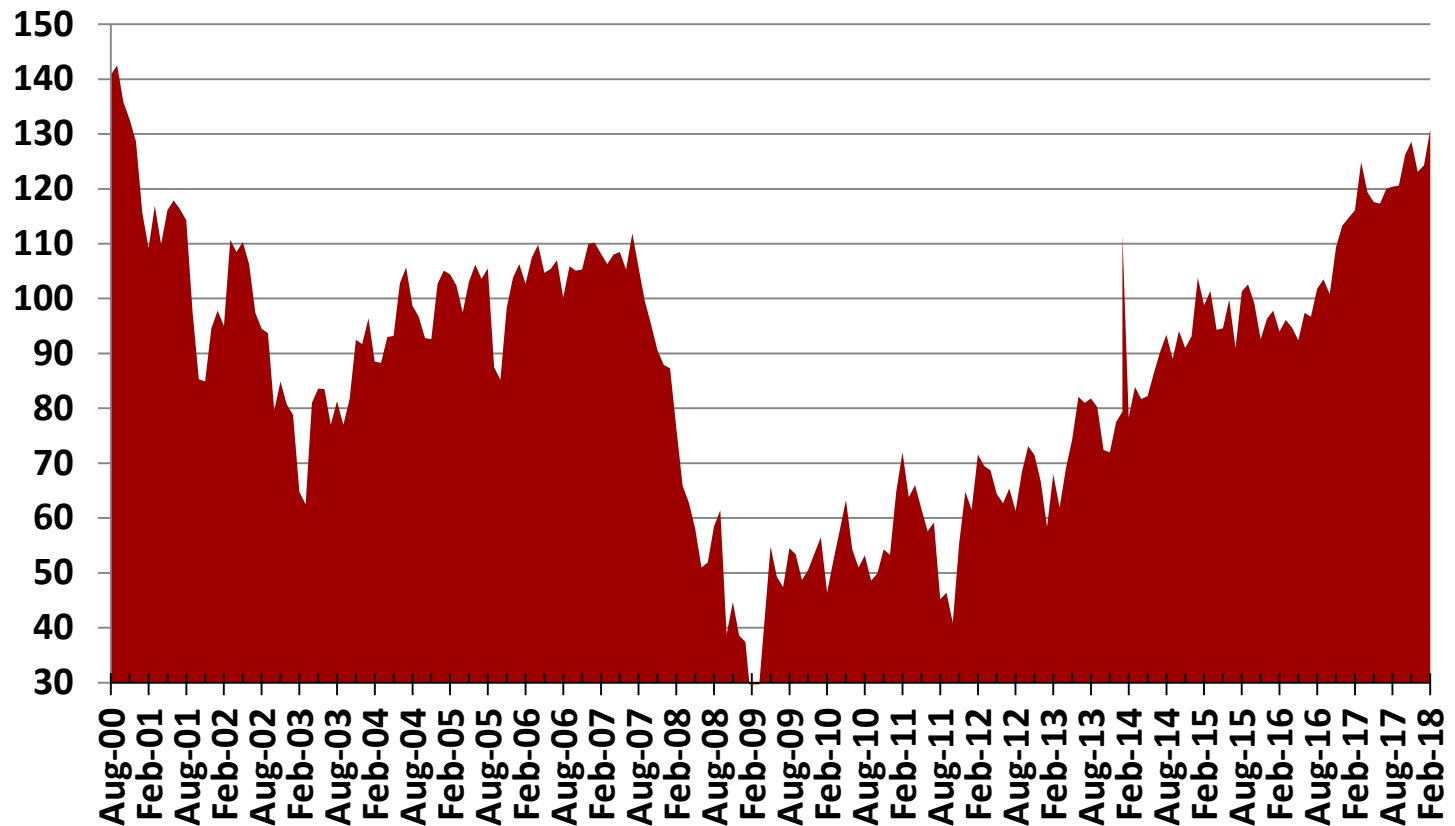
U.S. Leading Index of Economic Indicators



Monthly Increase in Jobs



Consumer Confidence Index



Source: The Conference Board

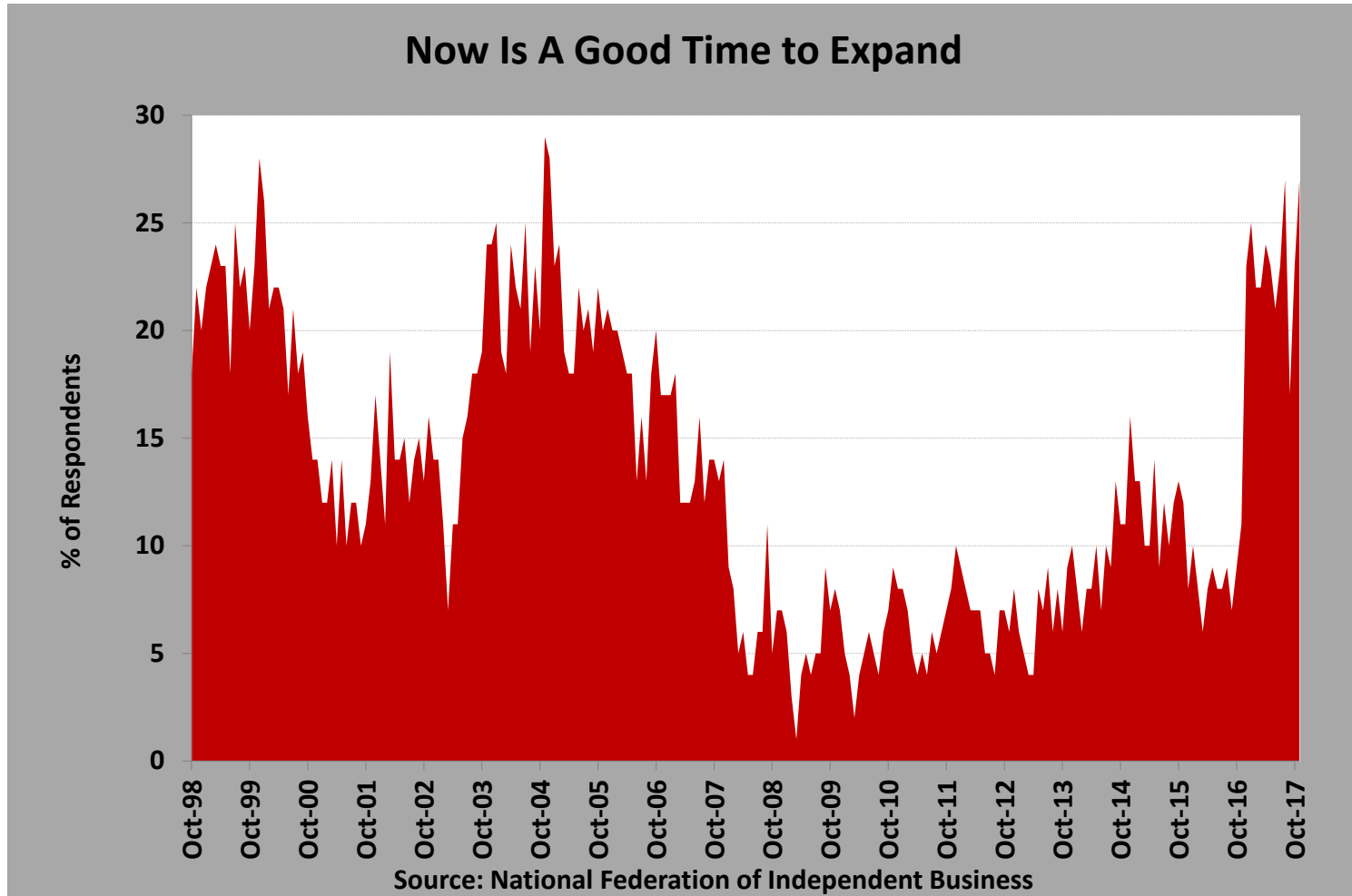
Small Business

“Planning To Hire People In Next Three Months”



Small Business

“Now Is A Good Time To Expand”



Large Corporate Hiring Plans: Next 6 Months

	<u>Q1-18</u>	<u>Q4-17</u>	<u>Q3-17</u>	<u>Q2-17</u>
More Jobs	61%	43%	43%	36%
Less Jobs	13%	18%	13%	16%

Source: Business Roundtable

Job Openings in America

Looking for Workers

Total Job Openings	6,312,000
Construction	250,000
Manufacturing	427,000
Trade, Transportation, Utilities	1,235,000
Professional & Business Services	1,089,000
Education & Health Care	1,152,000
Leisure & Hospitality	889,000
Government	561,000

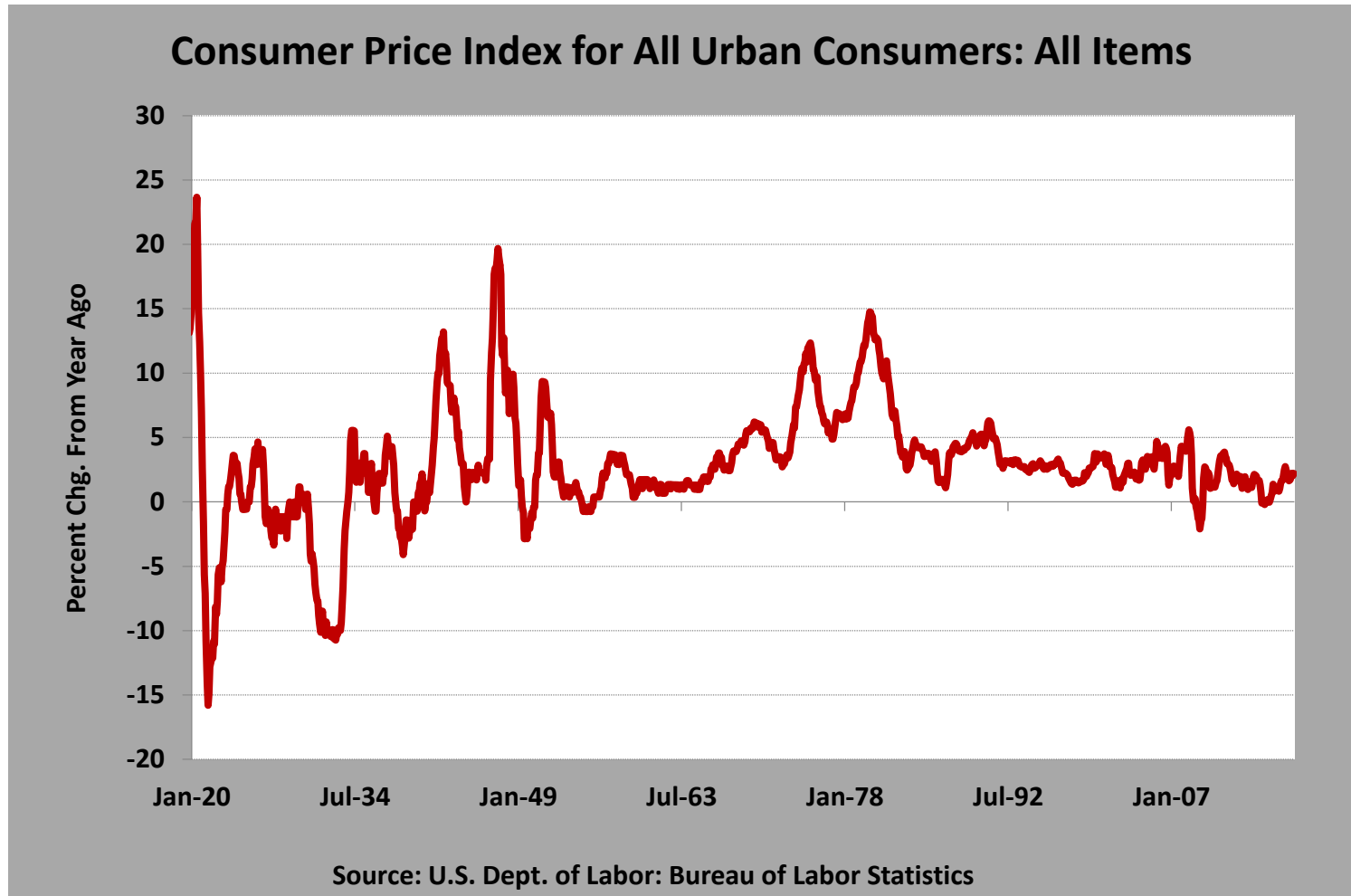
Source: Bureau of Labor Statistics
BLS release on March 16, 2018

Threats to U.S. Expansion in 2018

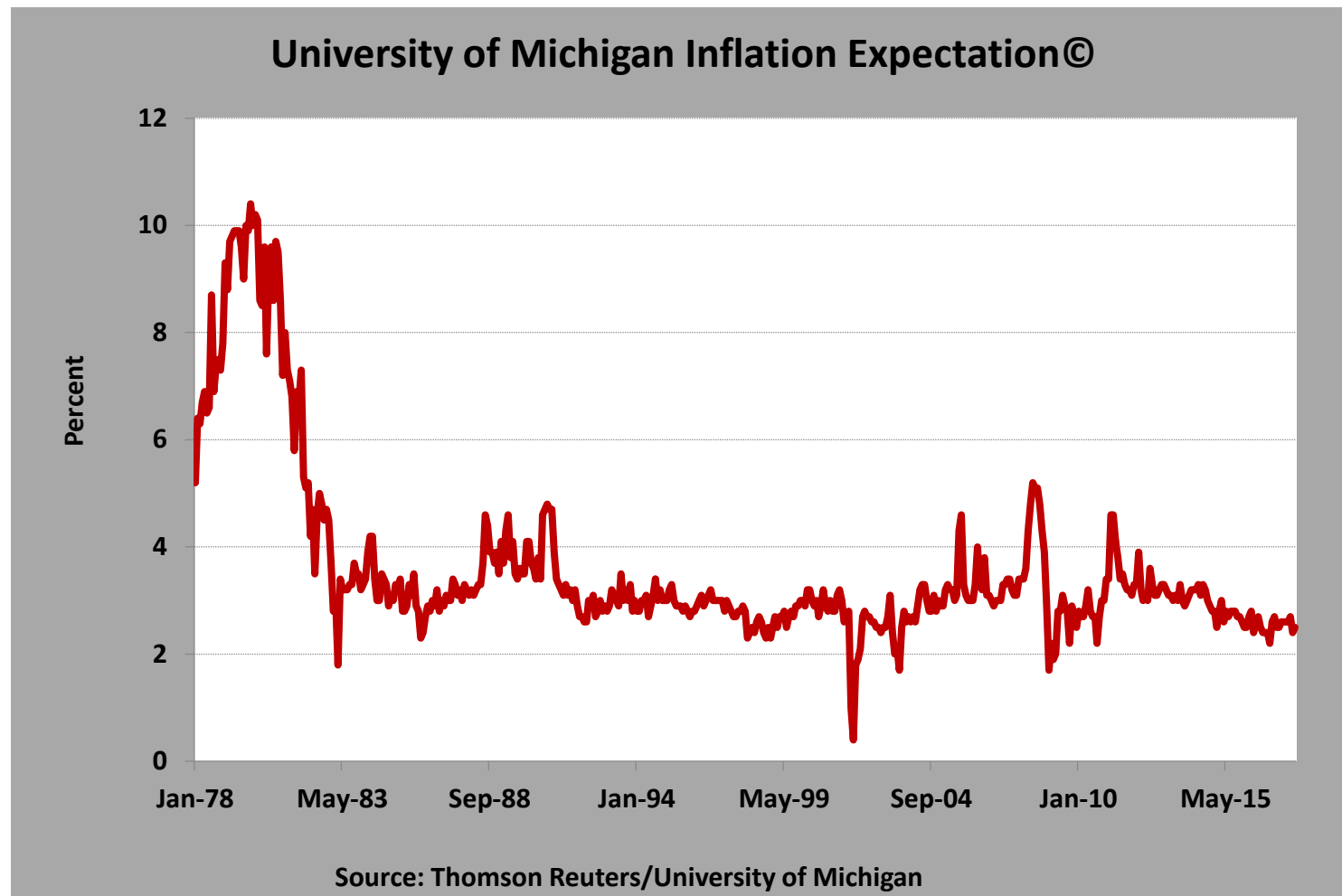
Long term interest rates increase because of higher expected inflation.

1. Oil price spike due to civil war inside Saudi Arabia or Iran
2. Full employment leads to wage and price inflation
3. Congress and President lose reputation of fiscal integrity.

The CPI Inflation Rate



Inflation Expectation Survey



Escalating Tension Throughout the Middle East



Full Employment Already



“It is the judgment of the Dallas Fed economists that current levels of headline unemployment as well as U-6 are indicative of an economy that is **either at or has moved past the level of full employment.**”

Source: Robert S. Kaplan,
President of the Dallas Fed
Feb 21, 2018

Labor Shortage Will be Noticed

Worst of U.S. Truck Driver Shortage
Still to Come



file photo: New Jersey

BY MAREX 2018-02-22 19:29:59

Teamsters union contract with UPS expires in July. It involves 260,000 UPS workers.

...capacity in most modes has become extremely tight. Pricing power has erupted in those modes to levels that spark overall inflationary concerns in the broader economy.

-CASS FREIGHT INDEX REPORT
JANUARY 2018

Cost Increases Coming

Tyson Foods says the nationwide shortage of trucks and drivers will add \$200 million to its costs this year. It also says that increasing wages for its workers will raise prices for consumers.

“a sign of stresses as companies find distribution channels squeezed”

Source: WSJ Logistics Report 2/9/18

Shipping Cost Increases Continue

General Mills says its freight costs neared a 20-year high in February, and spending for ingredients also increased.

Cass Information Systems says truckload demand rose 6.5% YOY in February, the fourth straight month of better-than 6% growth.

Source: WSJ Logistics Report 3/22/18

Infrastructure Spending



If “Hawks” still there -

- No additional deficits to fund infrastructure
- Little infrastructure spending occurs
- No further pressure on inflation expectations
- Less enthusiasm at the Fed for rate hikes in 2018

Infrastructure Spending



If “Hawks” are gone -

- **Additional deficits to fund infrastructure**
- **Infrastructure spending occurs**
- **Inflation expectations increase**
- **10-Year Treasury rate increases**
- **Fed feels pressure to be more aggressive**

New Trend Or A One Time Event?

le called a territorial tax system.
a **Intellectual property:**
S. Much of the profits tied up off-

Still, for some firms, keeping even lower tax rates in foreign jurisdictions could prove

clude sticks—provisions intended to discourage tax-law arbitrage by large companies.

U.S. companies to foreign parents that policy makers see as eroding the U.S. tax base.

Deficit Hawks Take a Back Seat

BY NICK TIMIRAOS
AND KATE DAVIDSON

Deficit hawks emerged among the losers in the GOP effort to pass a tax overhaul.

The Senate prepared Friday to pass a tax bill that would reduce the government's revenue by about \$1.4 trillion over a decade. The House version of the bill would also reduce revenue by \$1.4 trillion.

President Donald Trump's administration and GOP lawmakers have argued the revenue loss would be much less than that price tag because cuts would spur economic growth and boost federal revenue even as tax rates drop.

But a growing number of estimates shows higher growth wouldn't fully offset lost revenue from lower tax rates. That means that budget deficits—already projected to increase in

the years ahead as baby boomers retire and take on benefits like Medicare and Social Security—could end up even wider than already projected.

The nonpartisan Joint Committee on Taxation, Congress's official scorekeeper on tax projections, said Thursday the Senate bill would generate \$458 billion in revenue from stronger economic growth while adding \$51 billion in higher interest costs, leaving the net cost of the bill at \$1 trillion over a decade.

That estimate was one reason why Sen. Bob Corker of Tennessee, a self-described deficit hawk, appeared prepared to defect on the vote Friday, making him potentially the lone Republican dissenter.

The Tax Foundation, a right-leaning think tank, found a version of the bill that cleared the Senate Finance

Committee would decrease government revenue by \$1.78 trillion without accounting for the benefits of economic growth and about \$516 billion after accounting for stronger economic growth.

Republicans fought for years to include scoring estimates that account for economic growth in evaluating tax legislation. After the JCT estimate was released, some doubted the conclusions.

"Our bill will end up reducing the deficit," Sen. Rob Portman (R., Ohio) said.

After Mr. Trump, a Republican, won the White House last year, top GOP lawmakers said any tax proposal needed to be "revenue neutral"—bringing in as much revenue by eliminating deductions and other tax breaks, for example, as it lost from lower rates.

But the revenue-neutral

commitment proved daunting to keep as resistance built against revenue-raising measures meant to offset the cost of reduced tax rates. House Republican leaders abandoned a controversial bid earlier this year to impose a tax on imports while exempting exports, which would have raised around \$1.5 trillion over a decade and helped finance other tax cuts.

A key breakthrough came in September, when Sen. Pat Toomey (R., Pa.) and Mr. Corker agreed to a budget blueprint that allowed for a \$1.5 trillion reduction in revenue over a decade. Some argued the actual cost would be much smaller than that when accounting for the benefits of growth.

"At that moment, you heard the last squawks from the deficit hawks," said Steven Bell, a senior analyst at the Bipartisan Policy Center.

Reconcile This

The House and Senate tax bills differ in some important ways which

Tax Cuts Could