

May 1, 2019

Kudos To The White House And 3 Senators For the Most Important Action You Never Heard Of

Not illegal immigration, not Russian collusion, not the budget deficit. The most important weakness in our military and civil defenses is our exposure to EMP, electro magnetic pulse. EMP is the result of exploding a low level nuclear bomb in the atmosphere above the U.S. The result would be to overload our electrical transformers and bring down the 3 electrical grids in the U.S. This would mean there would essentially not be any electricity available in the U.S.: not for hospitals, lighting, heating, purifying water, operating vehicles that were operating during the explosion with the result that millions of people will die while we try to restore the country. This attack has been contemplated by China, Russia, Iran and North Korea (all have missiles and weapons that can reach the U.S.). There are only two ways to prevent this: either destroy the missile before it explodes or harden our electrical grid.

For the past several years, there have been administrative battles between agencies as to who will be in charge of this, Homeland Security, Defense, or Energy, with the result that during the Obama Administration and the first two years of Trump nothing has been accomplished. Three Senators, Markey (D MA), Cruz (R TX) and Johnson (R WI) have been instrumental in trying to solve this problem. The White House finally decided to end the infighting and declared the White House will take charge and coordinate our response.

Of course, this was not reported in any major media!

US Economy Slowing Down

We agree with the Kiplinger Letter that the US economy is clearly slowing down. The optimism that prevailed a year ago has faded. But growth still looks fundamentally sound, up 2.5% this year but down from 2018's 2.9%.

Talk of a recession in 2019 seems premature given the economy's strong underpinnings. It will pay to be cautious. Making money will not be easy in this market.

Tight labor markets could cause more small businesses to hike pay this year, even without government-mandated increases in minimum pay, which will reverberate through the workforce. But plenty of jobs go begging, a record 39% of small businesses report having openings they are unable to fill. The problem is most acute at manufacturing and construction firms.

Expect moderate price inflation in 2019 with CPI rising approximately 2.3% by December. Compare that to 2018's 1.9%.

However, tax refunds this spring may dent spending on some big-ticket items. Tax reforms led to lower rates and LOWER withholding in 2018. The end result: smaller average refunds since the benefits of lower taxes were front loaded during the year. Consumers often use tax refunds for down payments on major purchases. The average tax refund for 2017 was close to \$3,000. It will be less this year.

S&P 500, Nasdaq Hit Closing Records

The S&P 500 and Nasdaq composite had their highest closings on April 23, 2019. The return to record-setting form comes after stocks suffered heavy losses during a bruising fourth quarter selloff.

It is almost like the market called a mulligan on what transpired in the fourth quarter.
Wall Street Journal 4/24/19 p. B1.

NY Pays The Piper

After years of budget surpluses, New York faces a reversal of fortune, specifically; the tax collections for the year ended March 31, 2019 fell \$2.8 billion below projections. Governor Cuomo said he believed the primary reason was that the very rich New Yorkers were either leaving the state or changing their residence for tax purposes because the Federal tax bill makes living in high tax states so fiscally onerous.

The challenge with figuring out the cause of the shortfall is that data on how many multimillionaires paid taxes in NY last year will not be available for more than a year. By then, the state will have made a crucial decision to increase, extend or maybe even reduce its millionaire's tax which generates more than \$4 billion a year by levying an 8.82% rate on single filers earning more than \$1 million and couples earning more than \$2.1 million. At no time was there a discussion of reducing expenses in the budget. In March, the State and City proposed to double down on their tax schemes a new tax on expensive residences in Manhattan (which would expect to decrease their value and cause the more wealthy to depart).

Stay Tuned! *Crain's NY Business 2/11/19 p. 10.*

Spring Brings Baseball And Taxes

It is spring and thoughts turn to baseball. Bryce Harper recently signed a \$330 million deal to play in Philadelphia turning down competing offers from Los Angeles and San Francisco. Cited by pundits was that the 3.03% flat tax in Pennsylvania vs. the 13.3% tax in California, which would benefit Mr. Harper by approximately \$33 million factored into his decision. Bryce Harper's agent citing that tax rates factored into the decision said the difference in tax rates could be almost a full year's compensation. *Investment News 3/25/19 p. 28.*

As always, if you have any questions about these or any other matters, do not hesitate to call us.

Remember, We're Here For You!