



Good morning!

In the last 3 months, the S&P 500 has gone from an all-time record closing price to suffering its second “10% correction” of 2018. The index, on fears of a slowing global economy and a looming “trade war” with China, has fallen 11.3% since 9/20/18 and now finds itself in negative total return territory for the year-to-date with just 10 trading days remaining in the year (off 0.9% through last Friday 12/14/18). Another concern is that multiple central banks (the US Federal Reserve, the Bank of England and the European Central Bank) have shut down their “print and purchase” stimulus programs at the exact time that some foreign economies could use a jumpstart (source: BTN Research).

It had been a foregone conclusion that the Federal Reserve would raise short-term interest rates this week, its 4th bump in 2018 and 9th in the last 3 years. Textbook economic logic says that low unemployment (3.7%), rising wages (+3.1% over the last year) and strong economic growth (+3.5% in the 3rd quarter 2018) lead to higher prices. But inflation remains surprisingly low (+2.1% over the last 12 months), possibly giving the Federal Reserve a reason to pause its rate raising program (source: Federal Reserve).

The United States is just 2 months into fiscal year 2019 (i.e., the 12 months ending 9/30/19), but already our nation has overspent its way to a \$305 billion deficit through 11/30/18. As recently as fiscal year 2007, our full-year deficit (\$161 billion) was less than \$305 billion (source: Treasury Department).

Notable Numbers for the Year 2018:

1. **HUGE IMPACT** - 43% of the Fortune 500 companies in 2017 (i.e., the **500 largest US companies** as measured by annual revenues last year) were **founded or co-founded** by either an immigrant to the United States or by the child of an immigrant (source: Center for American Entrepreneurship).
2. **ROBBING PETER TO PAY PAUL** - New Jersey passed a **2017 law** (“Lottery Enterprise Contribution Act”) that redirects the proceeds from the **state’s lottery** to the state’s pension system **for 30 years**. The lottery funds, about **\$1 billion annually**, was supporting K-12 education in New Jersey (source: Manhattan Institute).
3. **BIG AND REALLY BIG** - 58 publicly-held US companies produced at least **\$1 billion of sales per week** in 2017, up from 39 companies that accomplished that level of **weekly sales** in 2007. Just 1 domestic company generated more than **\$1 billion of sales per day** during 2017 (source: Fortune).
4. **MORE OUT THAN IN** - The total cost of the Social Security program in 2018 (**\$1.003 trillion**) is projected to exceed its total income (**\$1.001 trillion**), resulting in the program’s **first deficit since 1982** (source: Social Security).

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