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"Who are the happiest people in the world?"

By Tommy Williams, CFP®

Last week, the Federal Reserve seemed to waffle back and forth leaving investors wondering whether they should buy or sell. Heather Long of The Washington Post reported the U.S. central bank:

1. Lowered its 2019 estimate for U.S. economic growth to 2.1 percent
2. Announced its intention not to raise rates in 2019
3. Indicated it will stop shrinking its balance sheet in September


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Fed Chair Jerome Powell explained, *"My colleagues and I have one overarching goal: to sustain the economic expansion with a strong job market and stable prices for the benefit of the American people. The U.S. economy is in a good place and we will continue to use our monetary policy tools to keep it there…We continue to expect that the American economy will grow at solid pace in 2019, although slower than the very strong pace of 2018."*

The Fed's decision to adopt a looser monetary policy was influenced by a variety of factors, including slower economic growth in the United States, China, and Europe. There are also the unresolved policy issues like Brexit and ongoing trade negotiations.

Investors weren't sure what to make of the Fed's moves. Initially, major U.S. stock indices trended higher as investors celebrated the benefits of accommodative monetary policy. By the end of the week, though, many investors had changed their minds and fled to 'safe haven' investments, pushing long-term Treasury rates lower. Alexandra Scaggs of Barron's reported:

"When short-term yields rise above long-term yields, it's known as an inverted yield curve, which is seen even by central bankers as a sign that an economic contraction could be on the way…Benchmark 10-year Treasuries rallied Friday morning, driving their yields below those of the three-month U.S. Treasury."

So, is recession imminent in the United States? It's possible but unlikely. According to a source cited by Barron's, the last six times the yield curve inverted for 10 days or longer, recession occurred within the next two years.

No matter how the economy and/or markets perform, it is generally not a good idea to make sudden portfolio changes. I do continue to recommend that you remain close to your trusted advisor to increase your odds of investment success.

Speaking of investment success, there remains an illusion of a correlation between investment success and happiness. Of course, it's hard to argue that one would not be happier when investments are going positively as opposed to losing money. That leads me to the 2019 United Nations World Happiness Report which was published last week. The Finns remain the happiest people in the world. In fact, happiness in Finland has been trending higher since 2014. People in Denmark and Norway also are happier than they were previously. The average score for the Danes increased by more than the average score for the Norwegians, so Denmark is now second and Norway third.

The report's authors explained, "…the top countries tend to have high values for most of the key variables that have been found to support well-being: income, healthy life expectancy, social support, freedom, trust, and generosity."

The 10 happiest countries in the world, according to the report, which aggregated data on 156 countries from Gallup World Polls, are:

1. Finland (7.769)
2. Denmark (7.600)
3. Norway (7.554)
4. Iceland (7.494)
5. Netherlands (7.488)
6. Switzerland (7.480)
7. Sweden (7.343)
8. New Zealand (7.307)
9. Canada (7.278)
10. Austria (7.246)

The United States came in at #19. Overall, happiness levels in the U.S. have declined by almost 0.5 since the report was first issued. The report stated:

"Several credible explanations have been posited to explain the decline in happiness among adult Americans, including declines in social capital and social support (Sachs, 2017) and increases in obesity and substance abuse (Sachs, 2018)…I suggest another, complementary explanation: that Americans are less happy due to fundamental shifts in how they spend their leisure time…the way adolescents socialize has fundamentally shifted, moving toward online activities and away from face-to-face social interaction."

Personally, I continue to contend that money cannot make you happy, but the lack of it sure can make you unhappy!

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