"Diamonds are Forever"

By Tommy Williams, CFP®

At its first policy meeting of 2019, the U.S. Federal Reserve changed direction. After four rate increases in 2018, Chair Jerome Powell announced interest rate increases were on hold. Last week, banks in the United Kingdom, Australia, and India followed suit by either reducing rates or cautioning rate reductions were likely, reported Sam Fleming and Jamie Smyth of Financial Times.


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The dovish (meaning a tendency to keep rates low) tone of central banks owes much to slowing global growth. January's International Monetary Fund World Economic Outlook lowered global growth estimates for 2019 and 2020. Changing expectations were fueled both by factors that slowed momentum in the second half of 2018 and by issues that pose a potential risk to continued economic growth. These included:

• The negative effects of higher tariffs
• New auto emission standards in Germany
• A slowdown in domestic demand in Italy
• Economic contraction in Turkey
• High levels of public and private debt
• Escalating trade tensions
• A no-deal British exit from the European Union
• A severe slowdown in China

These issues have had limited effect on the U.S. economy; however, global risks are affecting the performance of some U.S. companies. Financial Times explained:
"The U.S. domestic economy has continued to put in a robust performance, with the number of new jobs in January coming in well ahead of Wall Street expectations and wage growth running comfortably above inflation. But corporate giants in the S&P 500 index, which generate over a third of their earnings overseas, are sounding the alarm about faltering overseas demand in markets including China, where the government has been battling against a slowdown. Smaller U.S. firms are feeling the global chill as well."

On a much more interesting topic, I hope you had a relationship enhancing Valentine's Day this week. Because I know you would want to know, author and illustrator Liz Fosslien has thought a lot about economics and Valentine's Day. In '14 Ways an Economist Says I Love You,' she offers this advice:
"Give your loved one a nerdy Valentine and they'll be yours forever! Why? Because if you give them diamonds/cufflinks this year, anything you get them next year will

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fall short. Give them [a nerdy Valentine] and anything they receive next year will be a step up. It's called expectation management and is the key to a long and happy relationship."

Fosslien also suggests a variety of approaches to saying, 'I love you,' in economic terms. (Each is accompanied by an illustrative chart or graph at Fosslien.com/heart.) If you're looking for a way to express the magnitude or enduring nature of your feelings, you could try:

• I don't think your great, / I think you're fantastic, / For what you're supplying, / My demand's inelastic.
• The S&P was in the red, / But I wasn't blue, / Because I shorted the market, / And went long on you.
• The marginal returns of spending time with you will never diminish.
• Irrational, asymmetric, / Love is so foolish. / But I could not care less, / If you're the stock then I'm bullish.

If the dismal science of economics doesn't deliver the level of romance your relationship requires, you can always go for the cufflinks or the diamonds. And on the subject of diamonds, what about baseball? Spring is in the air. Training camps for Major League Baseball teams opened this week. Because you always wondered, the minimum salary for a major league player in 2019 is $555,000. To rank in the top 1% of all U. S. Taxpayers requires an adjusted gross income of $480,804. It pays to make the team. Being on that diamond pays well but the competition to get there (and stay there) is fierce!

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