

“What sport has produced the highest paid athletes?”

By Tommy Williams, CFP®

Economists use aviation metaphors to describe the results of central banks' efforts to manage rapidly growing economies. If the Federal Reserve lifts rates enough to prevent the economy from overheating without jolting it into recession, then it has engineered a soft landing, according to Investopedia. (Rate increases that drop a country into recession are hard landings.)



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Ben Levisohn of Barron's thinks recent Fed actions may have produced the second soft landing in the history of the United States:

“...the Federal Reserve might have engineered a soft landing for the U.S. economy...When Chairman Jerome Powell abruptly decided that he would hold off on further rate hikes, the market responded as if a recession was no longer in the offing. And it probably isn't...There are also signs that the Fed, simply by taking a breather, has eased monetary conditions. The evidence: The yield curve is steepening. The difference between 30-year and two-year Treasury yields – the spread most correlated to money supply – has risen to about 0.6 percentage point, the highest since June...”

As you might guess however, not everyone agrees.

Last week, Economist Robert Shiller told Bloomberg, *“The economy has been growing pretty smoothly...There are some signs there might be things amiss. The*

housing market is soaring, and the stock market is high. It's been a long time that we've been in this recovery period and it wouldn't surprise me at all if there was a recession.” If everyone agreed there would not be a market – in order to have buyers, you must have sellers.

The Standard & Poor's 500 Index and Nasdaq Composite delivered slight gains last week, while the Dow Jones Industrial Average was flat. Of course, a week does not a market make. Even long-term “bull” markets are not always up. The nearly 10-year bull market run for the Standard & Poor 500 that began on the morning of 3/10/09 has gained 411% through 3/1/19. That is an annualized return of 17.8% per year. However, during that 10-year period the S & P index had 6 separate “corrections” of at least 10% - but less than 20%.

So, can we assume that investors have “cracked the code” on investing? I don’t think so. Six days before the start of the current 10-year bull market discussed above, 70% of stock investors surveyed were “bearish” – pessimistic. Last week, just 20% of stock investors surveyed by the American Association of Individual Investors were “bearish.” That is a lot of optimism! Maybe they are right this time. One can make a good argument for their optimism right now.

And just because I want you to know, baseball is in the air and one amazing record has already been broken. Bryce Harper, the star outfielder with the Washington Nationals recently signed a 13-year, \$330 million contract to play with the Philadelphia Phillies. That is the largest contract ever in baseball (though Canelo Alvarez – Mexican boxer has a larger contract valued at \$365 million.). However, eight of the top 10 contracts in sports history belong to baseball players. No

wonder we American’s call baseball our “national pastime!”

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