



## October 2022 – It Is Always Darkest Before The Dawn

*“Choose to be optimistic. It feels better.” – Dalai Lama*

### Never Bet Against America

The stock market is having its worst year since 2008. The bond market is having its worst year in modern times and perhaps ever. Inflation is the highest we have seen since Jimmy Carter was president. War, political turmoil, and uncivil discourse continue to rage.

It does not appear there is much to be optimistic about. So we thought this would be a perfect time to take stock of what positives we believe there are for our nation, the economy, and the stock market and why we should consider being optimistic about the future.

The U.S. currently enjoys an almost unfair number of advantages that position it for long-term success and allow it to remain at the economic epicenter of the world. To name a few:

- **Energy:** Energy is the lifeblood of every economy. The war in Ukraine has made this point eminently clear for Europe. In 2019, 2020, and 2021, U.S. domestic energy production exceeded our consumption. We are truly energy independent and one of only a few countries that can make such a claim. Despite Covid, labor shortages, and increased regulation, the U.S. is currently within 9% of its all-time high oil production and more than double the total from 10 years ago.
- **Agriculture:** In many ways, the U.S. feeds the world, and is the world’s top food exporter. In 2021, U.S. farm and food product exports totaled \$177 billion, topping the 2020 total by 18% and surpassing the previous record of 2014 by 14.6%. We have some of the most productive, arable land in the world and are able to produce at some of the lowest costs globally.
- **Demographics:** The world is aging rapidly, and many developed countries will soon have declining populations. China’s population is projected to decline by half in the next 50 years alone. Some countries are starting to pay young people to have more children as they are confronted with the question of “who will do all the work that needs doing?” The U.S. has the best demographic trends for any large economy, save India. The largest generation in U.S. history, the millennials, are now entering their prime productive (and spending) years. One of the main reasons the U.S. housing market has been so strong over the past several years is that we have too many young families and not enough homes. This is a positive for the future housing market and the economy at large. The U.S. also remains the most desirable destination for immigrants, and many of the wider world’s best and brightest endeavor to move here adding to the country’s growth.
- **Dynamic Economy and the Fostering of Innovation:** Despite the current negative economic rhetoric, in 2021 new business formations were higher than in any of the preceding 5 years. The U.S. remains one of the best places to do business with reliable accounting standards and a strong rule of law. Many of the biggest, most innovative, and most profitable businesses that exist today are less than 25 years old (Google – 24 years, Tesla – 19 years, Facebook – 18 years, YouTube – 17 years, Amazon Web Services – 16 years). What new companies are being founded today and what new technologies



are being developed that will change the world in the next 25 years? Currently, the U.S. has two jobs available for every person looking for work. The U.S. government is investing over \$100B in new infrastructure projects over the next 5 years. We continue to “reshore” more manufacturing, including critical components like semiconductors. Headlines of companies investing tens of billions of dollars in new, domestic manufacturing plants are becoming commonplace.

- **The Dollar:** “The reports of my death have been greatly exaggerated.” – *The U.S. Dollar, 2022*. The dollar not only continues to reign supreme but has grown ever stronger this year. As former Treasury Secretary John Connolly said, “The Dollar is our currency, but your problem.” However, a strong dollar could become a problem for the U.S. if it too greatly impacts countries doing business with the U.S. The dollar has increased by almost 20% against a basket of global currencies this year, including 20% compared to the British pound and 16% to the Euro. Remaining the world’s reserve currency enables plenty of bad behavior for Congress, but the advantages given to the world’s most desired currency far outweigh the costs.
- **The “End” of Covid?:** It appears to us that the worst pandemic in living memory is coming to an end. We have lost millions of lives and still continue to lose more every day, but through the hard work of individuals in the fields of medicine, science, and public health we have created treatments and protocols in record time that have allowed the world to largely return to normal life. Covid’s harmful and deadly legacy remains, but the light at the end of the tunnel is the brightest it has been since the start of the pandemic.

By writing this letter, we are not attempting to view the world through rose-colored glasses. The world is bigger than just the U.S. and this country and the world at large are still rife with problems and challenges. We feel there is plenty of pain and uncertainty for the economy and markets that lie ahead. What we hope to communicate is that despite these issues, the world will forge ahead. Human ingenuity has yet to encounter an insurmountable problem. Free people and free markets have produced an amount of prosperity, comfort, and wealth that would be unfathomable to our ancestors.

We believe the problems facing us now will be overcome like all others before them. The economy will return to growth and the stock market will grow with it. New and existing companies will continue to create and deliver desirable products and services, perhaps for problems we don’t even know we have yet. Well-managed companies focused on sustainable growth will deliver positive results. Owning a piece of these companies is still the best way for the average person to grow wealthier and more financially secure over time.

Thank you for allowing us to serve you and help you achieve your financial goals.