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THE ECONOMY AT A GLANCE

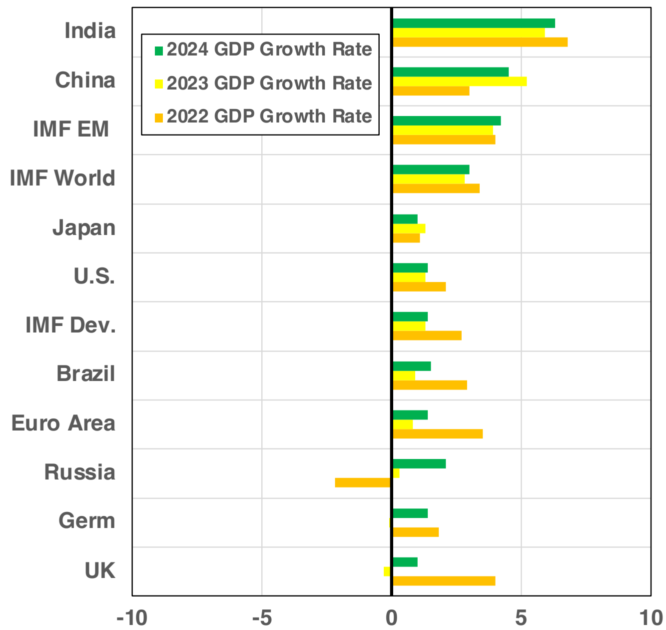
ECONOMIC HIGHLIGHTS

June 19, 2023
Vol. 90, No. 90

GLOBAL GDP GROWTH EXPECTED TO RESUME IN 2024

Global economic growth is expected to slide in 2023 before turning higher in 2024, according to the latest World Economic Outlook from the International Monetary Fund. The pick-up in 2024 is largely attributed to China's economic reopening, offset by the war in Ukraine and higher interest rates across the globe. By the numbers, the world economy is expected to expand 2.8% in 2023 after growth of 3.4% in 2022. In 2024, growth is expected to accelerate to 3.0%. This is still below the long-term historical global growth rate of 3.8%, due largely to the impact of inflation and higher interest rates. For industrialized economies (the U.S., Europe, Japan, etc.) growth is forecast at a miniscule 1.3% in 2023 and 1.4% in 2024. U.S. growth is expected to be 1.3% in 2023 and 1.4% in 2024. For emerging economies (China, India, Russia, Brazil, Saudi Arabia, etc.), forecasts call for 3.9% growth in 2023 and 4.2% in 2024. The clear leaders are expected to be China and India, with average growth for the two years of 4.8% and 6.1%, respectively. Even these nations have different drivers: population growth in India and productivity growth in China, as per capita GDP increases. We factor these global growth forecasts into our asset-allocation models, and based in part on slow global growth rates, we continue to recommend that investors over-weight portfolios toward U.S. securities. Global stocks generally offer value, but the risks to growth are high.

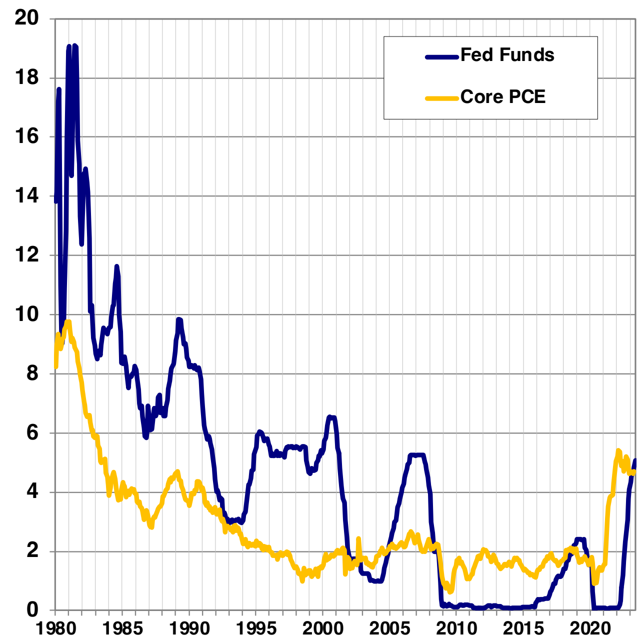
GLOBAL GDP GROWTH RATES & FORECASTS (%)



A PAUSE, FOR NOW

The Federal Reserve recently decided to maintain its fed funds target range of 5.00%-5.25%. According to the latest Fed "dot plot" forecast, the central bank's year-end target rate is now 5.63%. That implies two more hikes. Three of the Fed's voting officials (plotters?) think there should be even more increases after that. Our forecast calls for the Fed to keep its target rate steady for the balance of the year as inflation continues to moderate. Yes, shelter and transportation costs remain stubbornly high. But oil continues to trend lower on global economic weakness, despite threats of production cuts from OPEC, and we don't see the need to keep rates high if inflation slows toward 3.0%. What's more, the Fed has another mandate in addition to keeping inflation low: promoting maximum employment. While the latest monthly employment reports have been consistent with GDP growth, we think that the full impact of the Fed's rate hikes over the past year have yet to be felt in the economy. We think the central bank may well lower rates if the jobless rate rises above 4.0-4.5%.

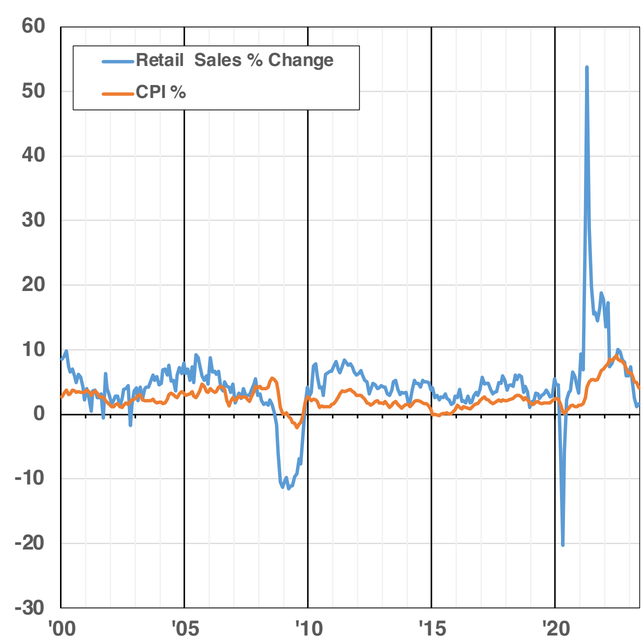
FED FUNDS & INFLATION (%)



RETAIL SALES PRESERVE HOPES OF SOFT LANDING

Retail sales rose 1.6% on a year-over-year basis in May, suggesting that the Fed may be able to engineer a soft landing. Record high credit-card rates have made consumers reluctant to purchase items that may take months to pay off. Sales at electronics and appliance stores were down 5% from May 2022; sales at furniture and home furnishings stores declined 6.4%; and building materials stores reported a 0.9% decline at their busiest time of the year. Sales at grocery stores also lagged inflation in the CPI's "food at home" category. Sales at gas stations saw deflation, falling 20.5% year-over-year. Overall, retail sales would have been up 4.0% in May without the drag from gasoline. Sales at food service and drinking places jumped 8.0%. Excluding this category, retail sales were up just 0.7% from the prior year. The nonstore retailers category, which is dominated by e-commerce, remained strong, growing 8.0% from the prior year. While the report may tell the Fed that it is making progress, it is telling investors to focus on value retailers.

RETAIL SALES AND CPI

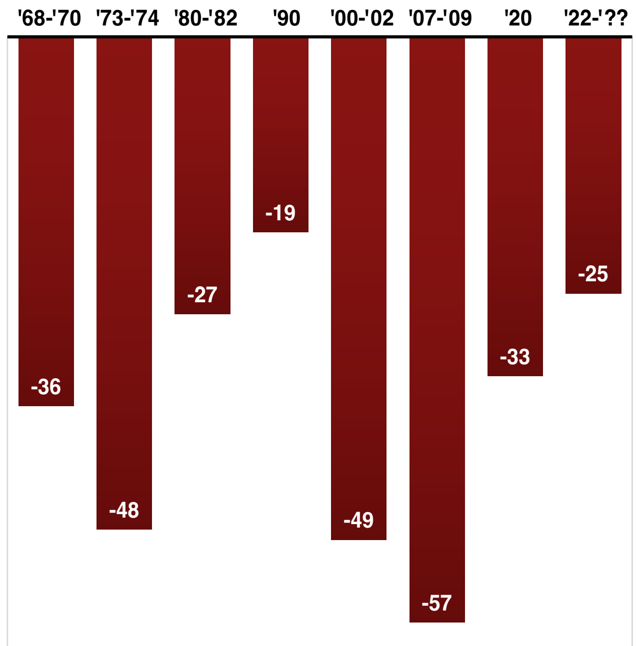


FINANCIAL MARKET HIGHLIGHTS

FAREWELL TO THE BEAR?

The latest hurdle that stocks have overcome was the debt ceiling debate. That joins a list of market/economic challenges, including the fallout from the failure of SVB Financial Group, high inflation, the war in Ukraine, the Fed's aggressive rate hike campaign, the midterm elections, and the ever-present risk of recession. How does this latest bear market compare to the average bear market? The average peak-to-trough decline during the previous seven bear markets was 38%; the lows in this bear market were 25% from their all-time highs. So it is a little bit better on performance. But the duration is a bit longer than average, which we estimate at 16 months; the 2022-2023 bear market has lasted 17 months. What's next? Bear markets are fairly rare, as only eight have occurred in the past 55 years. On average, that's one bear market every six years. The fundamentals are in place for improvement: interest rates are high and can drop; valuations are improving; and earnings growth is slow and can ramp up. A wild card may be the economic environment. Has the Fed gone too far and might the economy be pushed into recession later this year? That's not what the stock market rally from recent lows is saying.

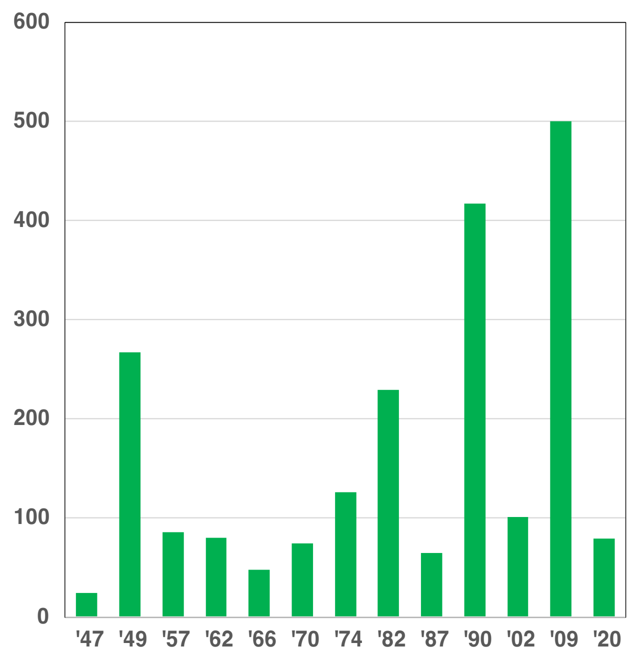
BEAR MARKET DECLINES (% CHANGE IN S&P 500)



BULL MARKET BEGINNING?

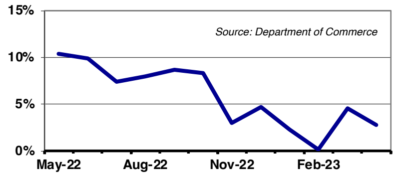
We have studied the 13 bull markets that have occurred since the end of World War II. On average, the S&P 500 gained 164% during these periods, which averaged 57 months in duration. We also note that recent bull markets have generated higher returns over longer periods of time. On average, the five bull markets since 1980 have seen stocks advance 240% over a period of 70 months. And the bull market prior to the pandemic ran for 11 years, during which stocks rose 500%. It is worth pointing out, though, that the 2009-2020 bull market began with stocks deeply depressed on valuation. By contrast, stocks are already a bit above fair value in the current environment as interest rates are high and earnings growth has stalled. Even so, if rates head lower while earnings growth picks up and the economy avoids a recession, then a new bull market could be off to a promising start.

BULL MARKET RALLIES (% CHANGE IN S&P 500)

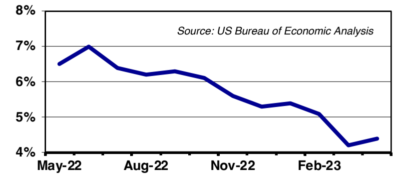


ECONOMIC TRADING CHARTS & CALENDAR

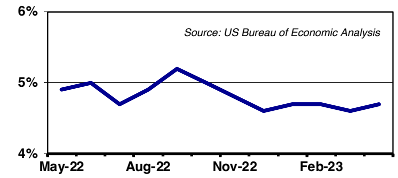
Release:	**Durable Goods Orders**
Date:	6/27/2023
Month:	May
Previous Report:	2.8%
Argus Estimate:	3.0%
Street Estimate:	NA



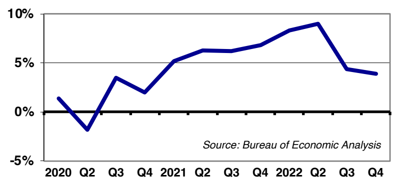
Release:	**PCE Deflator**
Date:	6/30/2023
Month:	May
Previous Report:	4.4%
Argus Estimate:	4.2%
Street Estimate:	NA



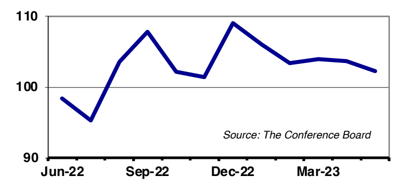
Release:	**PCE Core Deflator**
Date:	6/30/2023
Month:	May
Previous Report:	4.7%
Argus Estimate:	4.5%
Street Estimate:	4.7%



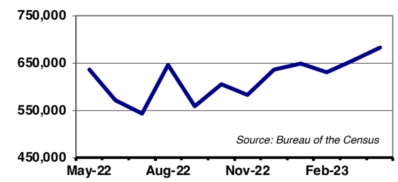
Release:	**GDP Price Index**
Date:	6/29/23
Month:	1Q
Previous Report:	4.2%
Argus Estimate:	4.2%
Street Estimate:	4.2%



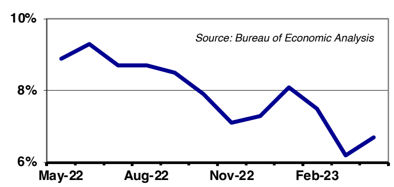
Release:	**Consumer Confidence**
Date:	6/27/2023
Month:	June
Previous Report:	102.3
Argus Estimate:	101.0
Street Estimate:	104.2



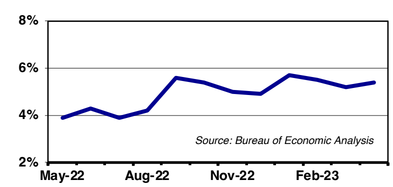
Release:	**New Home Sales**
Date:	6/27/2023
Month:	May
Previous Report:	683000
Argus Estimate:	700000
Street Estimate:	658000



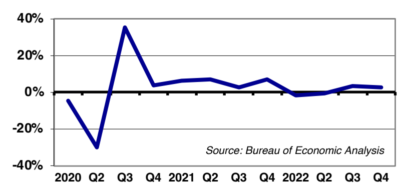
Release:	**Personal Spending**
Date:	6/30/2023
Month:	May
Previous Report:	6.7%
Argus Estimate:	5.0%
Street Estimate:	NA



Release:	**Personal Income**
Date:	6/30/2023
Month:	May
Previous Report:	5.4%
Argus Estimate:	5.0%
Street Estimate:	NA



Release:	**GDP Annualized QoQ**
Date:	6/29/2023
Month:	1Q
Previous Report:	1.3%
Argus Estimate:	1.3%
Street Estimate:	1.4%



Previous Week's Releases and Next Week's Releases on next page.

ECONOMIC TRADING CHARTS & CALENDAR (CONTINUED)

Previous Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
20-Jun	Housing Starts	May	1401 K	1410 K	1379 K	NA
22-Jun	Leading Index	May	-0.6%	-0.7%	-0.8%	NA
	Existing Home Sales	May	4.28 Mil.	4.25 Mil.	4.25 Mil.	NA

Next Week's Releases

Date	Release	Month	Previous Report	Argus Estimate	Street Estimate	Actual
3-Jul	ISM Manufacturing	June	46.9	NA	NA	NA
	Construction Spending	April	7.2%	NA	NA	NA
	Total Vehicle Sales	June	15.05 Mil.	NA	NA	NA
	ISM New Orders	June	42.6	NA	NA	NA
5-Jul	Factory Orders	May	0.2%	NA	NA	NA
6-Jul	ISM Services Index	June	50.3	NA	NA	NA
7-Jul	Nonfarm Payrolls	June	339 K	NA	NA	NA
	Average Weekly Hours	June	34.3	NA	NA	NA
	Average Hourly Earnings	June	4.3%	NA	NA	NA
	Unemployment Rate	June	3.7%	NA	NA	NA