

RESEARCH AND COMMENTARY



RAYMOND JAMES

Insights for Investors

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Where do we stand at mid-year?

We are in to an election year, the markets have made some extraordinary moves and we thought it was a good time to catch our breath and reflect on a few things. Davis Parrish, one of our advisors (in The Atlanta area) compiled some research (from Raymond James) for us and we share it for you here for your mid year reading.

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1. The stock market. As of June 21st, the S&P 500 surpassed its own record 31 times since the beginning of January. That equates to an all time high ever four trading days.
2. This year marks the first election year since 1892 where both major party nominees have occupied the White House. Gains for the market have historically been higher when an incumbent president is running for reelection.
3. The volatility index or “VIX”, as of June 28th was 12.36, which was down almost 8% for the year.
4. Worker participation rate is now at 62.4%. That is the percentage of people 16 years old and older that are working or seeking work. That puts it just about at its average for the past 75 years.
5. Unemployment approximates 4% of the workforce. Its highest rate was almost 11% back in 1982 and its lowest rate approximated 2.5% in 1953.

We have a few observations to add for thought for our readers.

First is US debt. Higher debt leads to higher debt service which could mean either higher taxes or less capital available for investment and growth and ultimately lowering living standards for Americans. Raymond James published an article the first quarter of this year addressing US debt. Let us know if you would like a copy.

Second, we encourage readers to research what the US net worth is as well as US household net worth. That makes things a bit more encouraging since you might find that as debt has risen, so has wealth. And wealth is several times greater than the debt. There are a variety of sources online that address that. We are encouraged when we see US worth at several times GDP and several times debt. The same for US household net worth. Again, we remind readers that higher debt always leads to higher debt service and that is important to economic growth.

Third would be potential solutions for entitlements – mainly Social Security and Medicare. The last time that Congress took substantial action was all of the way back to 1983 when Congress increased the full retirement age

from 65 to 67 (for those born after 1960). That is being looked at again as the last time the FRA was extended, it also provided long term solvency for several decades that followed. Other measures being considered are raising the cap of income where the Social Security tax is applied (there is no earnings cap for Medicare taxes). Regardless of how someone sees it, we remained encouraged that the US has found the answer before and will find it again.

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