



*Doug, Ralph, Chris, Michelle, Andrea*

## Portfolio Talk

## Third Quarter 2019

***“Science and time and necessity have propelled us, the United States, to be the general store for the world; dealers in everything. Most of all, merchants for a better way of life.”***

***-Lady Bird Johnson***

Lady Bird made this statement more than 50 years ago and it’s more true now than then. Putting emotion aside and focusing on the numbers, our (the U.S.) economic power dwarfs all nations but one, China. Let’s take a look:

World Gross Domestic Product (GDP) in 2018 equaled \$85,840,390,000,000<sup>1</sup>

By Country:

USA	\$20,494,100,000,000
China	13,608,156,000,000
Japan	4,970,915,000,000
Germany	3,996,759,000,000
United Kingdom	2,825,207,000,000
France	2,777,535,000,000
India	2,726,322,000,000
Italy	2,073,901,000,000
Brazil	1,868,626,000,000
Canada	1,712,510,000,000
Russian Federation	1,657,553,000,000
European Union (513MM Pop, 28 Nations)	18,756,100,000,000
Eurozone (342MM Pop, 19 nations)	13,000,000,000,000

It’s hard to believe, but the U.S. GDP equals that of the next seven (7) economies of the world ex-China. Our economy is also larger than the 28 countries that make up the Eurozone!

<sup>1</sup> World Bank DTD 9/27/2019

So why is it so important that we reach a trade agreement with China as well as with Mexico, Canada and the Eurozone? Simple, with a world population approaching 7.7<sup>2</sup> billion people, the U.S. represents less than 5% with 330 million people...but we produce 23.3% of the world's GDP. The opportunity for us is being the "General Store" to the other 95% of the world's population. Trade agreements will only enhance our economic presence, allowing our companies to remain the leaders in their industries. This corporate leadership creates more jobs, higher wages, and a greater tax base to fund programs in healthcare, retirement, infrastructure and care for the underserved. An additional benefit is that it gives us a seat at the table that shapes world events. When so many countries struggle under military controlled tyranny, where ethnic and religious genocide are commonplace, we are the voice that speaks loudest.

## The Markets

Equity Markets continue to show signs of consolidation. On January 2, 2018 the S&P 500 opened at 2,854 and as of October 3, 2019 it closed at 2,925. In the last 21 months the S&P 500 is up a paltry 2.5%. However, when the news programs announce daily that the markets are reaching new record highs, they neglect to say how marginal the gains are. Once trade agreements are made, and I believe they will be, then an earnings picture should be clearer and the markets may continue to rise. We often talk about "bull markets climb the wall of worry". Concerns over China, Brexit, USMCA (U.S., Mexico & Canada Agreement), the Middle East and more tend to grab our attention, but as all these negatives are put to the side, higher levels of confidence should return. For the consumer it's the employment picture that gives them confidence. For the investor it's the continued economic growth that gives them the same. And finally, we must keep in mind that a weak economy is not good for the reelection of an incumbent President! Enough said!

**Douglas E. Wells**  
Managing Director  
Chief Investment Officer  
(330) 752-4843

**Ralph E. Trecaso**  
Managing Director  
Family Wealth Advisor  
(330) 752-6093

**Christopher C. Walters**  
Managing Director  
Portfolio Manager  
(330) 242-0580

**Michelle L. Weaver**  
Client Service Director  
(330) 752-8825

**Andrea B. Otte**  
Client Service Director  
(330) 752-8825

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<sup>2</sup> World Population Clock, Worldometers DTD 9/30/2019