



Recessions Have Been Canceled!

July 2021

*"With Congress, every time they make a joke it's a law,
and every time they make a law it's a joke." - Will Rogers*

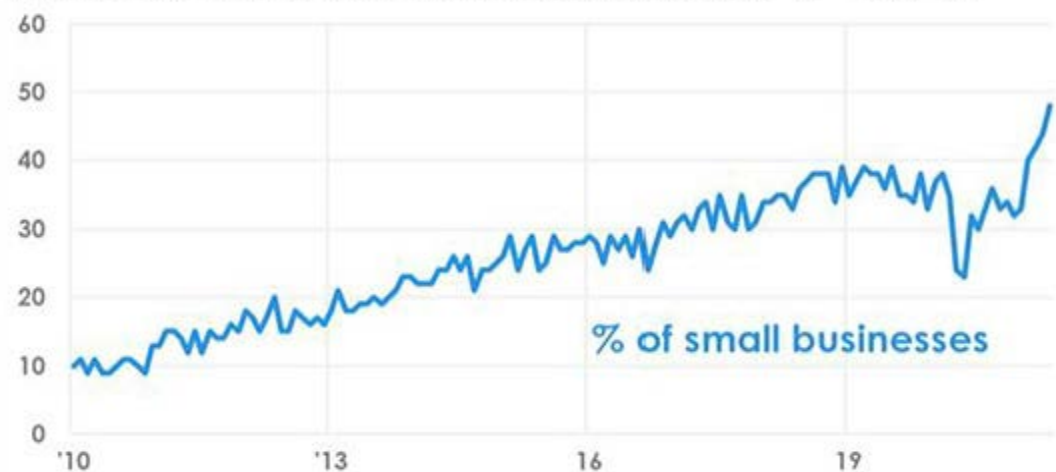
When I married my wife, I warned her that I could be a bit sarcastic at times. Since then, she has reminded me that a little sarcasm is more than enough, but sometimes I just can't help myself! So bear with me as I review the current state-of-state with every bit of tongue-in-cheek that I can muster.

First, apparently recessions have been canceled! That's right, if we even start to see the effects of a normal business cycle, which entails both ups and downs, then not only may the Federal Reserve introduce (more) massive liquidity, but every politician – blue and red – may throw huge amounts of stimulus at everyone. And when I say everyone, I mean everyone! It doesn't matter if you are working or not, you will get cash. And if you don't want to work, that's fine too, you will get (even more?) cash. In fact, in some cases, it doesn't even matter if you're dead or alive, you might still get a stimulus check.

For another irony, look at the graph below by the National Federation of Independent Business. Not only is it tough to find workers, but their June jobs report said 48% of small business owners reported unfilled job openings in May, up from 44% in April, and 26 points higher than the 48-year average of 22%! So far be it from me to sarcastically say there might be some incentives *not* to work.

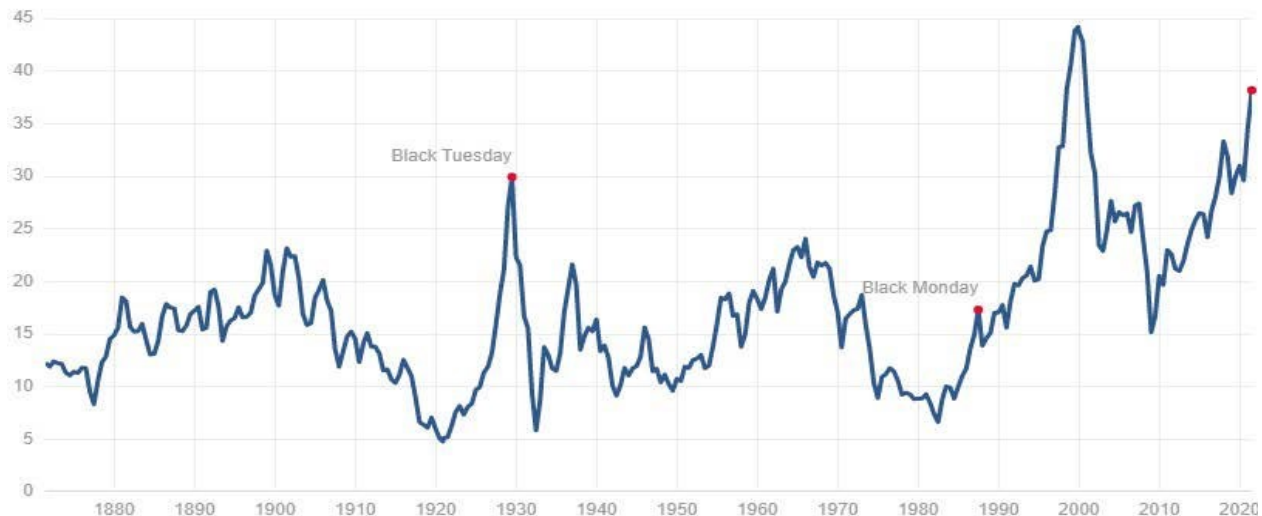
Can small businesses hire enough workers?

Percentage with at least 1 unfilled opening, Jan. '10 – May '21



As for any after-effects in the markets from the massive stimulus, etc, I simply don't see it! Seriously, how can you say the markets are not working when they go up (and people expect them to go up) more than 15% per year now even though the long-term average remains around 10%? How are things not normal when a literal joke of a cryptocurrency goes up over 100% in less than three months?

And if I am reading the graph below correctly (please remember I'm being terribly facetious here), how can you say things are overvalued? The Cyclically Adjusted P/E ratio is *only* at 38.17 as of July 2nd, whereas the long-term average is closer to 22. (Also known as the Shiller earnings ratio, it is based on average inflation-adjusted earnings from the previous 10 years.)



Ok, enough of the sarcasm, but you have to admit things are a bit screwy right now. And though I am not saying the markets (stock, bond, real estate, whatever) are going to crash any time soon, the rational intellect in me constantly reminds me of two things: one, to never get caught up in the fear or greed of the moment, and two, to always prepare for good and bad times during both good and bad times. For if you lose sight of this, then the proposition that “it’s different this time” may come back to bite you and/or future generations in the rear-end one day.

Last, I’d like to say a few words about America. Over the 4th of July weekend, I was reflecting on what a great country this is, and how we should be more appreciative to be citizens of the greatest democracy on Earth. Sure, we have our problems, as does every country; but just as life is a journey and not a destination, the USA has always been and always will be a work in progress. I also strongly believe that we need to learn from our past, but we must also stop beating up ourselves and each other. Being a citizen of this democracy means working with those who may not see eye-to-eye with you as well as finding compromises that do not satisfy each person yet serve all of us. Focusing on persistent improvement rather than constant hostility is what will help make the USA a more perfect union.

Thank you as always for your friendship and trust, and please enjoy the rest of the Summer!

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