

US Political and Economic Outlook

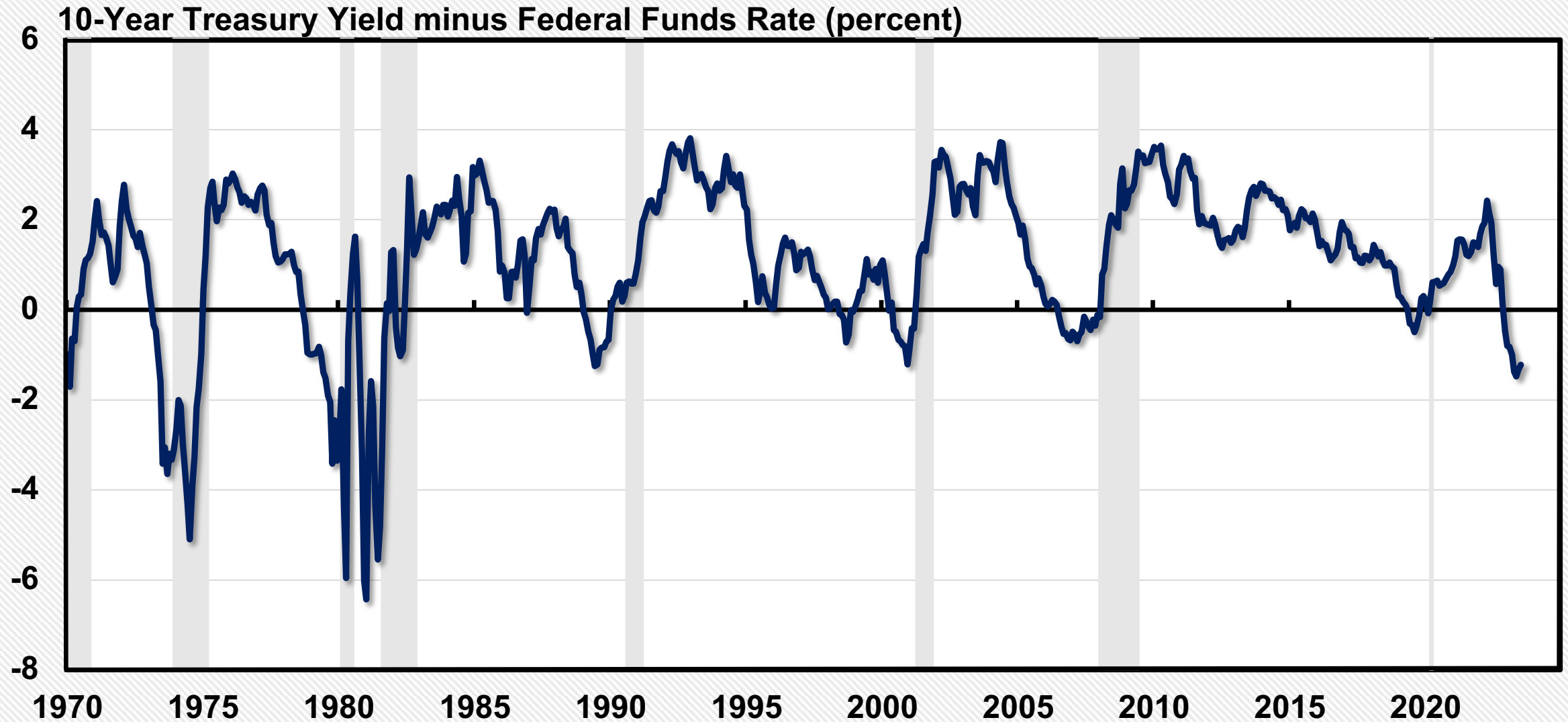


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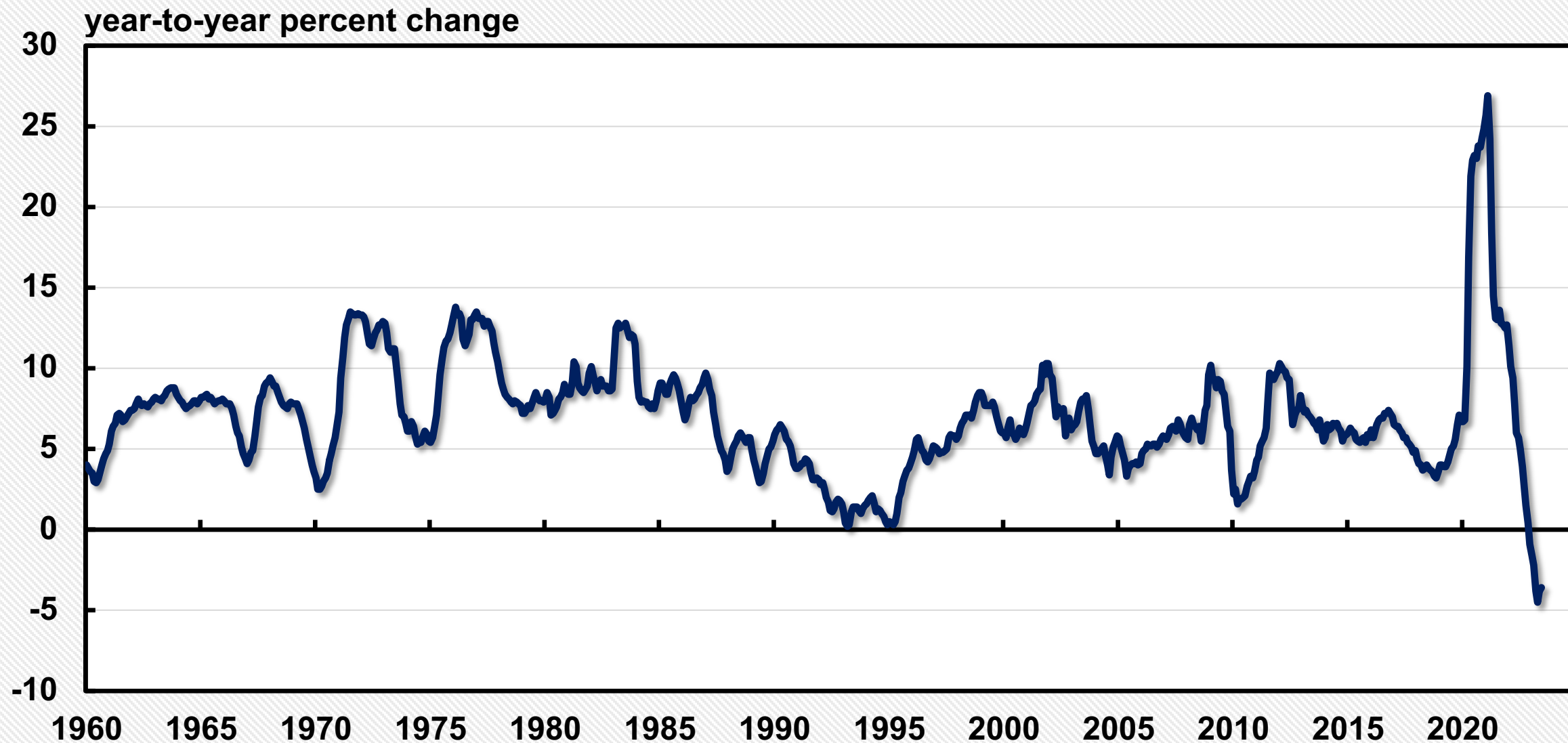
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Yield Curve Inverted



Source: Federal Reserve Board; National Bureau of Economic Research; First Trust calculations; monthly data January 1970 through July 2023

M2: Mount Everest Followed by Death Valley



Source: Federal Reserve Board, Federal Reserve Bank of St. Louis. Monthly data Jan 1960 – June 2023

➤ **“Mild” Recession: 2023-24**

➤ **CPI: 3.5% 2023**

➤ **Rates Peak at 5.625%**

M2 and Inflation

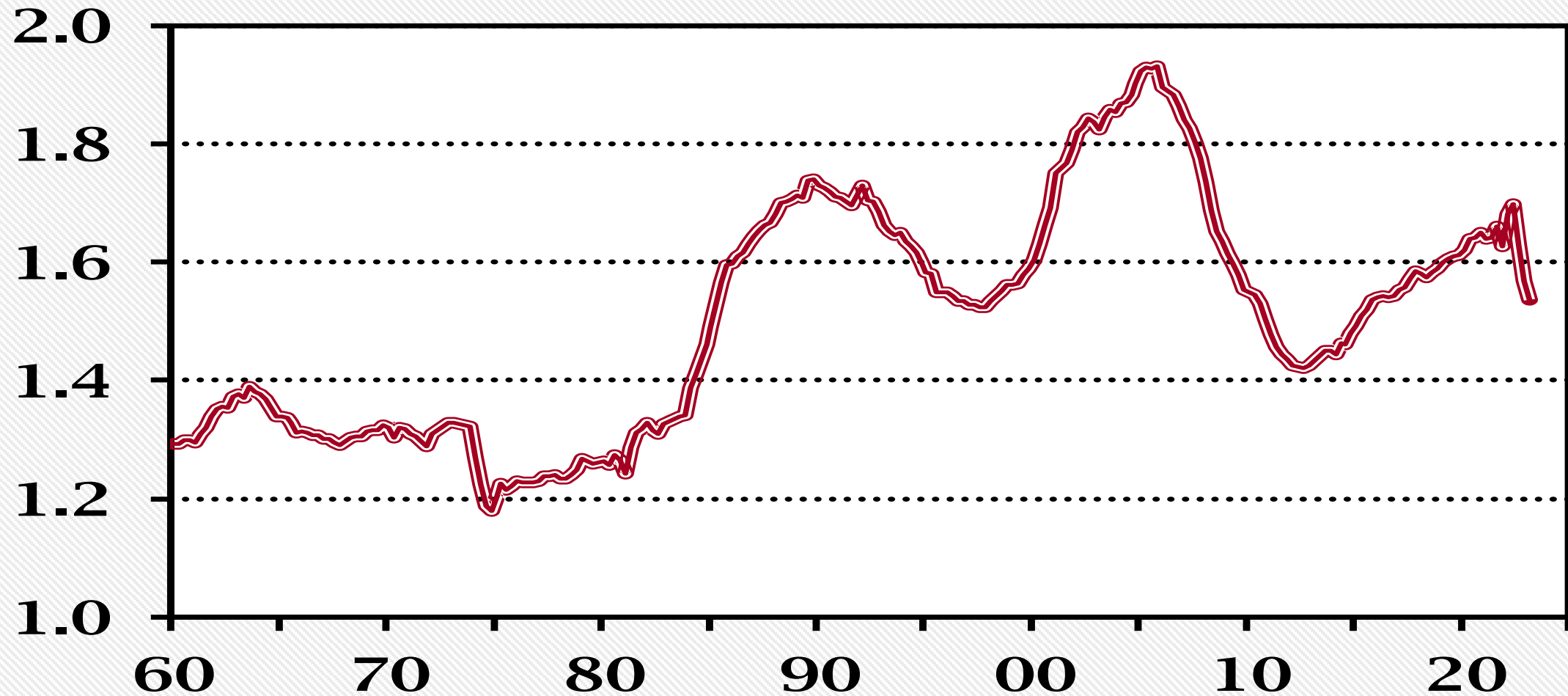
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
M2 (A)	24.8	12.7	-0.9	0.0 (est)
- Discount (B)	4.5	4.5	4.5	4.5
- CPI (C)	<u>1.4</u>	<u>7.0</u>	<u>6.5</u>	<u>3.5 (est)</u>
= Excess (A-B-C)	<u>18.9</u>	<u>1.2</u>	<u>-11.9</u>	<u>-8.0</u>
Total Excess (last year's Total Excess + current year Excess)	18.9	20.1	8.2	0.2

Source: Federal Reserve Board, Bureau of Labor Statistics, First Trust calculations. All data reflects year-to-year percent change, except for Total Excess which is the cumulative percent change from 2019 levels. Discount is the average annual difference between M2 growth and CPI inflation in 2000-2019. Estimates reflect the current opinion of the author and are subject to change without notice. There can be no assurance that any of the projections cited will occur.

Home Prices OK Versus Replacement Cost

Ratio of Home Asset Values to Replacement Cost

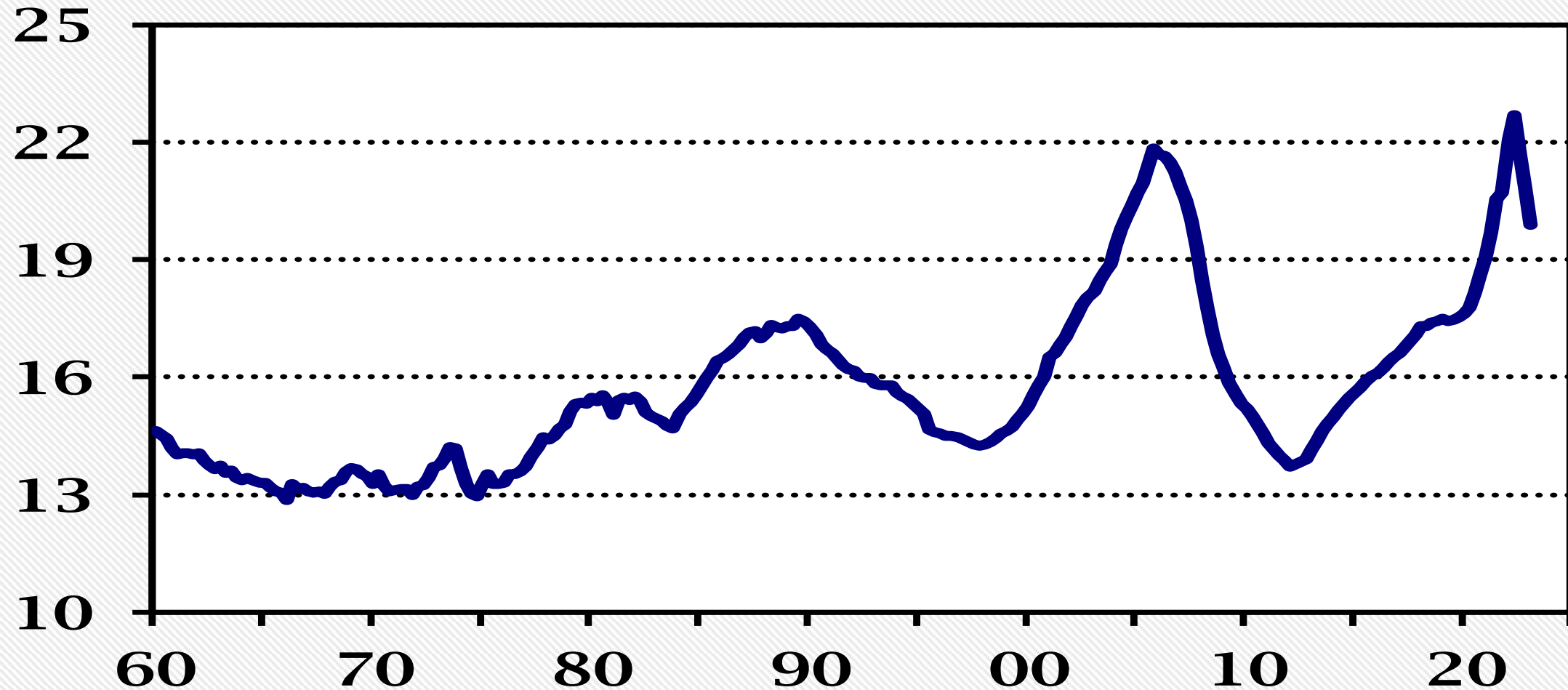
Source: Federal Reserve Board



Horizontal axis represents the years 1960-2024, quarterly data are shown for Q1 1960 – Q1 2023

Home Prices in Bubble Versus Rents

Ratio of Home Asset Values to “Housing Services”
Source: Federal Reserve Board; Bureau of Economic Analysis

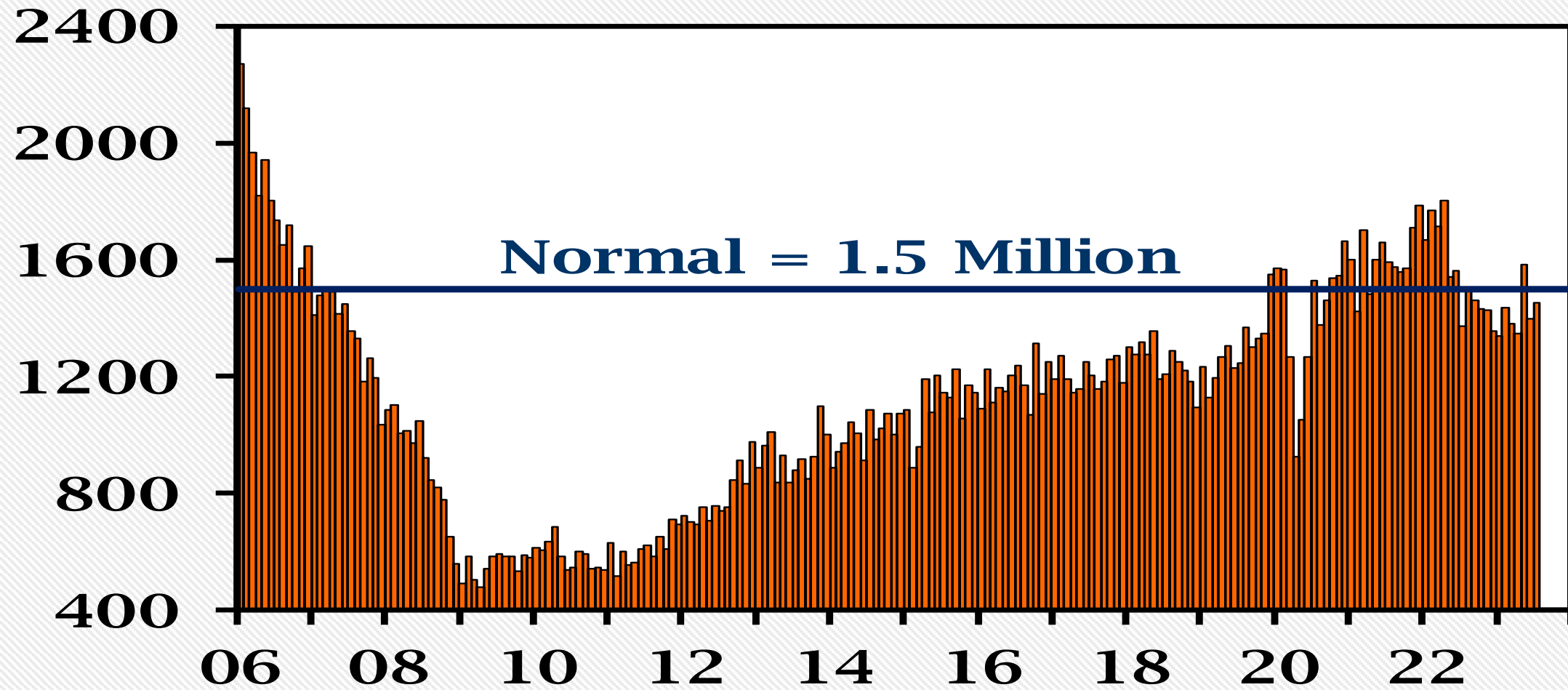


Horizontal axis represents the years 1960-2024, quarterly data are shown for Q1 1960 – Q1 2023

Housing Not Overbuilt

Housing Starts (Thousands, Annual Rate)

Source: Census Bureau



Horizontal axis represents the years 2006 - 2023, monthly data are shown for Jan 2006 – Jul 2023

Policy Themes

- **No Major Tax Hikes**
- **No \$15 Minimum Wage**
- **Big Tech: Big Barks, Little Bites**
- **Green Regs: Two Buckets**

Source: First Trust Advisors L.P. This reflects the current opinion of the author and is subject to change without notice. There can be no assurance that any of the projections cited will occur.

Nomination Odds: 2024

Democratic Contenders:

Biden: 80%

Harris: 10%

Other: 10%

GOP Contenders:

Trump: 60%

DeSantis: 25%

Other: 15%

Source: First Trust Advisors L.P. This reflects the current opinion of the author and is subject to change without notice. There can be no assurance that any of the projections cited will occur.

2024 Senate Races

Blue States

California
Connecticut
Delaware
Hawaii
Maryland
Massachusetts
New Jersey
New York
Rhode Island
Vermont
Washington

Purple States

Arizona
Maine
Michigan
Minnesota
Nevada
New Mexico
Pennsylvania
Virginia
Wisconsin
Florida

Red States

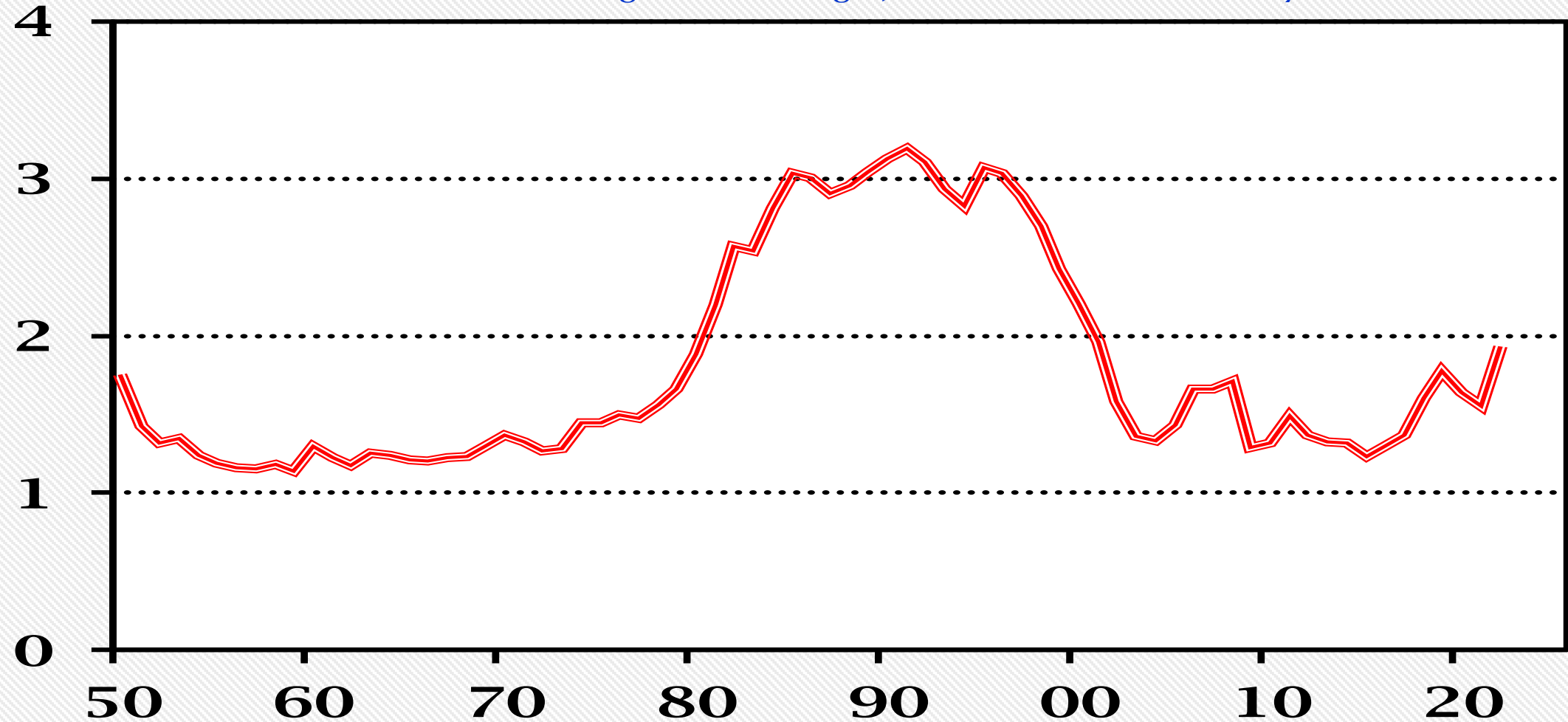
Montana
Ohio
West Virginia
Indiana
Mississippi
Missouri
Nebraska
North Dakota
Tennessee
Texas
Utah
Wyoming

Source: First Trust Advisors L.P. This reflects the current opinion of the author and is subject to change without notice.

Gov't Debt Service Still Low Versus GDP

Federal Net Interest (% of GDP)

Source: Office of Management & Budget; Bureau of Economic Analysis

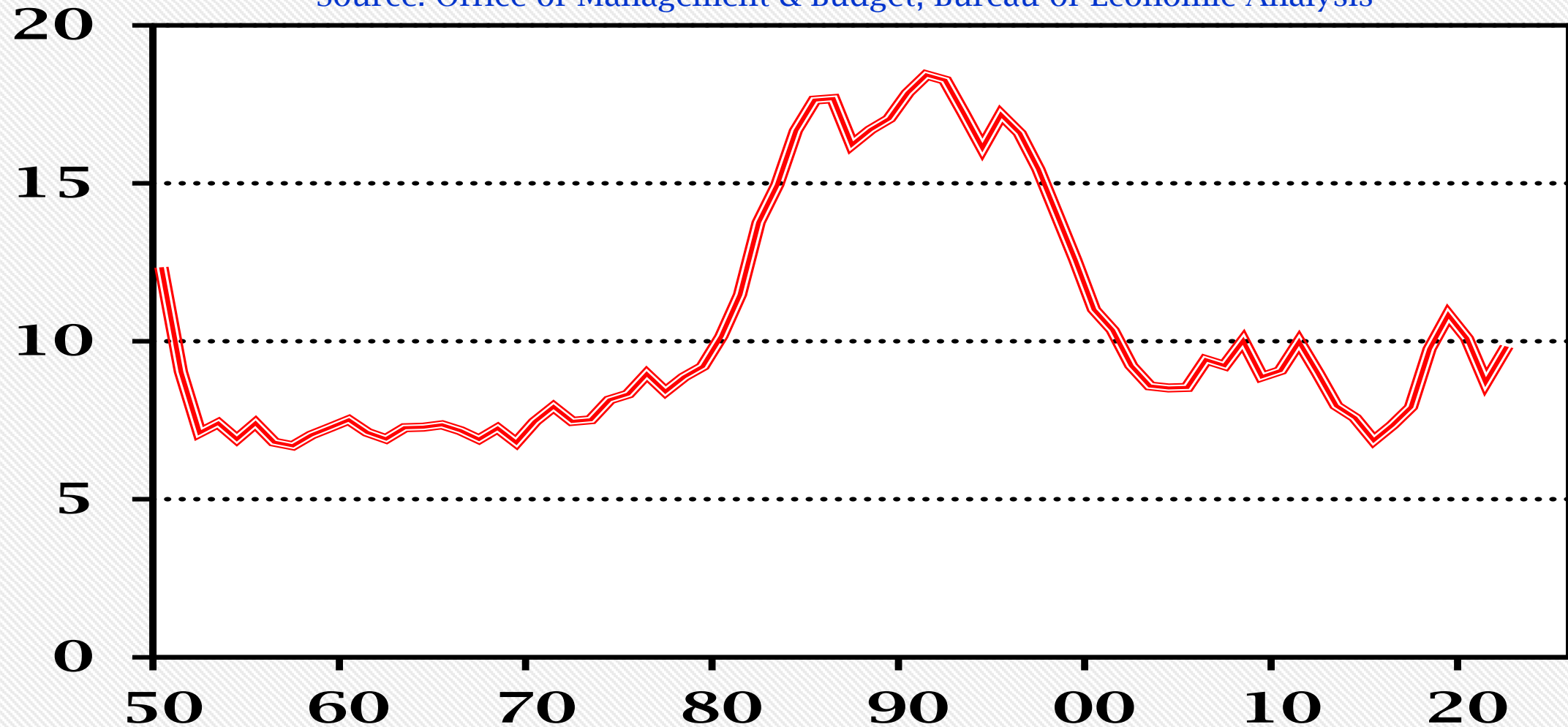


Horizontal axis represents the years 1950-2024, annual data are shown for 1950 – 2022

Gov't Debt Service Still Low Versus Revenue

Federal Net Interest (% of Federal Revenue)

Source: Office of Management & Budget; Bureau of Economic Analysis



Horizontal axis represents the years 1950-2024 annual data are shown for 1950 – 2022

Recommended Reading

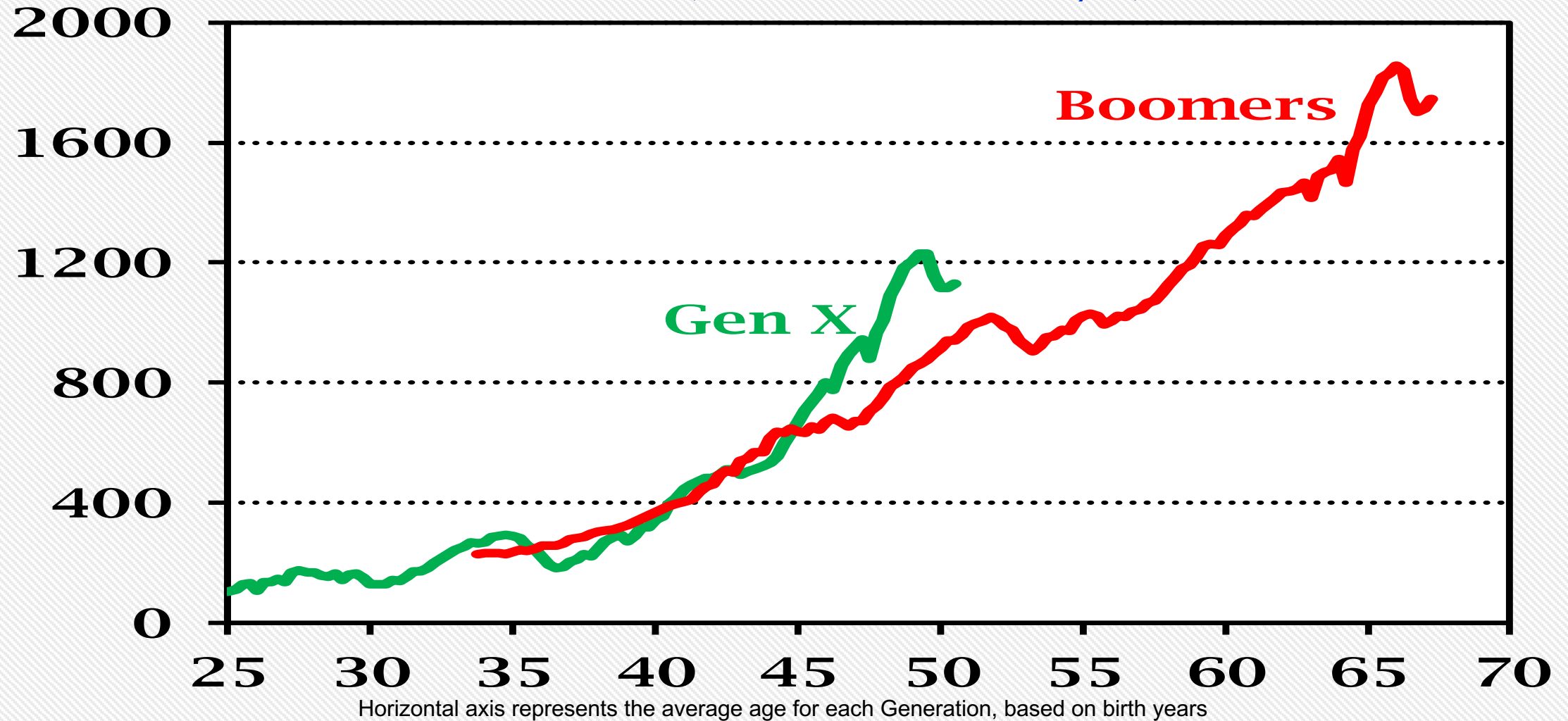
The Signal and the Noise, by Nate Silver
How Civilizations Die, by David Goldman
Coming Apart, by Charles Murray
Fooled by Randomness, by Nassim Taleb
The Working-Class Republican, by Henry Olson
The Hot Hand, by Ben Cohen
The WEIRDest People in the World, by Joseph Henrich
1917, by Arthur Herman
The True Believer, by Eric Hoffer
A Conflict of Visions, Thomas Sowell
The Rise and Fall of American Growth, Robert Gordon
Conservatism, A Rediscovery, by Yoram Hazony

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Generation X Beating Boomers

Average Household Net Worth (\$ Thousands, Inflation-Adjusted)

Source: Federal Reserve Board; Bureau of Economic Analysis; FT Calculations



Millennials Close to Generation X

Average Household Net Worth (\$ Thousands, Inflation-Adjusted)
Source: Federal Reserve Board; Bureau of Economic Analysis; FT Calculations

