Economic Outlook

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ECONOMIC OUTLOOK

- The U.S. economy has expanded at a moderate, steady rate this year and is headed into the holiday season on solid ground. Third quarter GDP growth was revised upward from 1.9% to a 2.1% annual rate, largely due to strong inventory investment. October durable-goods orders rose 0.6%, more than anticipated, and follow a 1.4% decline the previous month. Much of that gain was related to defense related goods. Order growth was achieved despite a month long strike at General Motors, ongoing airplane woes at Boeing and a trade war with China. GDP is on track to grow at a 2% rate this year. We anticipate the U.S. economy will grow at a 2% - 3% rate in 2020.

- Sales of new and existing homes have been on an upswing since summer, lifted by benign borrowing rates. Residential construction has added to overall economic growth and economists expect this strength to continue. Through October, monthly new home sales have been above 700,000 for three consecutive months for the first time since 2007. Sales in the much bigger market for existing homes rose 1.9% in October to 5.46 million, 4.6% higher than a year ago. Homebuilders' confidence is high; conditions are positive, supported by job growth and mortgage rate below 4%.

- November employment was better than expected, with the addition of 266,000 jobs. The unemployment rate is now 3.5%, a 50 year low. Although some of the job growth is attributed to the end of the GM strike, the low jobless rate and growing share of adults joining the workforce provide a strong foundation for continued economic growth.

- The Federal Reserve, maintaining a flexible stance, lowered its target interest rate by .25% three times this year, citing diminished economic momentum. Rate cuts were justified by a slowdown in business investment and global growth, weighed down by the U.S.-China trade war. Inflation has been low, running at about 1.7% this year, below the Fed's target of 2% that was reached last year. The target interest rate now stands at 1.5%-1.75% and no further cuts are indicated.

- The campaign for the 2020 presidential election is in full swing. The large number of candidates vying for the Democratic Party's nomination represent a wide range of views, experience and age. Running for president has become an economic force of its own. Expenses for staff, consultants, travel, advertising, and more are considerable. The cost has steadily risen over the last 100 years. Between 2000 and 2012, spending by the candidates more than quadrupled. The 2016 campaign cost the two final candidates $2.4 billion, and this year has already seen candidates withdraw because of lack of funds. Tom Steyer and recent addition Michael Bloomberg are billionaires in the race.