Why We're Still Bullish

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We've been long run bullish on the U.S. economy for our team's entire 42-year history and nothing is changing now. During some time periods, economic growth accelerates faster than others and, in some decades, inflation chips away at buying power at a higher rate. But over time, buying and holding Blue Chip, large cap U.S. stocks, many of which pay dividends, has been the only reasonable antidote to beating the rising cost of goods and services. For 200 years, stocks have outpaced every other asset class on earth, including gold, silver, bonds, Treasuries and of course cash.

Remember, equities are a claim on real assets. For example, when you invest in the S&P 500 Index, you own a small piece of the cash, property, equipment, intellectual capital, and future profits of Apple, Amazon, Google, JP Morgan Chase, Procter & Gamble, ExxonMobil, Microsoft, Berkshire Hathaway. Not all S&P 500 companies are perfect, but many are in fantastic shape and run by the most brilliant management teams on earth. That's reason number one why we're optimistic and bullish for the long run.

Another reason we're bullish is because of a few mass global economic trends that should continue powering growth at least through 2029. Out of the most advanced developed countries, the United States is in a league of its own with population growth. Despite doomsday predictions, population growth is directly correlated with economic growth. Japan, Europe and China all face significant population headwinds and as a result, their stock markets have produced lackluster results for 15 years. Not only is U.S. population steadily growing, but we also attract top entrepreneurial talent from all over the world. The most brilliant minds from nearly every place on earth come to our country because of the rule of law and personal property rights, knowing they'll be rewarded for the wealth they create.

The growth of emerging markets is also a reason to stay bullish on stocks. While we don't advocate owning local emerging market companies, we do want to own U.S. companies that sell into India, China, Africa, Indonesia, and Latin America. Recent reports suggest India will account for 20% of Apple's growth the next 5 years. India, a major benefactor of the Chinese trade war, has been cracking down on corruption and implementing a series of pro-capitalism policies that we believe will incentivize significant investment the next decade. India has 1.4 billion people, nearly as many as China, but a more favorable entrepreneurial environment. Many U.S. based companies also earn a significant portion of revenue from China. 50% of Broadcom, 66% of Qualcomm, and 75% of Wynn Resorts' revenue is earned in China. There are obviously serious issues that arise when operating in China, but we believe technology will eventually crack the CCP barrier and require a pivot towards more free speech and democracy. For starters, Elon Musk's company Starlink, can project internet into communist countries that can't be turned off when a protest arises.

Additionally, we're bullish on the future of the U.S. economy thanks to what we see on a ground level with our own clients. In 1993, the average Stenger client had $500,000 of investable assets. Fast forward 30 years and that average is now $1.5 million, roughly a 3.7% annualized increase. As we run projections 15 years from today, the average retiree with our team will have $3.5 million, a 5.8% annualized increase. Just on our data alone, 40-50 year olds will be spending 3x more than Baby Boomers on an inflation adjusted basis by the year 2038. All this spending will continue driving earnings and thereby stock prices higher as far as the eye can see.

In the short run we expect volatility as the economy absorbs the impact of higher interest rates and discounted earnings multiples. Don't be surprised if we hand back some of this year's gain in coming months. We believe the Fed will drive stock prices more than corporate earnings until rates drop back into the 3-4% range. Despite some potential short-term pain, there's plenty of reasons to stick to your plan for the long run.

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