

IS IT ALL OVER?

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As you well know, it has been my opinion over the last six years (and even before) that the fundamental outlook for the economy was not good and that the stock market was overvalued. One can't tell the market what it should do as evidenced by the following:

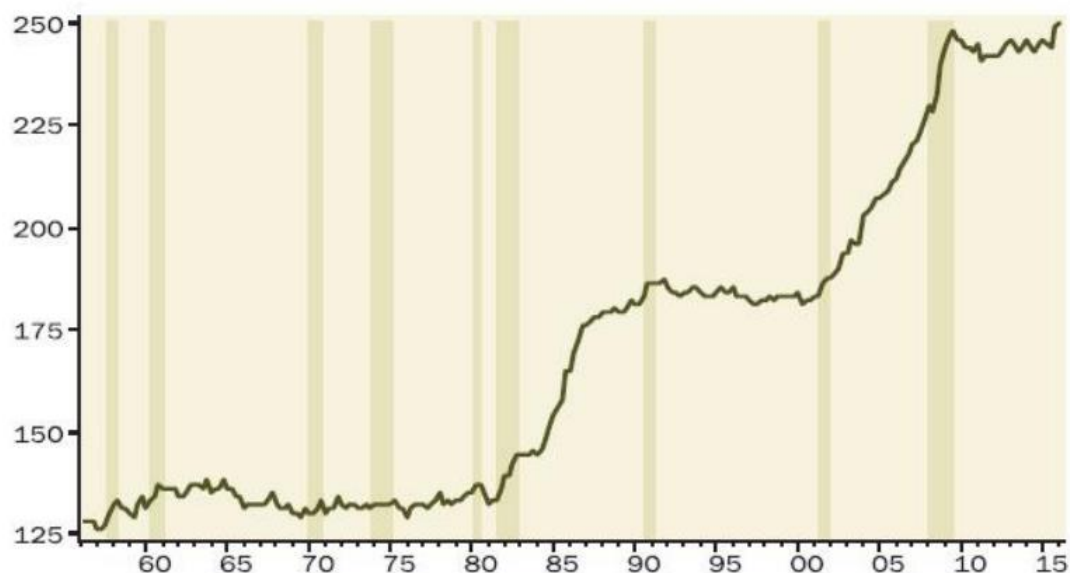
Approximately last six years

1. Corporate profits before tax: -1.2%
2. S&P 500: +77%
3. Debt build-up:
 - a. U.S. Government: +\$4.8T
 - b. U.S Non-financial: +\$3.0T
4. Real GDP growth rate: +2.5%

Almost any kind of adjustment made for the debt build up would result in slow to no growth for the economy. Please note the following chart comparing debt to GDP since 1955. I ask you—is this sustainable? Of course not. Me thinks 2019 may be the year of reckoning.

CHART 3: DELEVERAGING? WHAT DELEVERAGING?

United States: Total Nonfinancial Debt
(percent of GDP)



Shaded regions represent periods of U.S. recession
Source: Haver Analytics, Gluskin Sheff