THE DANA VIEWPOINT

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Good News, Bad News

First the bad news: Congress adjourned for their August vacation without passing a single legislative bill this year. And the good news: Congress adjourned for their annual August vacation. When are we going to vote for some adults to run Congress?

Even without any legislative help, our Gross Domestic Product (GDP) managed to grow at 2.6% for the second quarter of 2017. That is up from 1.7% growth in the first quarter of 2017. Not the 3% level the administration is looking for, but better than the 1.8% we have been averaging annually for the past eight years. GDP will have to average 3.9% growth for each of the final two quarters of this calendar year to attain 3% for the entire year. With some help from Congress, this is possible. Without any help from Congress, the Labor Department reported that the private sector created 209,000 new jobs in July. The unemployment rate dropped to 4.3%, and the employment participation rate ticked up to 62.9%, mainly because over 300,000 new workers entered the labor force and found jobs. These numbers are very good, not great, but very good. That's two consecutive months with over 200,000 new jobs created.

Every generation complains that there is nothing left to invent and there will be no new jobs created, but every generation is wrong. After every recession (especially deep ones) or major conflict, new ideas and industries pop up creating new vocations. After WWI and the short recession that followed (one that is not written about much because of what happened in the 1930s), the automobile industry took flight. Assembly lines were created, gas stations were needed, and roads had to be built. Tire manufacturers sprung up and new technologies were invented. Hollywood developed talking movies. The end of WWII saw new advancements in aircraft engineering. This led to more air travel and the industries it spawned. Soldiers returned home, went to work, married, and had children. The need for housing grew and suburbs were developed. Houses needed appliances and furniture, and these industries grew.

But what is left for today's generation? Plenty, and it is already happening. Usually after a deep recession, we get a very steep recovery with new ideas and industries coming fast. It didn't happen as fast this time as we had a slow and steady recovery, but it is starting to accelerate now. Computers, of course, have been around since the eighties, but they continue to generate ideas and uses. The portable phone was developed, but it has gone through so many revisions and improvements, that it is now much more than a phone. New ideas and industries will continue to come out of this. Amazon is no longer just a book store, they have joined the new high-tech industry developing new ideas and concepts. Google (Alphabet) is also at

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the forefront of new technology ideas, along with Facebook and Netflix. Elon Musk's SpaceX sent a resupply rocket to the space station this week with over three tons of supplies. The booster stage of the rocket landed upright at Cape Canaveral eight minutes after launch. Many new start-up companies are joining the fray. Ideas are endless. Microsoft is a leader in storing data for companies in the cloud. Google and Amazon each have a device you can talk to and ask questions or request a song and it will answer. Can intelligent conversations between man and machine be far off? Robotics has been around for some time, but is still in its infancy with respect to its refinements and applications. There is much more to come in the technology field, and it will impact all industries. New ideas and devices are rapidly being created in the medical field. As the population ages, there will be more need for newer medical devices and more need for medical professionals. We could go on and on about the opportunities that await the new generation, but you get the idea.

So, how does all of this affect the stock market? Somewhere between not at all and hardly at all. As usual, investors are focused on return, and right now the best return is in common stocks. The reward is still worth the risk. There is still some fear that stocks are fully or overpriced. Fear is good in a rising market. It tamps down speculation. We are still in a rotational bull market where the advance/decline line is still positive. The same is true for stocks making new highs over those making new lows. This stock market wants to go higher and, as in football, momentum is your friend. Don't throw caution to the wind, but keep a well-balanced portfolio with high quality bonds to provide consistent income and stability in volatile times.

Random Thought for August 2017: "Talk is cheap, except when Congress is in session."

-Anonymous

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