

Macro View – GDP Growth Trends

Jerome Powell has communicated that he is focused on GDP growth rates, bringing analysts to wonder what is normal GDP growth historically and moving forward. GDP growth from 1987 to 2007 averaged 3% in the U.S. The growth since the great recession from 2009 through 2018 has been 2.3% per year (San Francisco Federal Reserve Bank). Attribution to the slowing growth often points toward productivity and demographics. The Congressional Budget Office chart below shows labor supply growth dating back to 1960. An aging population and a decreasing potential labor force may indicate less productivity. Above trend growth in GDP may be the short term result of occurrences such as the Trump tax cuts. In an economic paper published June 24, 2019, the San Francisco Federal Reserve Bank concluded, "...our best guess is that productivity growth over the next five to six years will be in line with previous slow regimes. During those regimes, GDP per hour rose around 1-1.25% per year."



Taking Stock – Medicare for All Winners and Losers

Heading in to the presidential election, there will be no shortage of discussion on healthcare and the most effective approach to healthcare. Medicare for all (MFA) will be one solution discussed. MFA would likely eliminate private health insurance. Investment managers are watching closely and contemplating what companies will suffer or thrive under MFA. The Kaiser Family Foundation estimates that in 2017, roughly 156 million Americans, half of the total, received health care benefits through private employer-sponsored plans (CFRA Research). The S&P 500 Managed Health Care Index is up about 2% YTD, as of June 24, underperforming the S&P 500 by about 15%. MFA bills discussed in the Senate and House initiated a decline in the index by 10% or more in the following weeks (CFRA Research). It appears that MFA may have been baked in to the price of the index and constituents of the index. If investors feel that MFA is not likely to pass, a bounce in price of the managed healthcare index may follow.

S&P 500 Managed Health Care (Sub Ind) Index

[Beta least advanced chart]

Chicago Mercantile Exchange • S&P 500 Managed Health Care (Sub Ind) (CME:SP500-35102030)

2156.69 -24.32 (-1.17%)

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