

Student Managed Investment Fund

October Economic Update

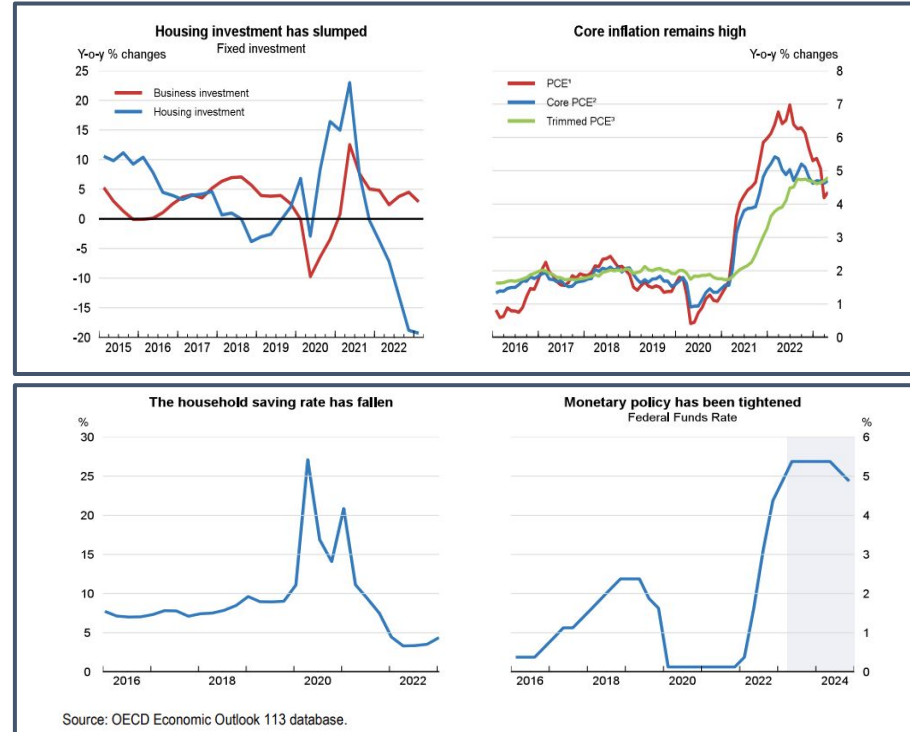
Nick Siracuse

Fall 2023

Fast Facts

Key Trends

- 2023Q2 real GDP growth was unrevised at +2.1% annualized in the second release.
- Real GDP is projected to grow by 1.6% in 2023 and 1.0% in 2024
- Services spending growth revised down by 50 basis points Y/Y
- Headline and core inflation have declined, but still above Fed's 2% target
- As demand slows, the unemployment rate will start to rise towards 4.5% by 2024



Global Economy Pulse Check: 4 Questions

Will consumer demand continue flowing?

Real spending has continued to accelerate despite real incomes slowing down. The spending is not driven by strong real income growth. Savings rates are historically lower than in the past. With real FF rates at 2-3%, savings rates have been in the 6-7% range. Today they are around 3.5%.

What's the impact of a stronger US Dollar?

The dollar is up 6.6% since mid-July and the WSJ Dollar Index closed its best quarter in September of last year. Revenues from MNCs like Apple and Microsoft could see lower revenues. Global growth may slow due to higher rates compounded with high oil prices and a strong dollar.

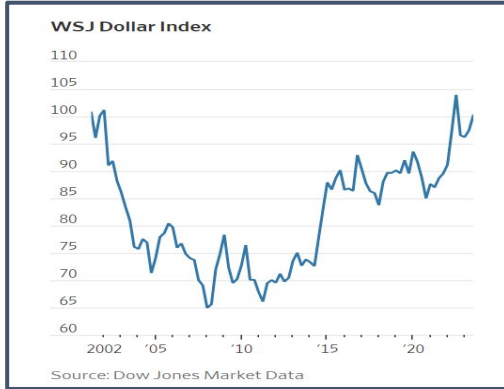
How do shifting Geopolitical alliances affect Trade?

China exports are starting to shift away from the US and Mexico is gaining share in US imports. US FDI is shifting towards other ASEAN countries and LatAm. Policy uncertainty is something to watch out for with elections in the US, Mexico, India, and Taiwan.

Is the Labor market starting to cool?

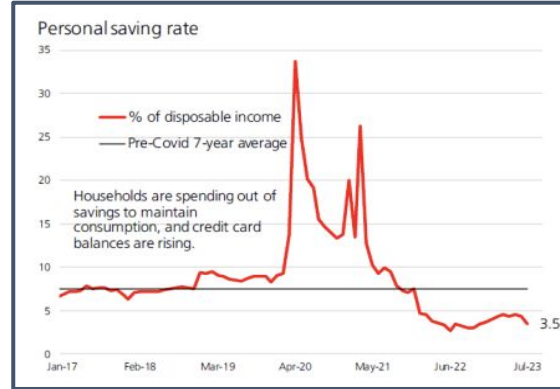
The labor market is starting to cool just as the Fed has been attempting to do. The two things emboldening Unions, inflation and the job market, have substantially cooled. The effects of raising rates are starting to shift leverage in favor of employers.

Global Economy Pulse Check: 4 Questions cont.



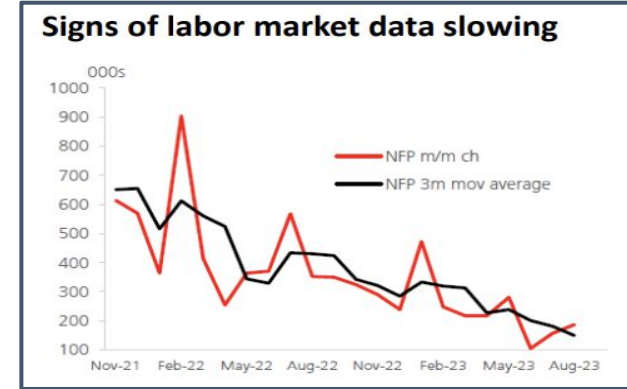
Source WSI

Stronger Dollar Spells
Trouble for Global
Growth



Source UBS, Haver

Personal savings rates
are the lowest ever in
relation to the real
Federal Funds rate



Source UBS, Haver

Demand is starting to cool
and soon the labor market
will feel the pressure

6 Things We are Following

Panic! At the House of Representatives

After a tumultuous couple days that saw the House pass an 11th hour stop gap funding bill, Rep. Kevin McCarthy was ousted as speaker of the house after members of his own party voted to remove him. A vote for a new speaker will take place soon. The GOP faces a fight for its [soul](#).

Israel and Saudi Arabia: a Match made in Heaven?

Saudi Arabia and Israel, after years of cold relations, are starting to work closer with each other on matters of security and nuclear programs. All of this seems to point at trying to band together against Iran. As Saudi Arabia becomes a larger regional power, it begs the question: is the US no longer the top power broker in the Middle [East](#)?

Nick's Picks

Could Glenn Youngkin (Virginia Governor) enter the 2024 Republican Primary? It's possible, but probably won't happen. Trump still has a commanding lead at about 56.5 percent across polls with DeSantis, Haley, and Ramaswamy all coming in behind at 13.7% 6.9%, and 5.2%, respectfully. Check out the polls [here](#).

The EV Market Might Still Need Some Time...

The global EV market seems to be running into problems. China has a massive inventory [glut](#), UAW is on strike delaying EV projects, and many companies are still trying to figure out how to become profitable. Rivian is losing 33k per [vehicle](#). Manufacturers are trying to learn how to become profitable. Maybe look at Tesla...?

Unions Remain Strong, But for how long?

Union wage gains have increased recently but are a lagging indicator. Wage increases for unionized workers have increased to a 6% annual pace. The two pressures that raised wage growth sharply this cycle, a very tight labor market and high inflation, have both diminished [substantially](#).

What's going on in Ukraine

The most recent funding bill in the House had no new funding for Ukraine signaling lawmakers waning interest in spending more on the beleaguered nation. Is Russia playing the long game? I think we are going to find out. President Zelensky visited the Washington last week to encourage lawmakers for more [money](#).

6 Things We are Watching cont.



Source Global News

How will the world respond to India's alleged actions?



Source Bloomberg

Are EV's losing steam?
There are signs of slowdown.



Source Politico

What will all this turmoil bring us? Definitely more uncertainty.