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# A Zacks Forward Look to 2025

## The U.S. Economy's Four-Year Cycle, Extended

Part One: [Immigration](#)

Part Two: [FRED: The U.S. Economy At A Glance](#)

Part Three: [U.S. Financial Conditions](#)

Presented by:

**John Blank, PhD**

Zacks Chief Equity Strategist and Economist

12/16/2024



Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, September 2024

Percent

Variable	Median <sup>1</sup>					Central Tendency <sup>2</sup>					Range <sup>3</sup>				
	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8	1.9–2.1	1.8–2.2	1.9–2.3	1.8–2.1	1.7–2.0	1.8–2.6	1.3–2.5	1.7–2.5	1.7–2.5	1.7–2.5
June projection	2.1	2.0	2.0		1.8	1.9–2.3	1.8–2.2	1.8–2.1		1.7–2.0	1.4–2.7	1.5–2.5	1.7–2.5		1.6–2.5
Unemployment rate	4.4	4.4	4.3	4.2	4.2	4.3–4.4	4.2–4.5	4.0–4.4	4.0–4.4	3.9–4.3	4.2–4.5	4.2–4.7	3.9–4.5	3.8–4.5	3.5–4.5
June projection	4.0	4.2	4.1		4.2	4.0–4.1	3.9–4.2	3.9–4.3		3.9–4.3	3.8–4.4	3.8–4.3	3.8–4.3		3.5–4.5
PCE inflation	2.3	2.1	2.0	2.0	2.0	2.2–2.4	2.1–2.2	2.0	2.0	2.0	2.1–2.7	2.1–2.4	2.0–2.2	2.0–2.1	2.0
June projection	2.6	2.3	2.0		2.0	2.5–2.9	2.2–2.4	2.0–2.1		2.0	2.5–3.0	2.2–2.5	2.0–2.3		2.0
Core PCE inflation <sup>4</sup>	2.6	2.2	2.0	2.0		2.6–2.7	2.1–2.3	2.0	2.0		2.4–2.9	2.1–2.5	2.0–2.2	2.0–2.2	
June projection	2.8	2.3	2.0			2.8–3.0	2.3–2.4	2.0–2.1			2.7–3.2	2.2–2.6	2.0–2.3		
Memo: Projected appropriate policy path															
Federal funds rate	4.4	3.4	2.9	2.9	2.9	4.4–4.6	3.1–3.6	2.6–3.6	2.6–3.6	2.5–3.5	4.1–4.9	2.9–4.1	2.4–3.9	2.4–3.9	2.4–3.8
June projection	5.1	4.1	3.1		2.8	4.9–5.4	3.9–4.4	2.9–3.6		2.5–3.5	4.9–5.4	2.9–5.4	2.4–4.9		2.4–3.8

# Part One:

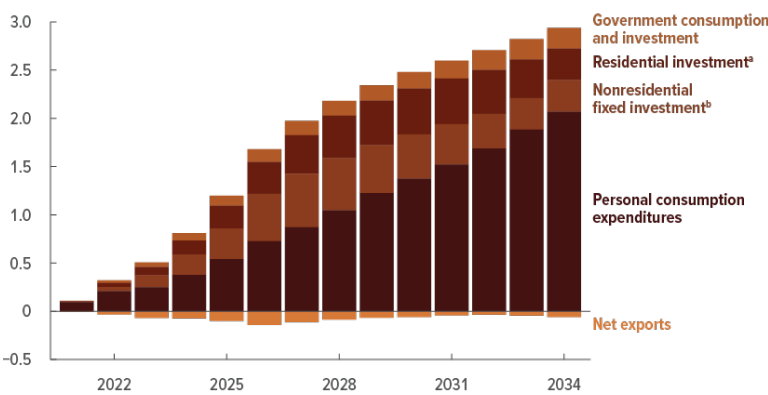
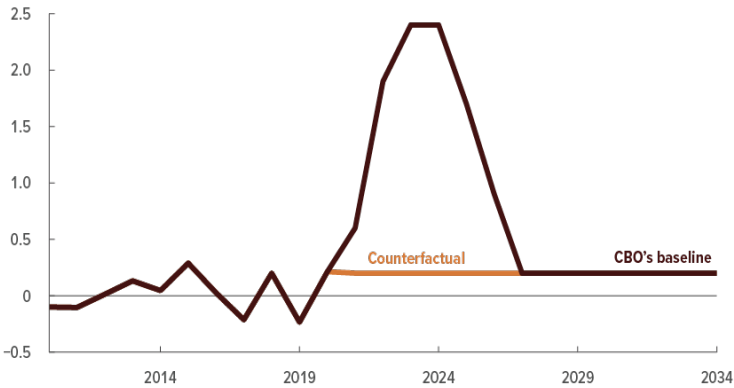
## Immigration

*What broad current conditions should traders and investors be made aware of?*

Effects of the Immigration Surge on the Federal Budget and the Economy.

Congressional Budget Office (CBO), July 2024,

168.55 M in Civilian Labor Force / 5M = Something around +3%. Maybe +1.5% if half are children



On the basis of pre-2020 trends, CBO would have expected the net immigration of people in that category to average around 200,000 per year.<sup>1</sup> In the agency’s projections, the net immigration of other foreign nationals exceeds that rate by a total of 8.7 million people over the 2021–2026 period.

Size of the Surge Population

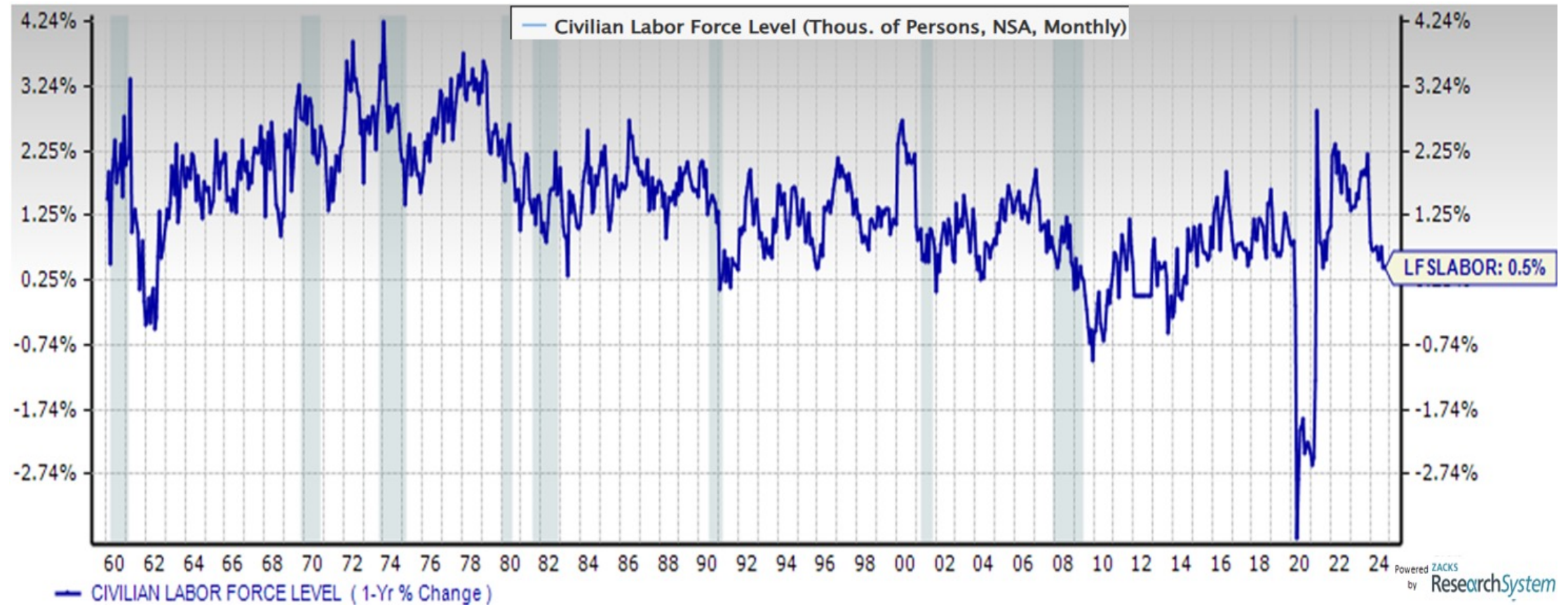
Over the 2021–2026 period, the net immigration of people in the other-foreign-national category averages 1.7 million people per year in CBO’s projections, resulting in net immigration over that period that is a total of **8.7 million people greater than it would have been if the annual net immigration of that population was 200,000 people.**

By comparison, over that same period, net immigration averages 750,000 per year for the LPR+ category and 70,000 per year for the INA nonimmigrant category.

Of the total increase of 8.7 million people—the surge in immigration described in this report—**roughly half is estimated to have occurred from 2021 to 2023, and half is projected to occur from 2024 to 2026** (see Figure 1).

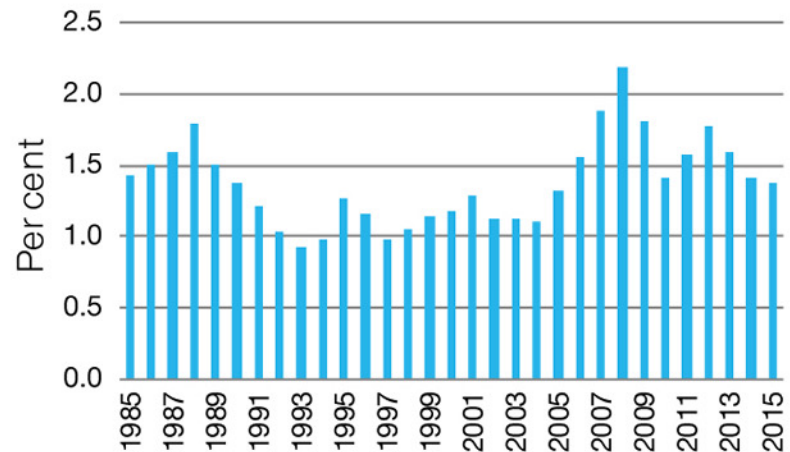
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	Total	
												2024–2028	2024–2034
Increases in revenues													
From taxes paid by immigrants in the surge population	31	41	53	59	65	72	79	86	94	101	108	249	788
From changes in the economy	11	13	18	27	33	36	40	45	49	54	60	103	387
Total	42	55	71	86	99	108	119	131	143	155	167	352	1,175
Increases and decreases (-) in mandatory outlays and net spending for interest													
From benefits provided to immigrants in the surge population and their children	7	11	13	14	15	16	17	19	20	21	23	61	177
From changes in the economy	-1	-2	-2	*	1	3	9	16	23	27	27	-4	101
Total	6	9	11	14	16	19	27	35	43	48	50	56	278
Decrease (-) in the deficit													
Net effect of taxes paid by and benefits provided to immigrants in the surge population and their children	-24	-30	-39	-45	-50	-56	-61	-68	-74	-79	-85	-189	-611
From changes in the economy	-12	-16	-20	-26	-33	-33	-31	-29	-26	-27	-33	-107	-285
Total	-36	-46	-60	-72	-83	-89	-92	-96	-99	-107	-117	-296	-897

# U.S. Civilian Labor Force 1948 to 2024





Consider the **macro-activist use of immigration** in Australia:  
That is what kept that country out of recession for 35-45 years,  
leading into the COVID crisis.



[Link From the Parliament of Australia](#)

[Link to Australian real GDP growth rate: 1960 to 2024](#)

#### Key issue

In February 2016, Australia's estimated resident population (ERP) reached 24 million.

More than one quarter (**28.2%**) of Australia's resident population was born overseas—a level that is considered very high compared to most other OECD countries.

#### Australia's population

Over the past ten years the annual population growth rate has been in a period of flux, reaching its peak in 2008 with the highest-ever recorded annual growth rate of 2.2%. I

[A Research Paper](#): Provided to me by Amanda Glassman  
Executive Advisor to the President  
of the Inter-American Development Bank

### **Testing economic models of migration in 99 developing countries**

- In new research (Clemens and Mendola 2024), we use unprecedented worldwide data to challenge the textbook model of migration choice and the conventional wisdom in development policy. We measure the relationship between income and migration from data on nationally representative survey interviews with 653,613 adults in 99 developing countries.
- This global survey, conducted by the Gallup Organization, does not merely ask about the hypothetical wish to migrate. It proceeds to ask respondents whether they are planning to migrate in the next year - and if so, if they have taken costly steps to imminently migrate, like paying for passage. Evidence shows that reported migration planning or preparation, not just abstract wishes, correlates tightly with actual migration behaviour (Tjaden et al. 2019).
- In Figure 1 we show that, in country after country, **the fraction of people who are wishing, planning, and also preparing to migrate (in blue) generally rises across the income distribution (orange)**. This remarkably robust relationship is observed in Africa, Asia, and Latin America.



The **Inter-American Development Bank (IDB or IADB)** is an international development finance institution headquartered in Washington, D.C., United States of America, and serving as the largest source of development financing for Latin America and the Caribbean.

Established in 1959, the IDB supports Latin American and Caribbean economic development, social development and regional integration by lending to governments and government agencies, including State corporations.

The IDB has four official languages: English, Spanish, Portuguese and French. Its official names in the other three languages are as follows:

Language	Name
Spanish	Banco Interamericano de Desarrollo (BID)
Portuguese	Banco Interamericano de Desenvolvimento (BID)
French	Banque interaméricaine de développement (BID)

## History

At the First Pan-American Conference in 1890, the idea of a development institution for Latin America was first suggested during the earliest efforts to create an inter-American system.

The IDB became a reality under an initiative proposed by President Juscelino Kubitschek of Brazil. The Bank was formally created on April 8, 1959, when the Organization of American States drafted the Articles of Agreement establishing the Inter-American Development Bank.

The Bank is owned by 48 sovereign states, which are its shareholders and members. Only the 26 borrowing countries are able to receive loans.

The IDB makes loans to the governments of its borrowing member countries at standard commercial rates of interest, and has preferred creditor status, meaning that borrowers will repay loans to the IDB before repaying other obligations to other lenders such as commercial banks.

The developing countries that borrow from the IDB are the majority shareholders, and therefore control the majority of the decision-making bodies of the Bank.

Each member's voting power is determined by its shareholding: its subscription to the Bank's ordinary capital. The United States holds 30 percent of the Bank's shares, while the countries of Latin America and the Caribbean combined hold 50.02 percent **but with another 20% from Europe the US can veto decisions**.

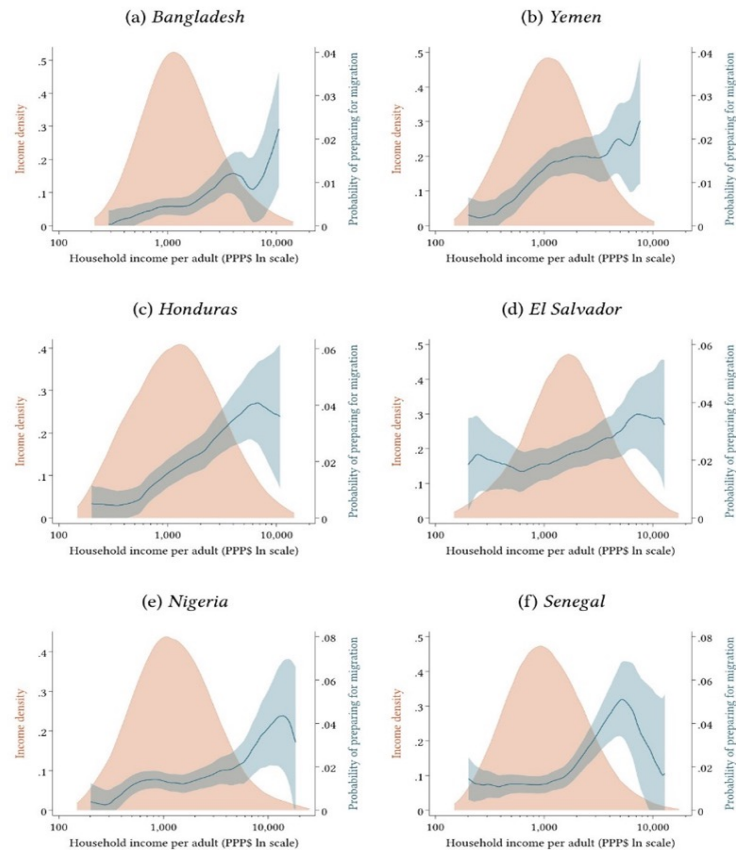
This arrangement is unique in that the developing member countries, as a group, are the majority shareholders. Though this arrangement was first viewed as risky, **it is believed by some that strict peer pressure prevents the borrowers from defaulting**, even when under severe economic pressure.

# Figure 1: “The Sheraz Mian Effect”, not Charles Dickens

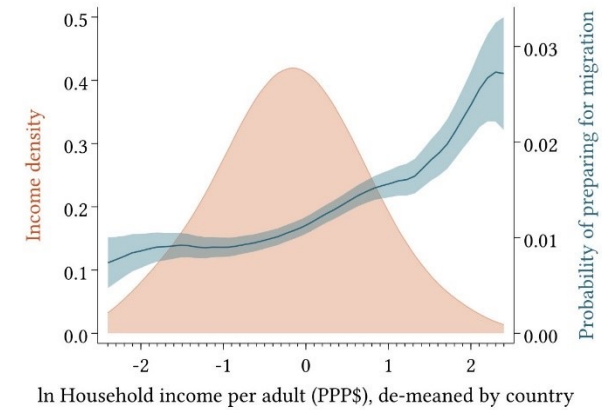
## Active preparation to emigrate across the income distribution, selected countries

M.A. Clemens and M. Mendola

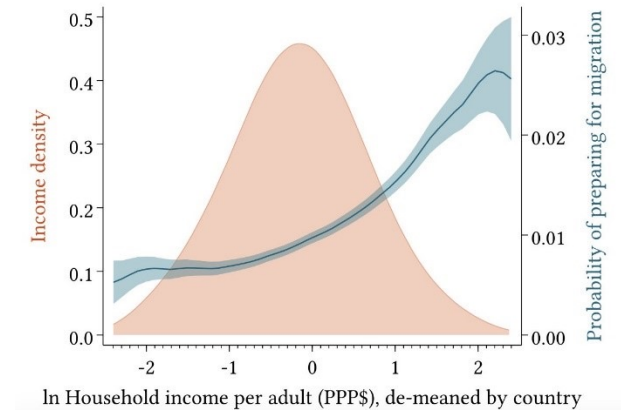
Journal of Development Economics 171 (2024) 103359



(a) People in low income countries



(b) People in lower middle income countries





# Part Two:

## FRED: The U.S. Economy at a Glance

*What broad current conditions should traders and investors be made aware of?*

# The Economy at a Glance: On FRED

- <https://www.stlouisfed.org/on-the-economy/data/economy-at-a-glance>

“Economy at a Glance” features key economic indicators that provide a snapshot of the U.S. economy.

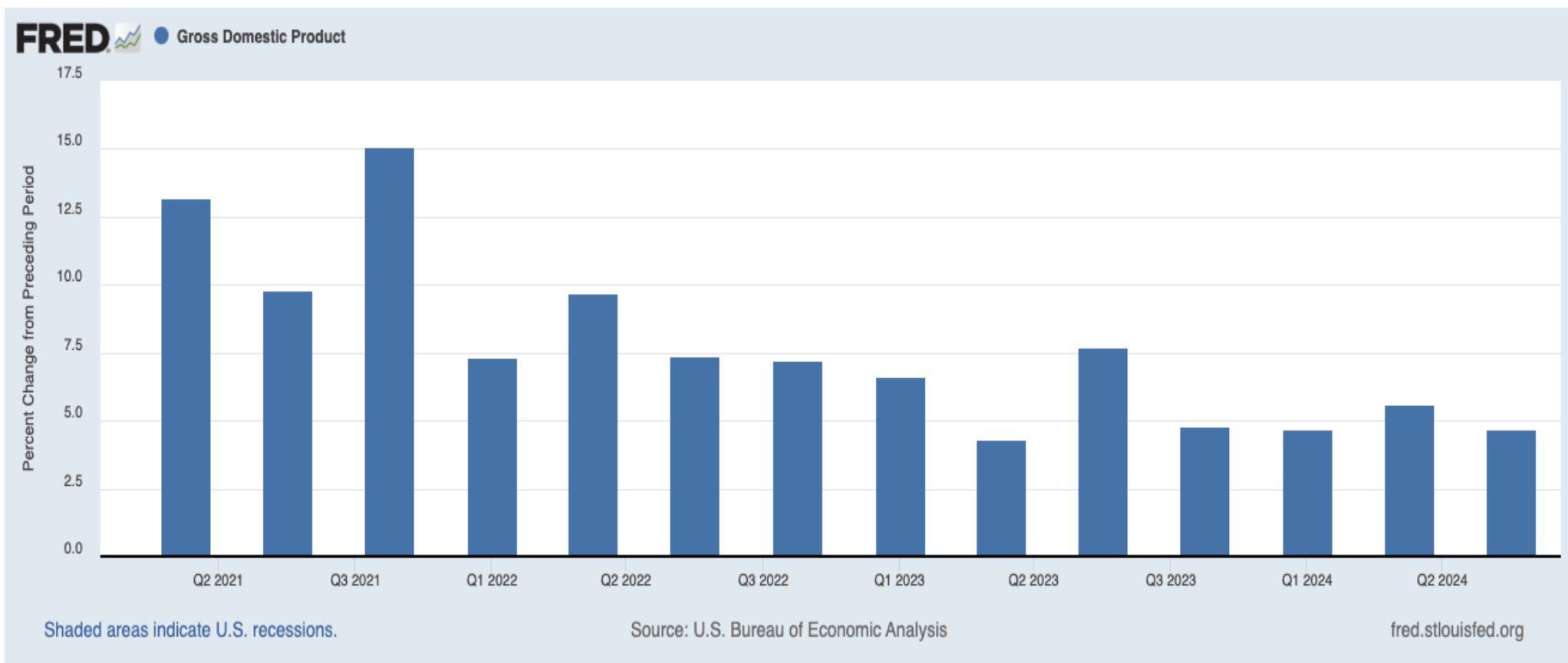
The graphs are powered by [FRED](#), the St. Louis Fed’s signature economic database.

(Please be patient as we condense the economy into eight charts. Loading times may vary.)

# U.S. Real Gross Domestic Product (GDP)

## *Percent Change from Preceding Quarterly Period*

### Q1-2021 to Q3-2024



# A Positive Supply Shock Started in Q3-2022

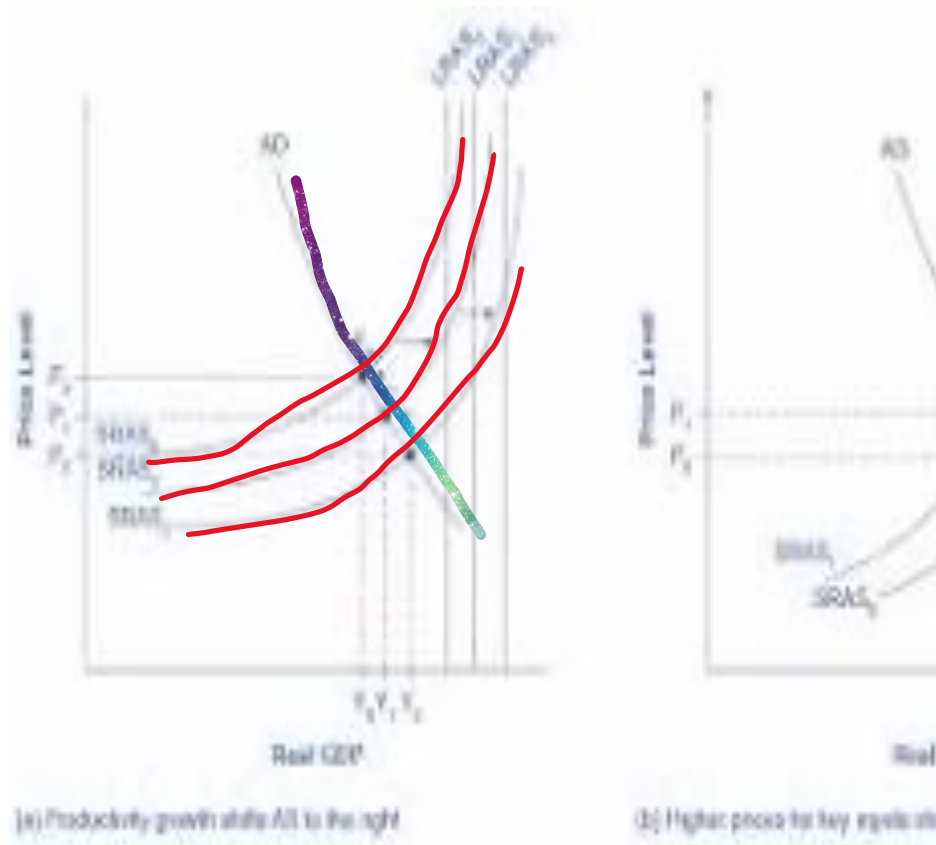
A shift in the aggregate supply curve is known as a supply shock, which can be negative or positive:

## Negative supply shock (Imposing COVID Restrictions)

The curve shifts to the left, meaning that **producers supply less real GDP at every price level**. This can be caused by factors that make doing business more expensive, such as higher input prices, taxes, or expectations of inflation. Or COVID health shutdowns.

## Positive supply shock (Lifting COVID Restrictions)

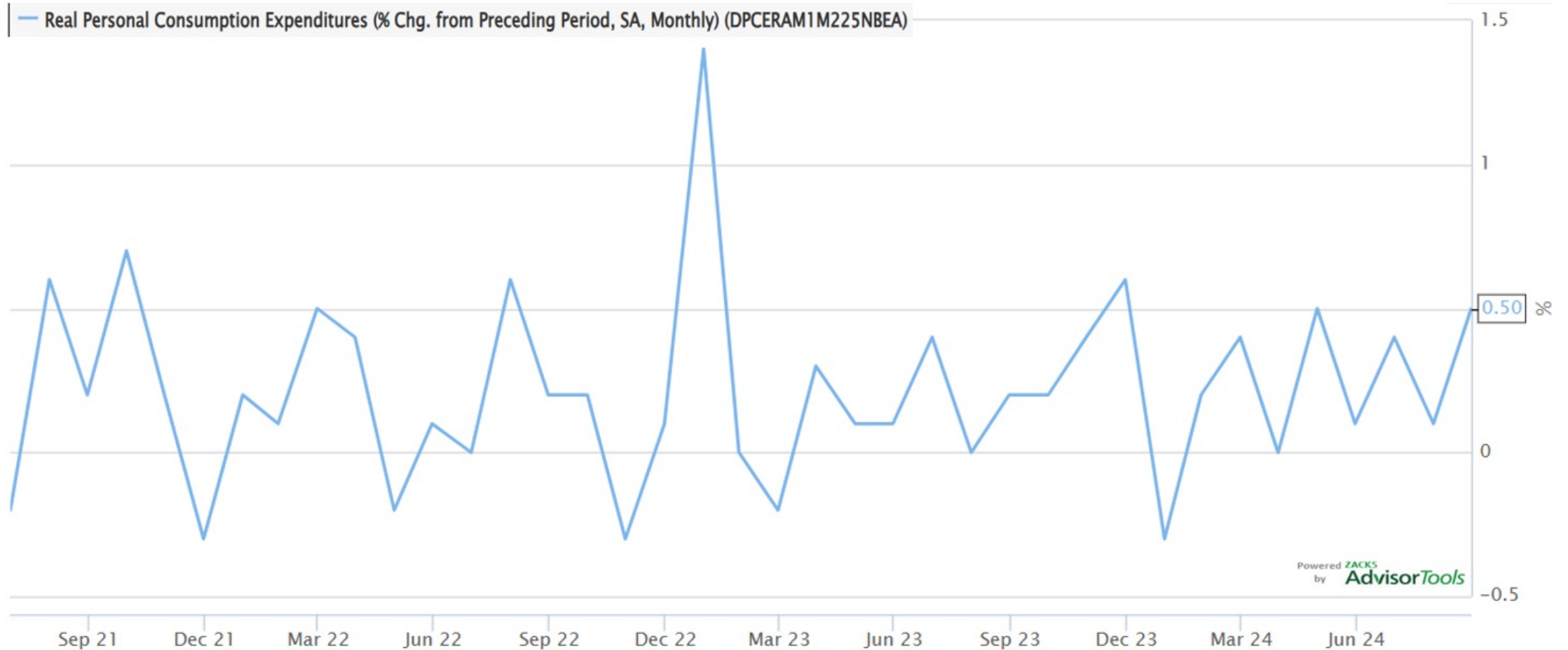
The curve shifts to the right, meaning that **producers supply more real GDP at every price level**. This can be caused by factors that make doing business cheaper, such as increased productivity, lower input prices, or subsidies. Or COVID vaccination and reopening.





# U.S. Real Personal Consumption Expenditures

## 2021 to 2024



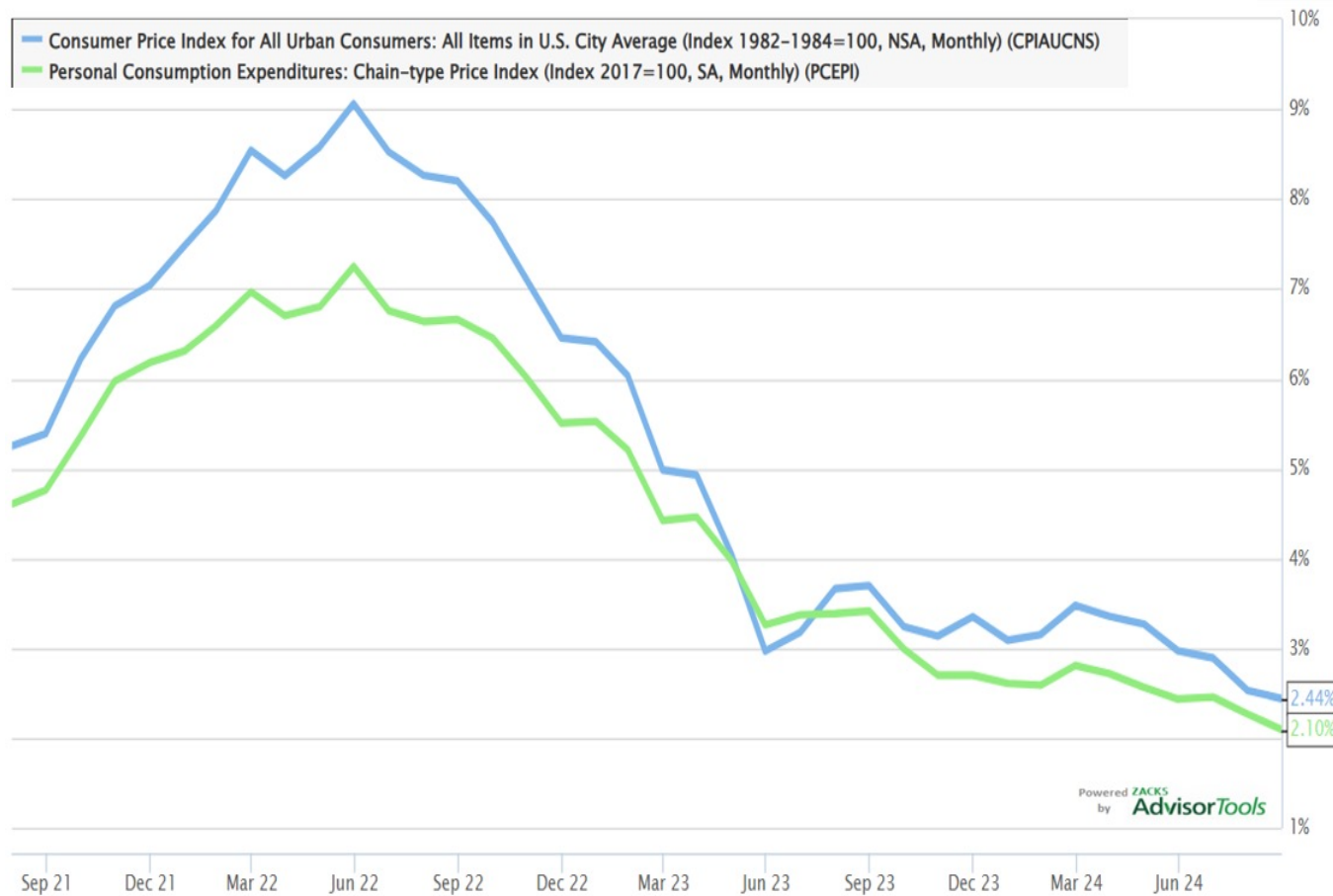
# CPI – All Items in U.S. City Average

## PCE: Chain-type Price Index

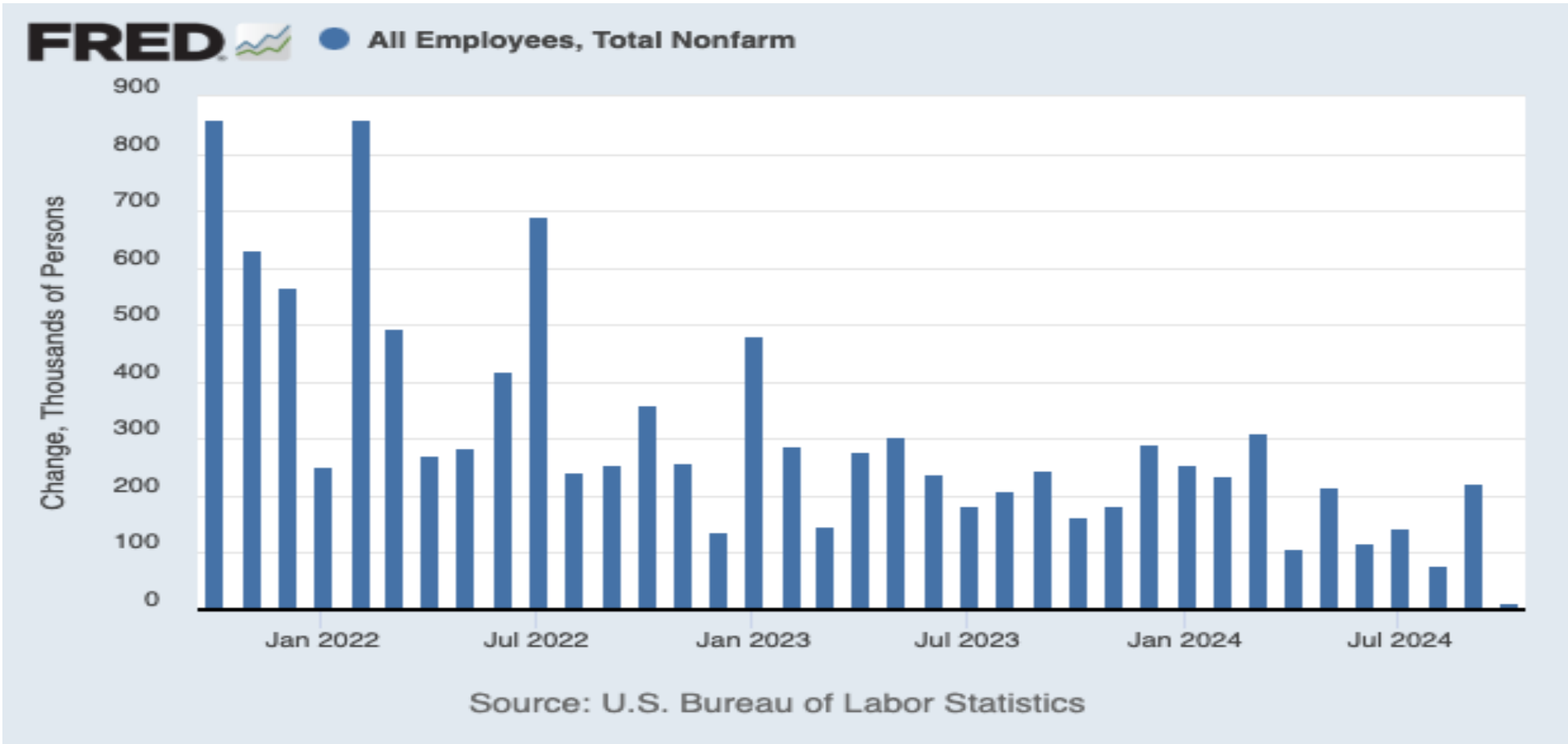
This particular index includes roughly 88% of the total population, accounting for wage earners, clerical workers, technical workers, self-employed, short-term workers, unemployed, retirees, and those not in the labor force.

The CPIs are based on prices for food, clothing, shelter, and fuels; transportation fares; service fees (e.g., water and sewer service); and sales taxes.

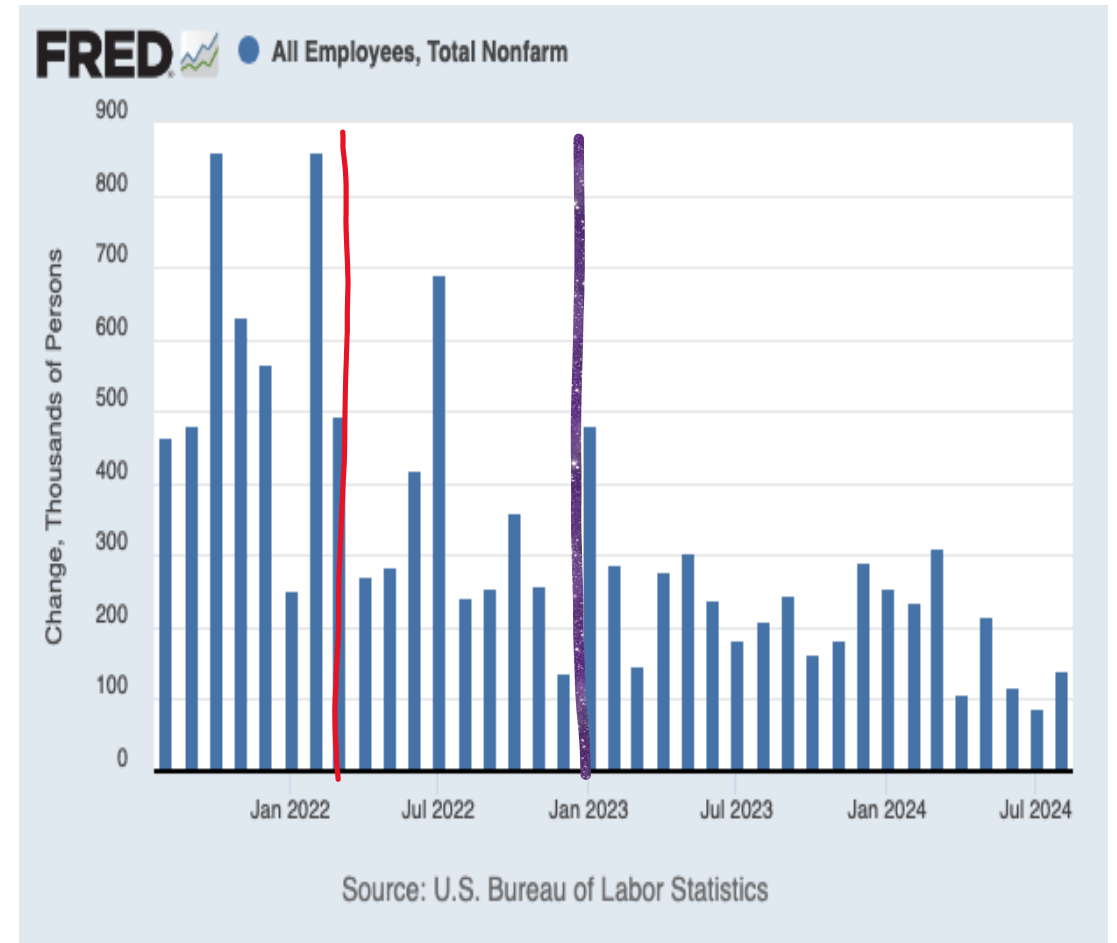
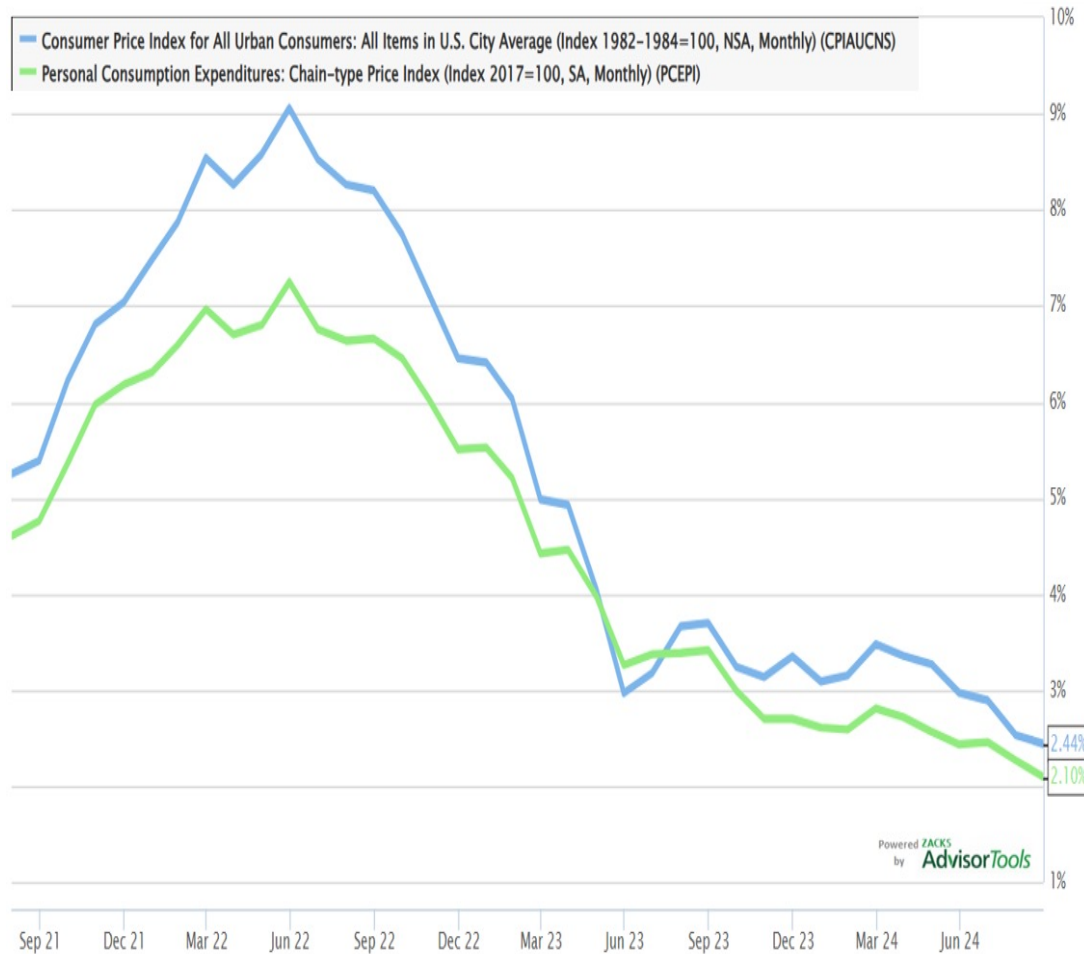
Prices are collected monthly from about 4,000 housing units and approximately 26,000 retail establishments across 87 urban areas.



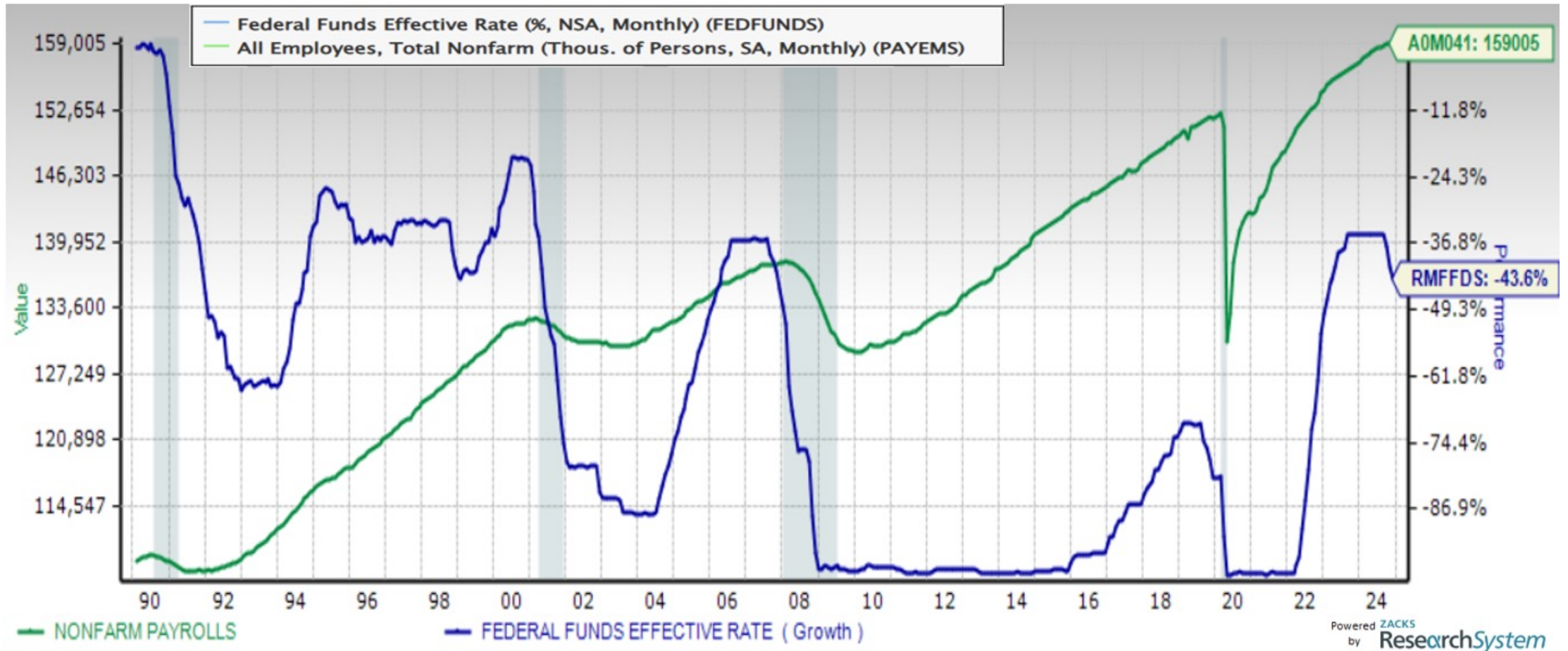
# U.S. Total Nonfarm Payroll Employment 2021 to 2024



# This Time: Inflation Fell and Job Additions Fell



# Federal Funds Effective Rate 1991 to 2024 (left) Total Nonfarm Employees (Change from Year Ago, 000s of persons)



# U.S. Household Unemployment Rate

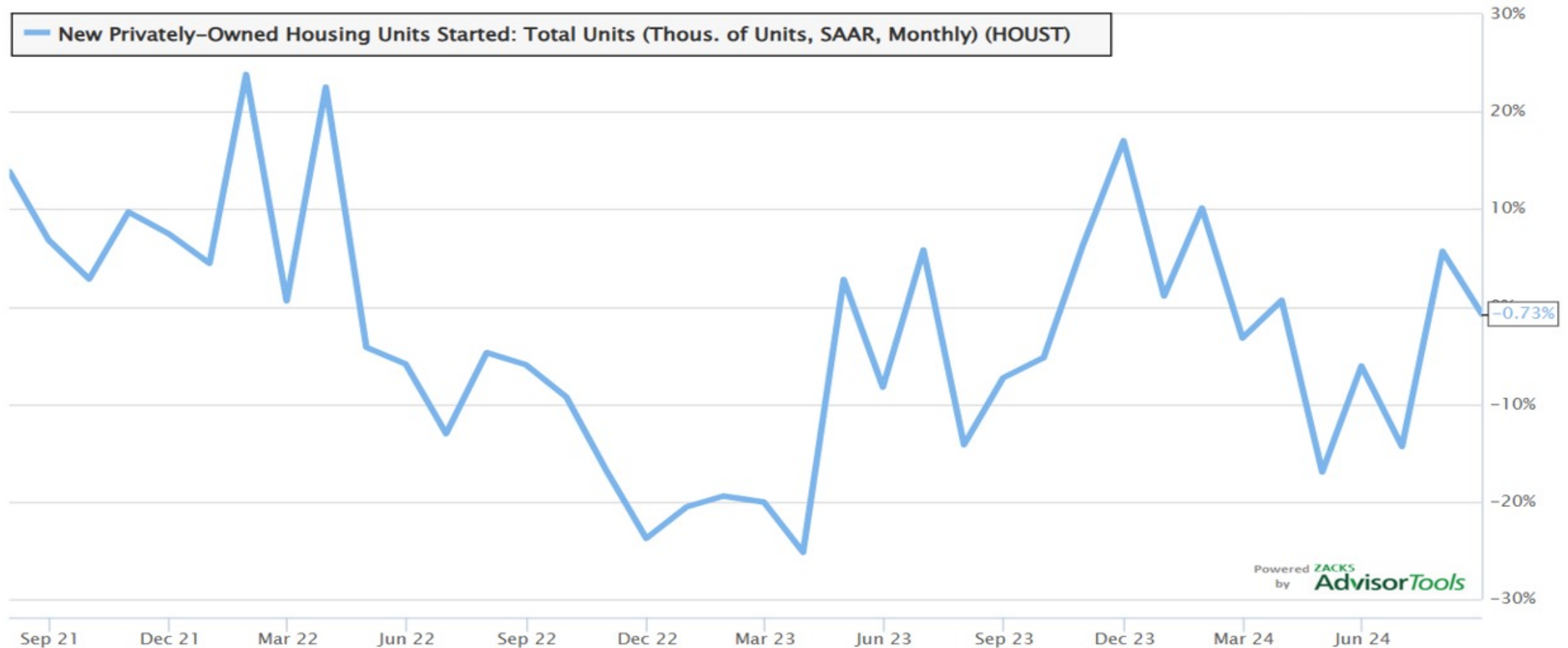
## 2021 to 2024



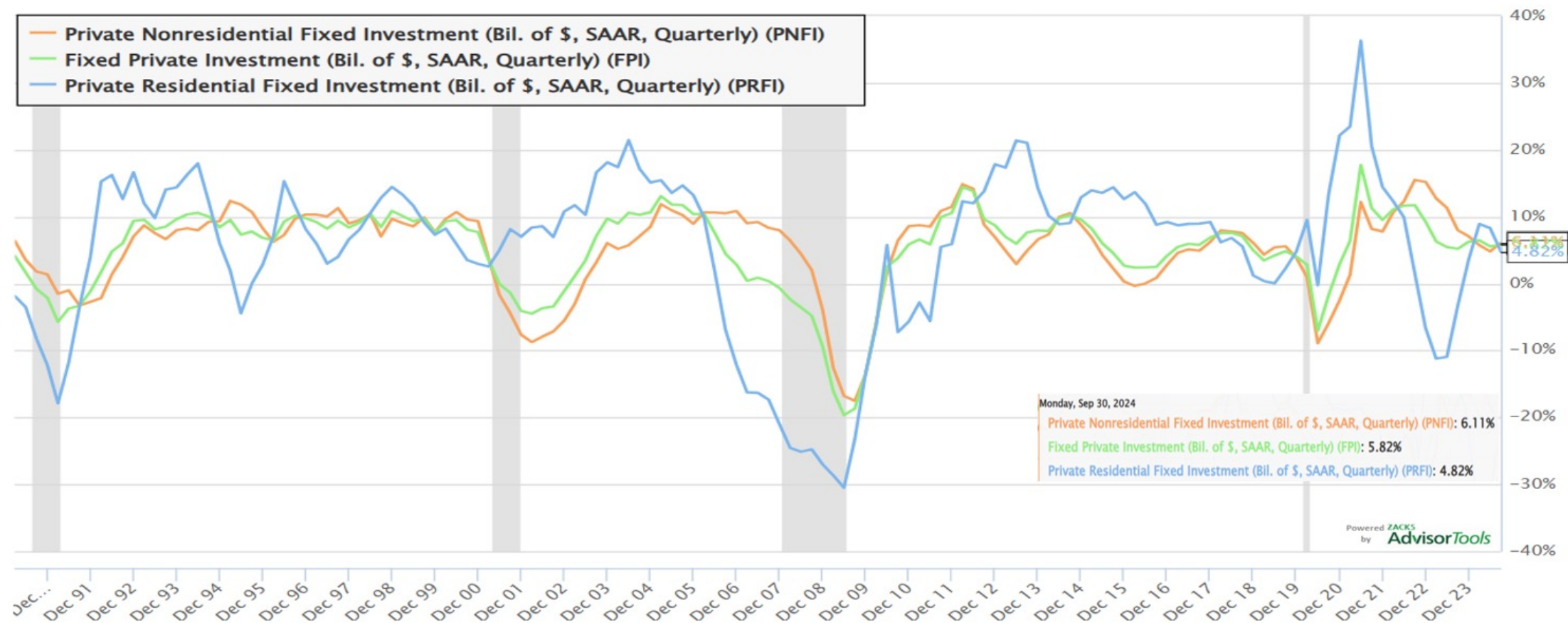


# U.S. Housing Starts

## 2021 to 2024



# Fixed Private Investment (1991 to 2024), Private Residential Fixed Investment, and Private Nonresidential Fixed Investment.





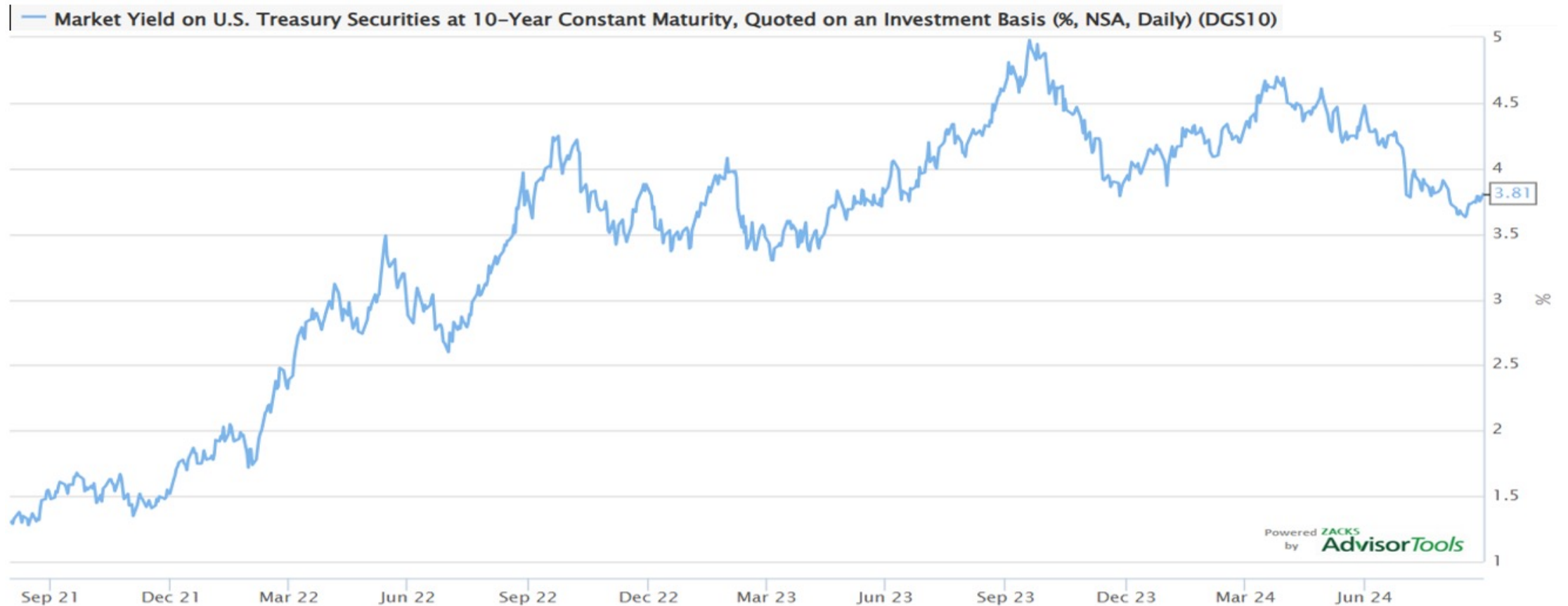
# Part Three:

## U.S. Financial Conditions

*What broad current conditions should traders and investors be made aware of?*

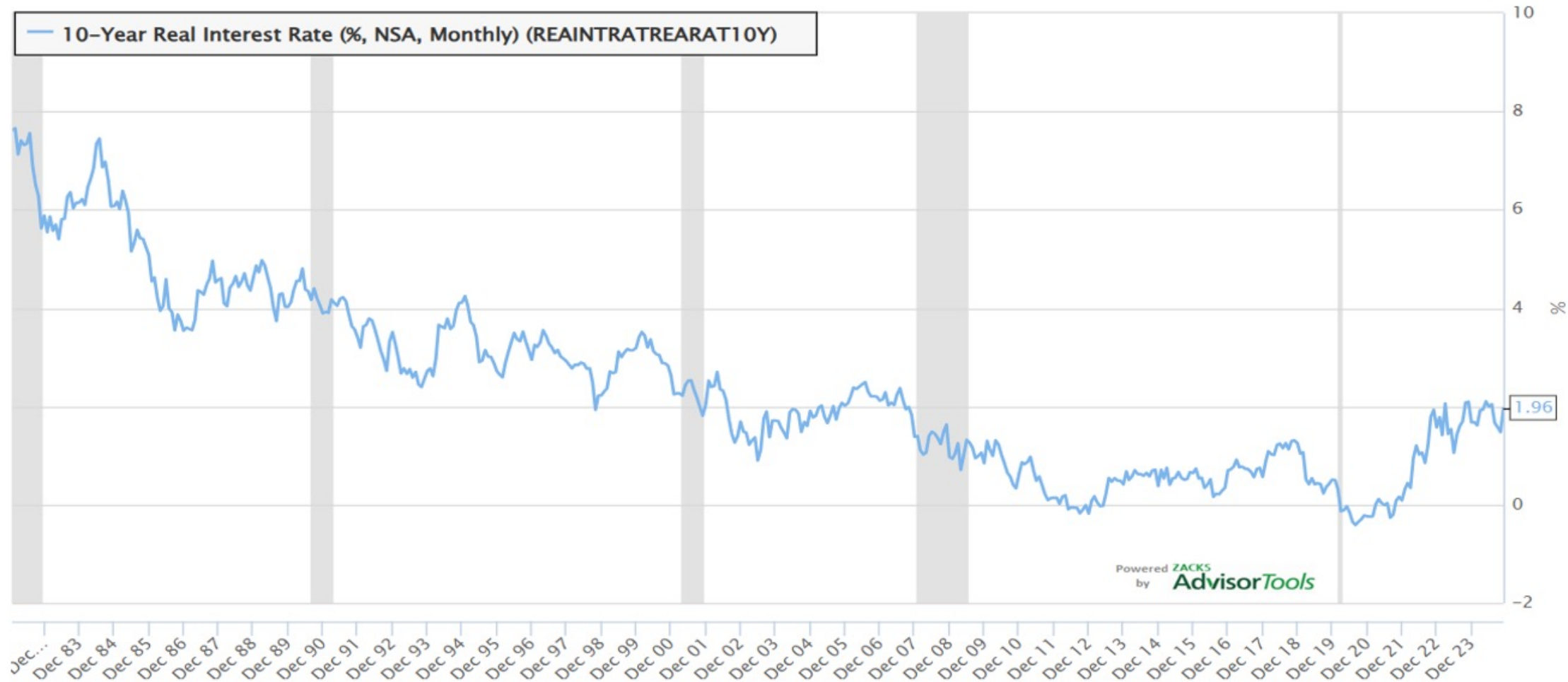
# U.S. 10-year Treasury, at Constant Maturity

## 2021 to 2024

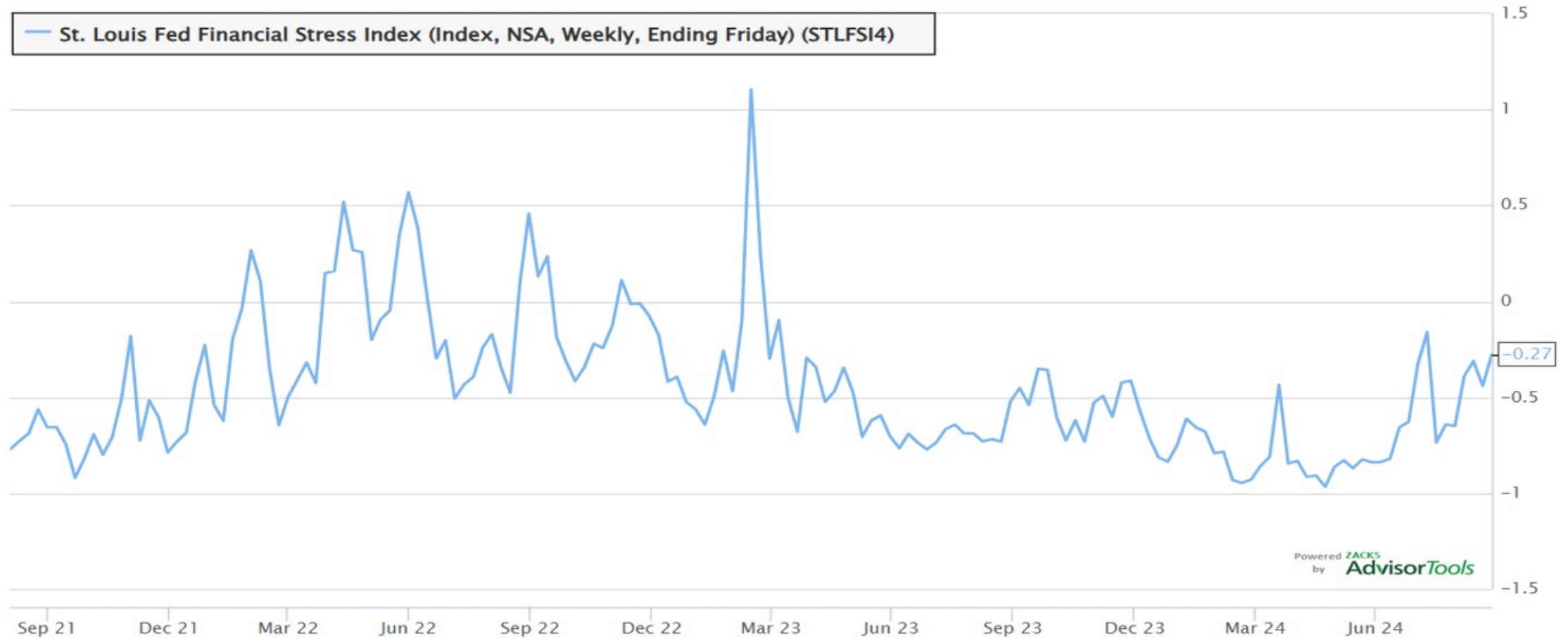


# U.S. Treasury 10-year Real Interest Rate

## 1984-2024



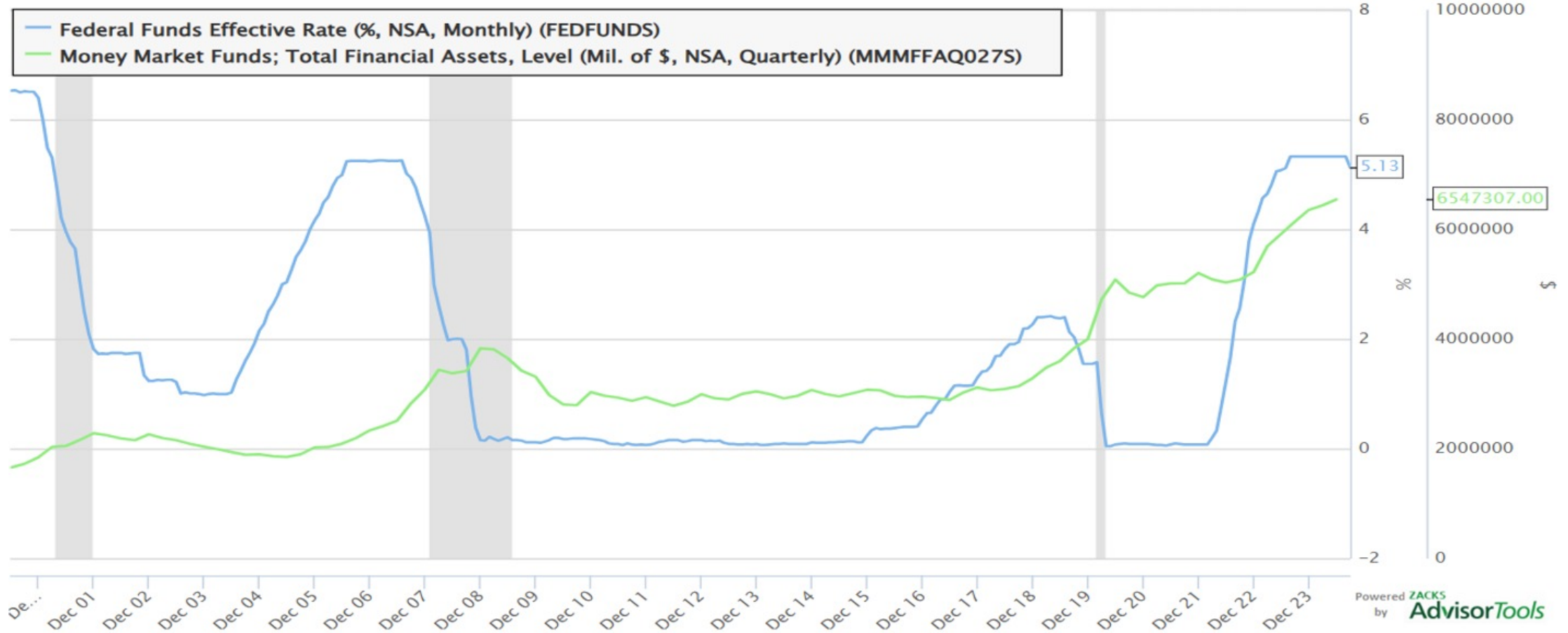
# St. Louis Fed Financial Stress Index 2021 to 2024





# Fed Funds Effective Rate

## Money Market Funds (Change from year ago, \$M)



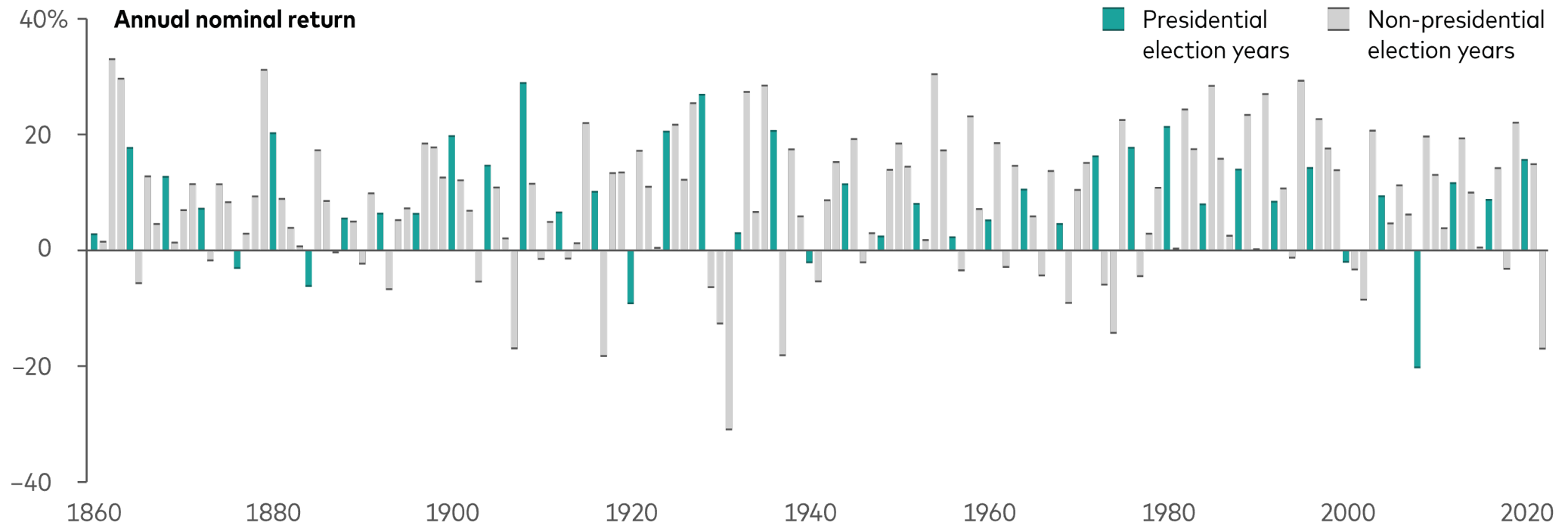
## JP Morgan Trading Desk, in the Fall of 2024

“.. Over the past 40 years, the Fed has cut rates 12 times, with the S&P500 within 1% of an all-time high.”

“The market was higher a year later all 12 times, with an average return of around +15%.”

# Vanguard's work on Presidential Elections

## 1860 to 2024



**Annual  
compound  
return**

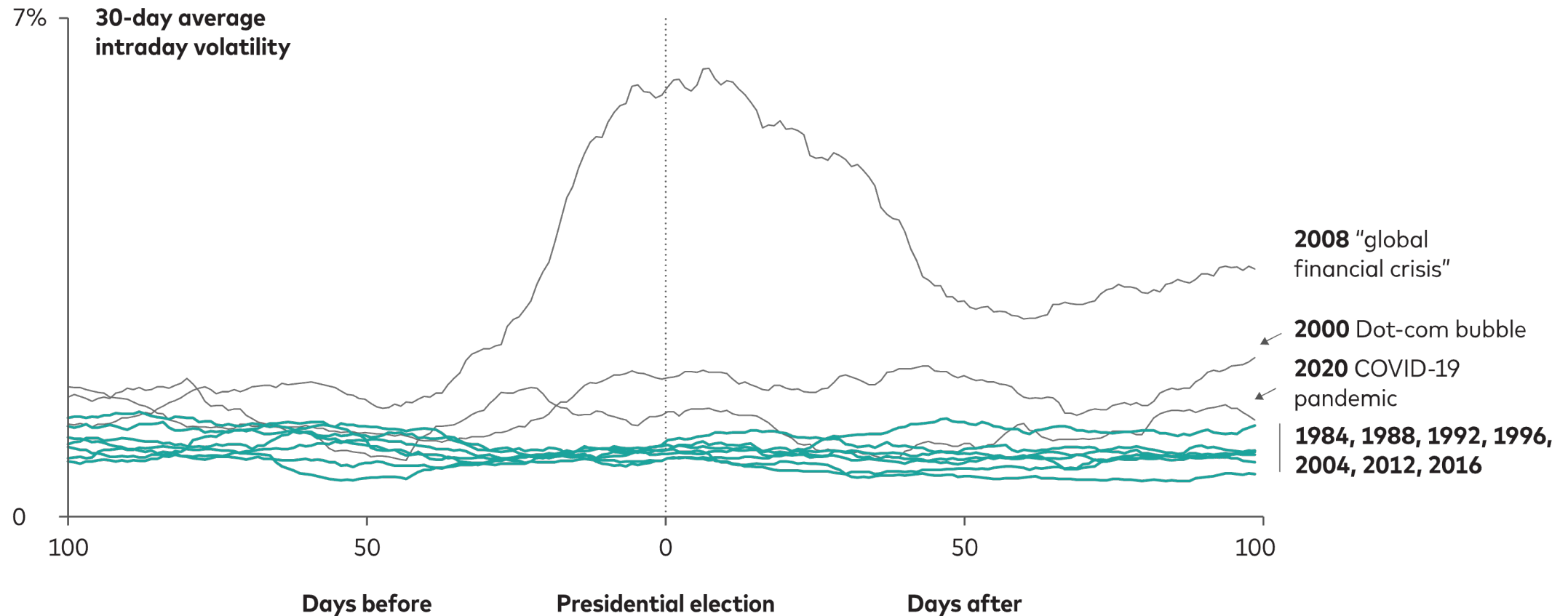
**8.7%**

**Presidential  
election years  
(41 periods)**

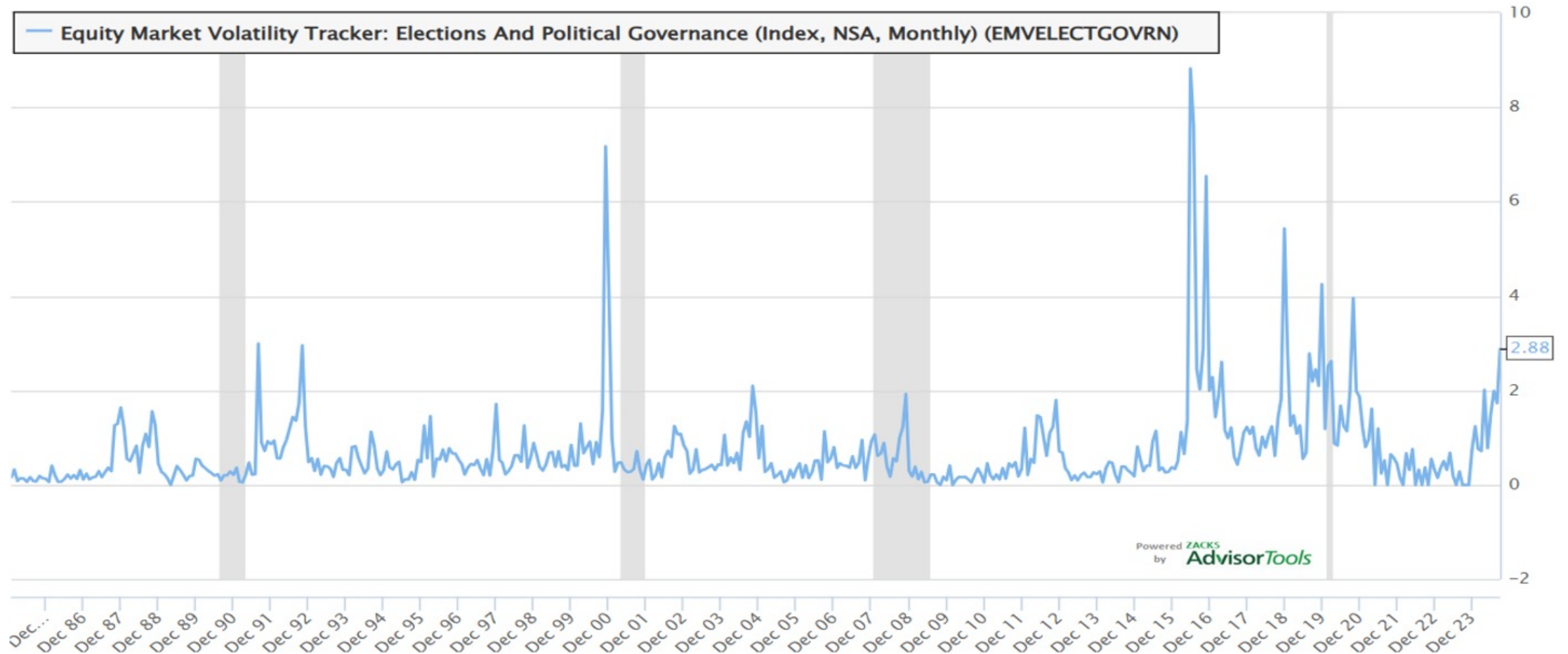
**7.7%**

**Non-presidential  
election years  
(122 periods)**

# Vanguard 2024: Volatility and the Vote in Presidential Elections from 1984 to 2020: Markets Tend to Ignore the Results



# FRED's Equity Market Volatility Tracker: Elections and Political Governance



# From NYC's Richard Bernstein Advisors.

## A slide put out in Fall 2024

- The LEADING Indicators have bottomed, which typically signals an end to a recession, and stronger growth ahead.
- The Fed's aggressive rate cut will likely put fuel on the fire.





# Why no U.S. recession this time?

One reason: Federal Government policy made the economy **BETTER** this time.

(Keep this in your mind: the U.S. and U.K. Federal gov'ts operate in a wartime propaganda setting.  
Think of the macro damage Brexit has caused.)

A Final (related) Lesson: Stay out of Rabbit Holes

Definition: A complexly bizarre or difficult state or situation, conceived of as a hole into which one falls or descends. Especially: One in which the pursuit of something (such as an answer or solution) leads to other questions, problems, or pursuits.

The **NBER's** traditional definition of a **recession** involves a decline in economic activity that lasts more than a few months (Say 2 quarters of negative real GDP growth). **That's it.**

“Studies show that 84% of traders who read Zerohedge have captured 0% of this greatest bull market in history.”

- Jason, at 3 Peaks Options Trading

“Some of us are naturally wired to be bearish. Most of us, probably. I was once too. If you can't recognize that in yourself and then figure out how to fix it, you will never do well in markets--**unless maybe you write well and prolifically and sell subscriptions to others who are wired to be bearish.**” — Macroeconomist Mark Dow

While trying to find the picture again on Google,  
I fell down the Cosmo *rabbit hole*,  
Scrolling through a gallery of swimwear,  
Then through "How to Be Sexier-Instantly"  
And then through all 23 slides of "Sexy Ideas for Long Hair."

—Edith Zimmerman

# Thank You for Attending!

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**John Blank, PhD**

Zacks Chief Equity Strategist and Economist

Zacks Professional Services

866-794-6065

strategycall@zackspro.com

www.zackspro.com



Zacks Professional Services



@ZATools