

ECONOMY

Markets within reach
of record levels

THINK STRATEGICALLY:

Never Trouble Trouble Until Trouble Troubles You!

U.S. Economy has 43 Billionaire Immigrants; 7 Percent
of U.S. Population Spanish Speaking; Volatility Ensnarls Markets

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The Trump immigration discrimination

Since its founding, the United States has been comprised of immigrants, and in 1850 they composed large percentages of the total U.S. population, with Britain, for example, at 1.3 percent of the population, Ireland at 4.9 percent, Germany 4.6 percent and Italy 0.6 percent. Examining some of the immigrants who were critical at the turn of the 20th century, there was U.S. Steel's Andrew Carnegie, of Scotland, who had a net worth of about \$3.5 billion in today's dollars; E.I. DuPont (France), of the DuPont family, now worth \$14 billion; Bob Hope (Britain), comedian and actor \$150 million; Chef Ettore Boiardi (Italy) \$60 million, better known as Chef Boyardee, yes, as in Beefaroni and other canned pastas; John Roebling (German), builder/designer of the Brooklyn Bridge; and Albert Einstein (Germany) \$1 million, notable for the theory of relativity and a Nobel laureate in physics. These are just some examples of immigrants who changed the nature of the United States and the world.

After the 1980s, the immigrant composition shifted materially and, by 2016, Mexicans comprised 3.7 percent of the

total U.S. population, while other Latin Americans represented 3.4 percent of the U.S. population. In total, between Mexico and Latin America, there are 23 million Spanish-speaking immigrants in the U.S., or 7 percent of the total U.S. population of 327.3 million.

However, looking closely at immigrants' contribution in the U.S., there are more than 43 billionaires who made their wealth as immigrants in the U.S. Collectively, the group has nearly \$300 billion in wealth.

The United States would not be what it is today without the immigrant populations' contributions. Decades of discriminatory policies and international humanitarian crises have sometimes made it very difficult and other times very easy to immigrate to the U.S. The trend repeats itself with Mexicans and Latin Americans seeking work opportunities in the U.S. and chasing the U.S. American dream. In total, there are north of 44 million legal immigrants in the U.S., or 13.4 percent of the total U.S. population, which is a number that is large enough to change the results of any U.S. election, and I genuinely believe President Trump does not

understand the power of the immigrant vote in the U.S.—and this is without accounting for a recent Yale University study that estimates there is another 22 million illegal immigrants.

Immigration policies have not worked in the U.S. for a long time, and it's time to prepare a just and adequate approach to treat all immigrants who want to chase the American Dream. Having said that, the style in which the Trump

administration and the president are going about these policies creates a cultural divide that has increased bigotry, discrimination, persecution and targets Mexican and Latin American populations.

The president must analyze the immigration trends and their contribution to the U.S. before continuing to embark on the divisionist policies that are rocking the U.S. The advice for him is to “never trouble trouble until trouble troubles you,” otherwise you will have trouble getting re-elected without the massive voting bloc of the nation's 44 million immigrants and, as Lin-Manuel Miranda's “Hamilton” says: “Immigrants, we get the job done.”

Week in markets: Strong economic data, U.S.-China truce add stability

The big economic data announced last week, combined with the truce over the trade war between the U.S. and China, and mixed with the European Central Bank's rate cut have allowed markets to be within reach of record levels. After the Chinese government announced the exemption of some U.S. products from tariffs, President Trump responded by delaying by two weeks a \$250 billion tariff increase on Chinese products due to be enacted Oct. 1, 2019, and, by an act of pure coincidence, on the 70th anniversary of the People's Republic of China. The market reacted with cautious optimism that these actions by both sides would allow them to reach a finalized trade deal.

The Dow Jones Industrial Average closed the week at 27,219.52, for a gain of 422.06 points, or 1.58 percent, and a year-to-date (YTD) return of 16.70 percent. In addition, the S&P 500 closed the week at 3,007.39, for a gain of 28.68, or 0.96 percent, and a YTD return of 20.00 percent. The Nasdaq closed the week at 8,176.71 for an increase of 75.64

or 0.91 percent, and a YTD return of 23.20 percent. Meanwhile, the U.S. Treasury's 10-year note rose during the week, closing at 1.90 percent, or an increase of 21.79 percent, with a YTD return of minus-0.78 percent, and the U.S. Treasury 2-year note rose during the week to 1.8 percent, rise of 16.88 percent for the week, with a YTD return of minus-1.02 percent.

Most equities recorded an intense week and placed the U.S. stock market within as close as 1 percent of the all-time highs reached in late July.

Market drivers?

- The number of hires edged up to 6 million in July 2019.
- Total nonfarm payroll employment increased by 130,000 in August. Job growth has averaged 158,000 per month in 2019, which is below 2018's average monthly gain of 223,000.
- For second quarter of 2019, real hourly compensation rose 2.5 percent.
- Average expenditures per consumer unit for 2018 were \$61,224, a 1.9-percent increase.
- The Consumer Price Index-All Urban Consumers (CPI-U) rose 2.4 percent.
- Forty-four-point-six percent of high-school dropouts and 72.3 percent of college graduates were employed in August 2019.
- The U.S.-China truce, for now.

Final Word: Reserve Bank must cut rates 50 basis points

With all the recent positive economic news, it has allowed the markets to stave off the current fears of an impending recession. If you include the tariffs' détente, which signals progress in reaching a final trade deal, allowing the markets to rebound. While we are not the least bit surprised with the recent market numbers, as we have forecast, that volatility would ensnarl the markets until a trade deal is reached. Finally, we expect the Federal Reserve Bank will follow the European Central Bank's decision and will reduce rates as well; however, we believe the rate reduction has to be large enough, a minimum of 50 basis points, to allow the economy to continue its momentum, because we believe there is a substantial underestimation of prospects of an economic slowdown as we have a now-casting of just shy of 2.1 for the U.S. gross domestic product.

Top 5 Billionaires

Name	Origin	Wealth	Company
Sergey Brin	Russia	\$49.80B	Google
Elon Musk	South Africa	\$22.30B	Tesla Motors
Len Blavatnik	Ukraine	\$17.70B	Access Industries
Thomas Peterffy	Hungary	\$17.10B	Interactive Brokers
Pierre Omidyar	France	\$11.40B	eBay

Weekly Market Close Comparison	9/13/19	9/6/19	Change	YTD
Dow Jones Industrial Average	27,219.52	26,797.46	1.58%	16.70%
Standard & Poor's 500	3,007.39	2,978.71	0.96%	20.00%
Nasdaq	8,176.71	8,103.07	0.91%	23.20%
U.S. Treasury 10-Year Note	1.90%	1.56%	21.79%	-0.780%
U.S. Treasury 2-Year Note	1.80%	1.54%	16.88%	-1.020%

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has more than 25 years of experience working with government, and multinational and public companies.