

Beginning our Initial Approach for this Flight



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Still at high altitude at rapid speed,
starting a gradual descent



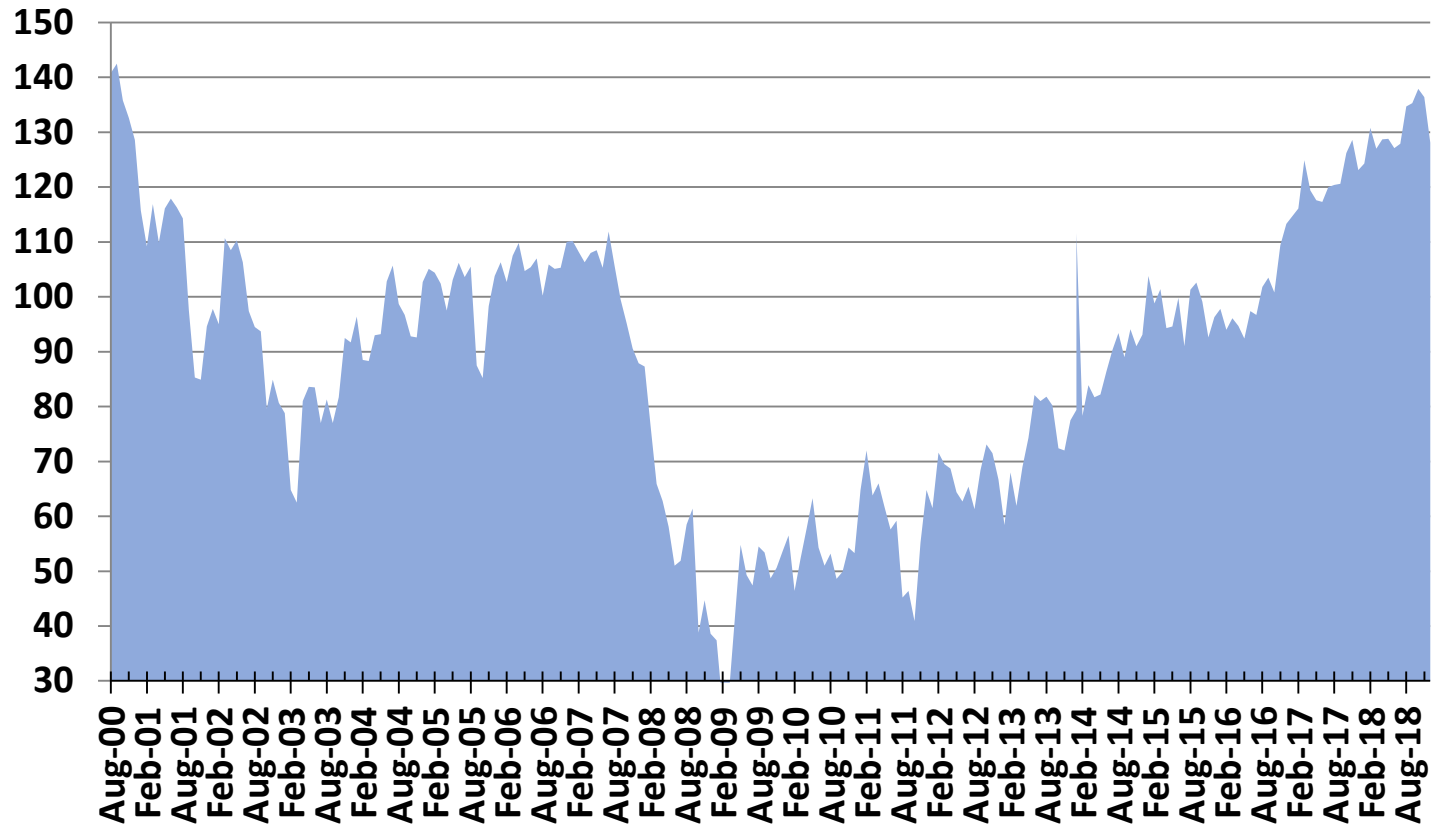
Not touching down

Not a crash



Consumer Confidence Index

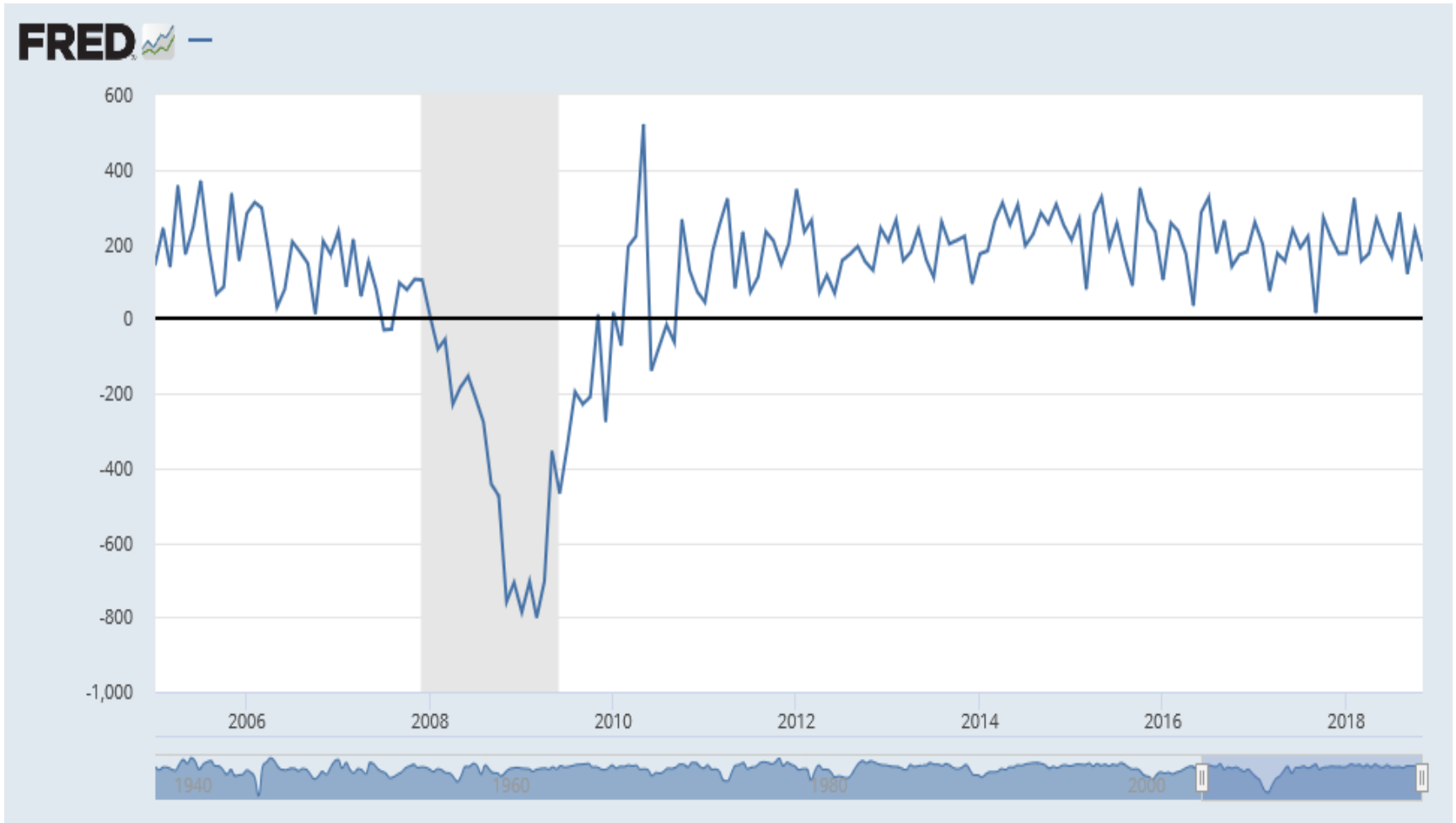
August 1980 to present



Source: The Conference Board

Monthly Increase in Jobs

2005 to present



Source: Bureau of Labor Statistics; Federal Reserve Bank of St. Louis

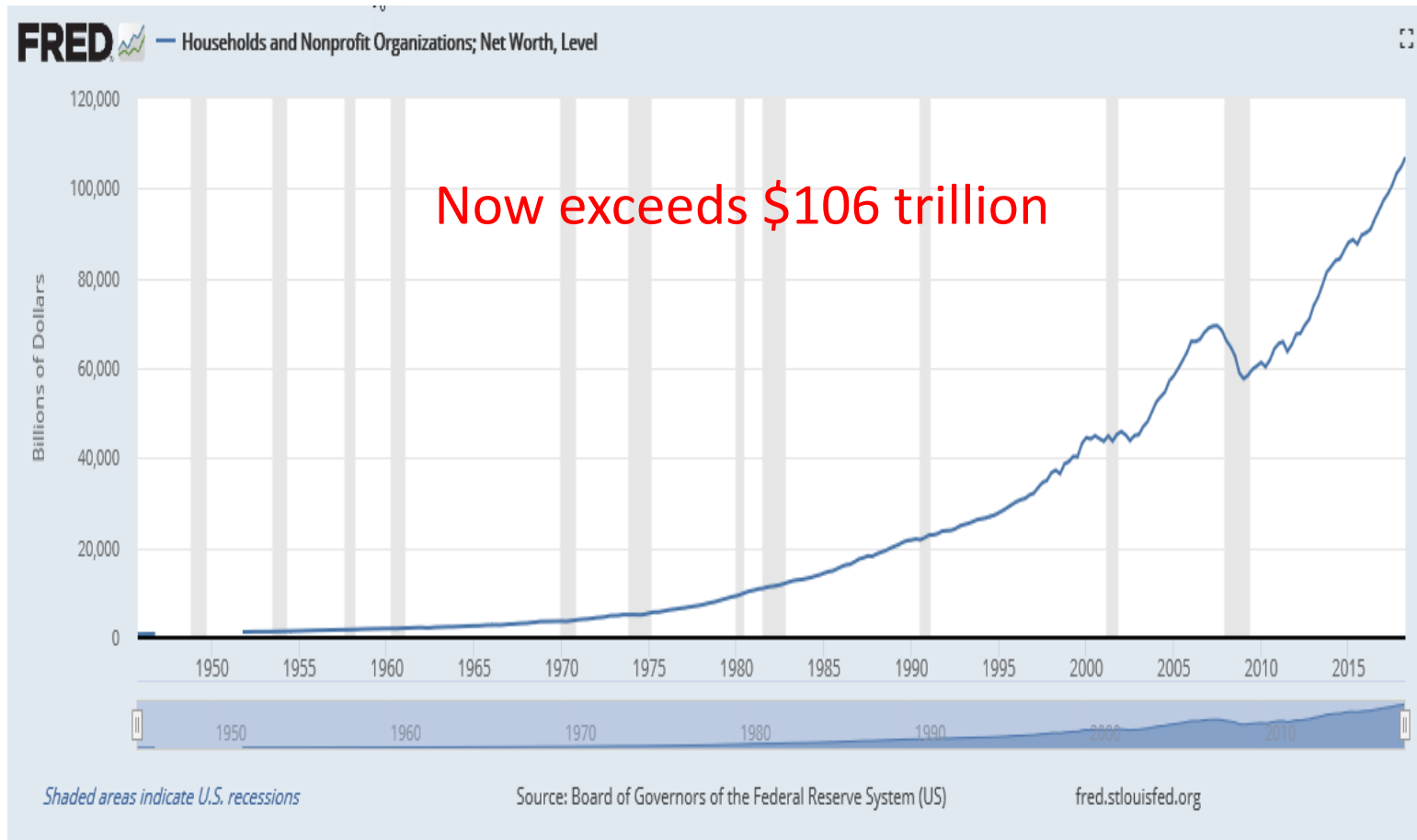
Rate of Wage Growth

1965 to present



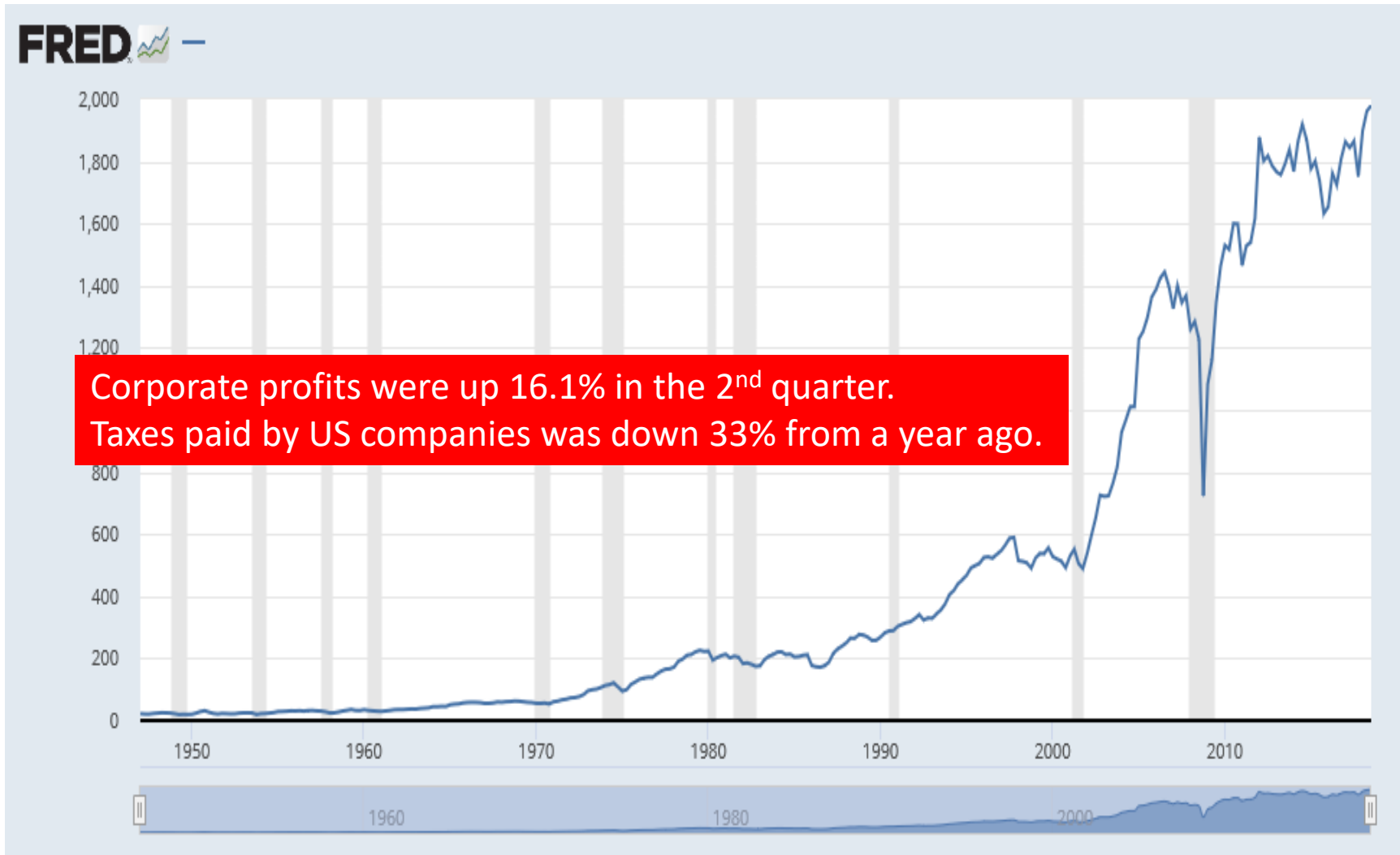
Source: Federal Reserve Bank of St. Louis

Household Net Worth since 1980



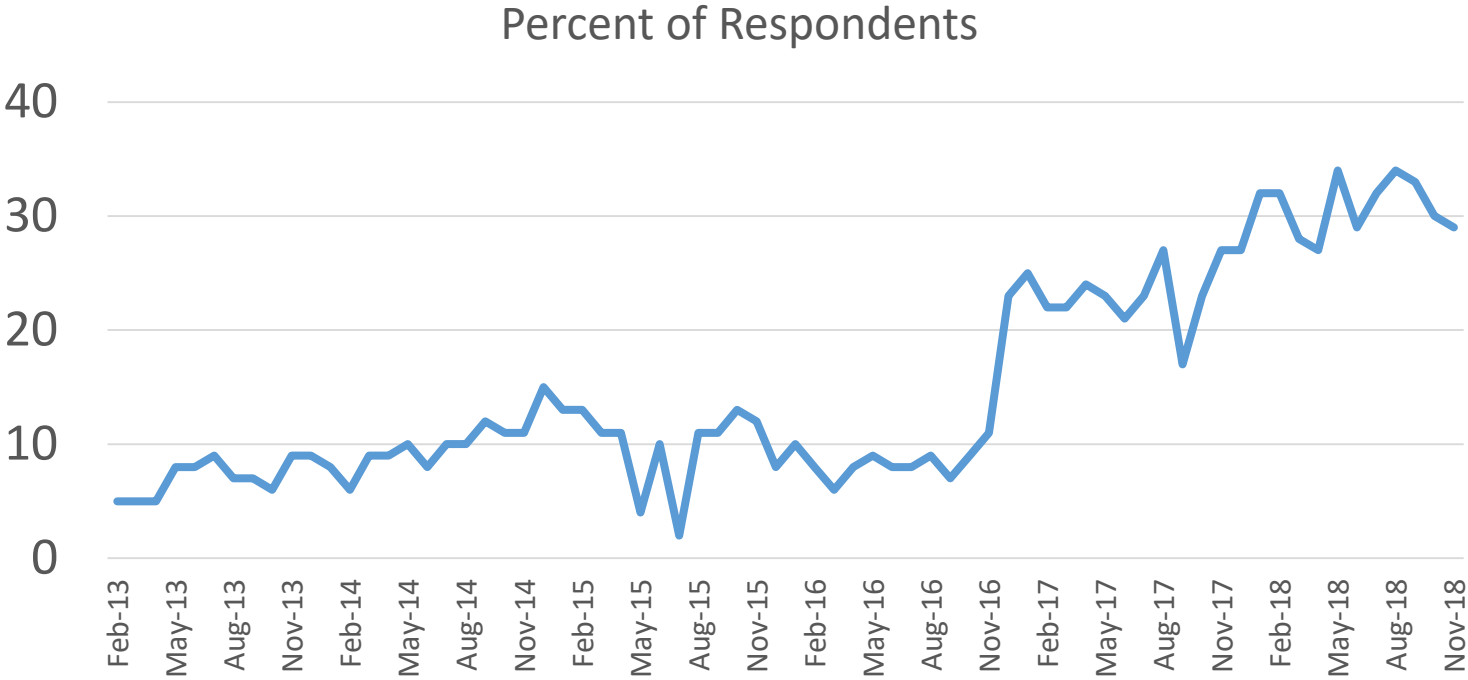
Source: Federal Reserve Bank of St. Louis

Corporate Profits



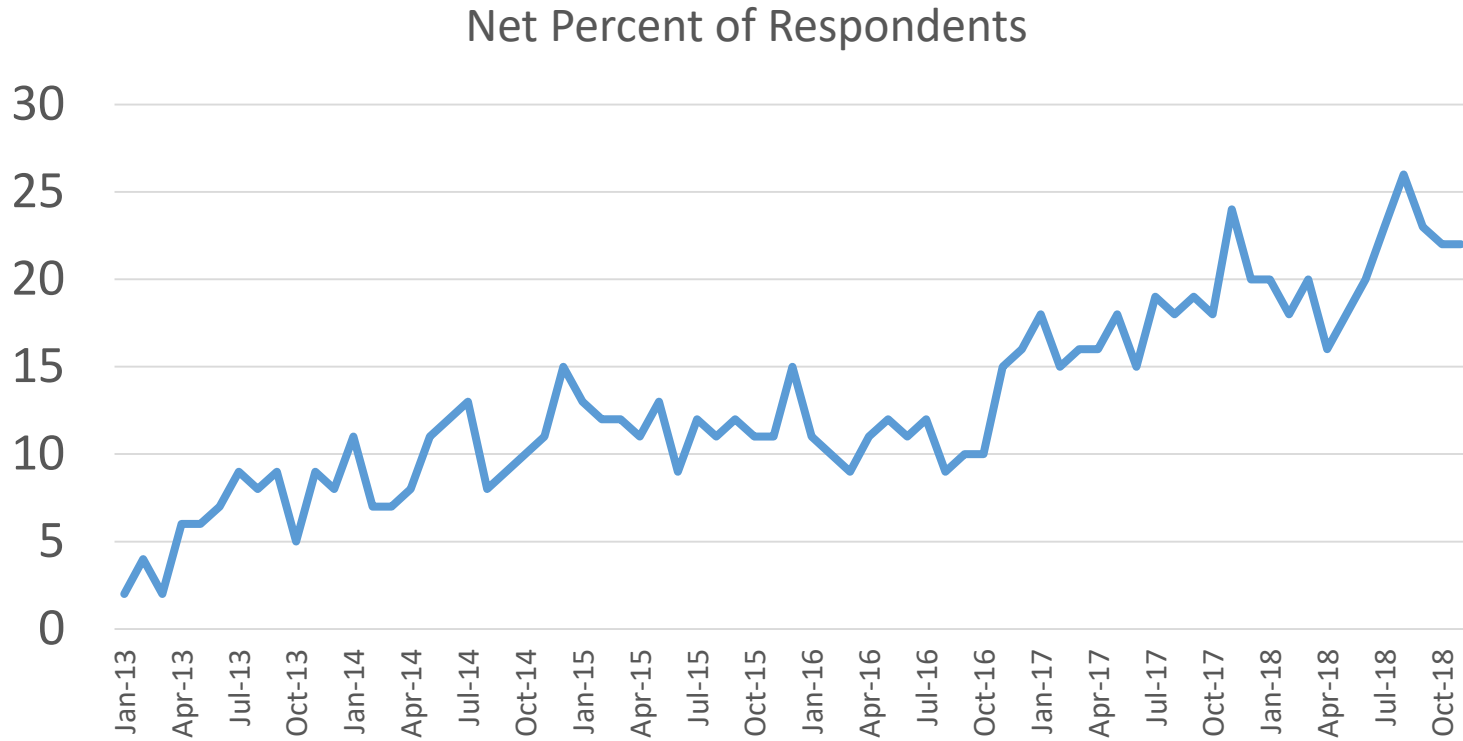
Source: Federal Reserve Bank of St. Louis

Small Business Confidence: “Now is a Good Time to Expand”



Source: National Federation of Independent Business

Small Business Confidence: “Hiring Plans in the Next Three Months”



Source: National Federation of Independent Business

Large Corporate Hiring Plans: Next 6 Months

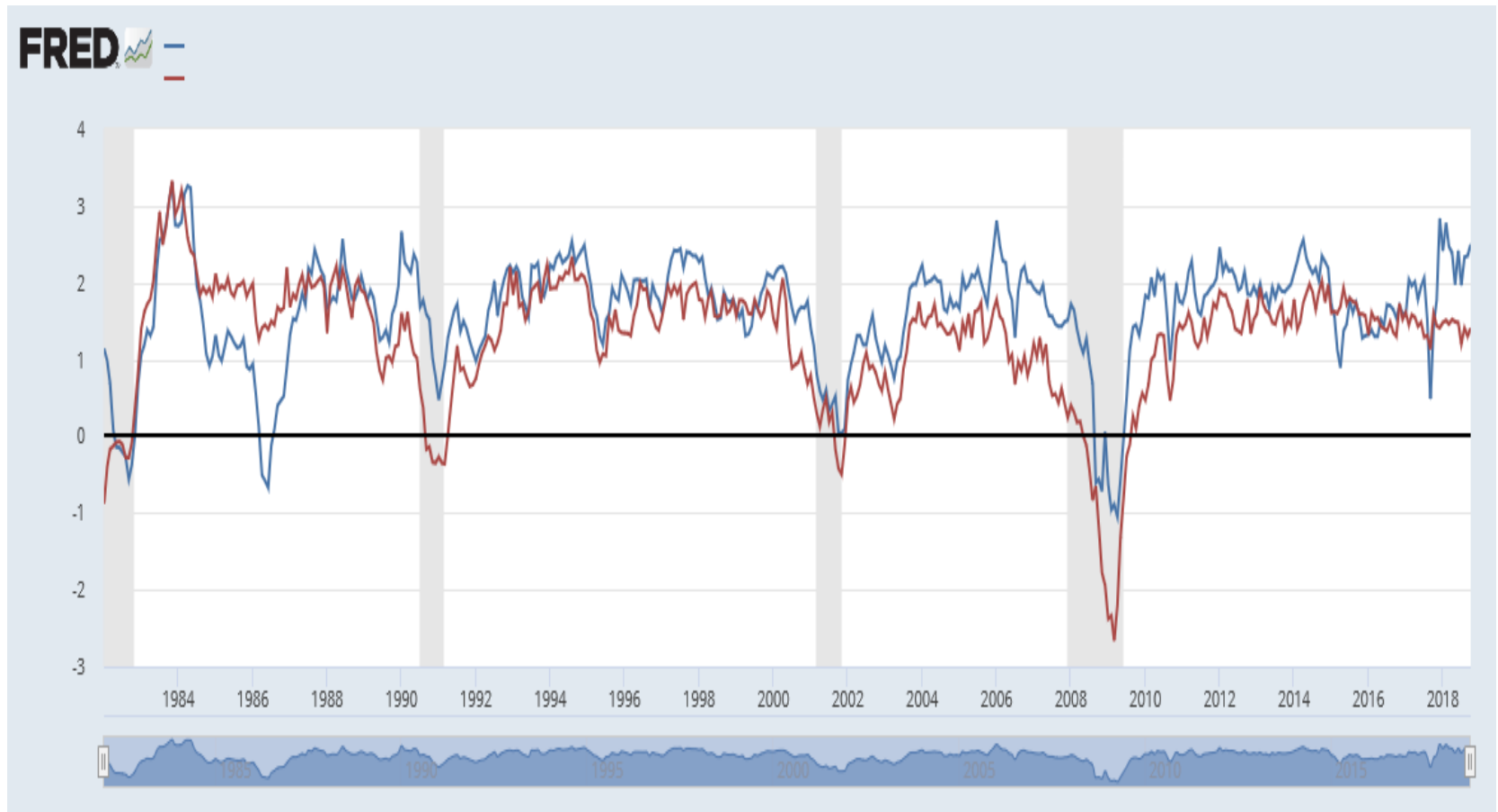
Q3-18 Q2-18 Q1-18 Q4-17

More Jobs 56% 58% 61% 43%

Less Jobs 13% 13% 13% 18%

Index of Leading Economic Indicators

1983 to present



Source: Federal Reserve Bank of St. Louis

Job Openings in America

Looking for Workers

Total Job Openings in August	7,136,000
Construction	298,000
Manufacturing	488,000
Trade, Transportation, Utilities	1,279,000
Professional & Business Services	1,318,000
Education & Health Care	1,272,000
Leisure & Hospitality	984,000
Government	673,000

Source: Bureau of Labor Statistics
BLS release on September 11, 2018

Longest U.S. Economic Expansions

Current expansion began in June, 2009

- Mar 1991 to Mar 2001 120 months
- Feb 1961 to Dec 1969 106 months
- Nov 1982 to Jul 1990 92 months
- Jun 1938 to Feb 1945 80 months
- Nov 2001 to Dec 2007 73 months

Current expansion as of January 2019 is 115 months

Longest U.S. Economic Contractions

Average contraction since 1945 lasts 11 months

- Dec 2007 to Jun 2009 18 months
- Jul 1981 to Nov 1982 16 months
- Nov 1973 to Mar 1975 16 months
- Dec 1969 to Nov 1970 11 months
- Nov 1948 to Oct 1949 11 months

Source: National Bureau of Economic Research

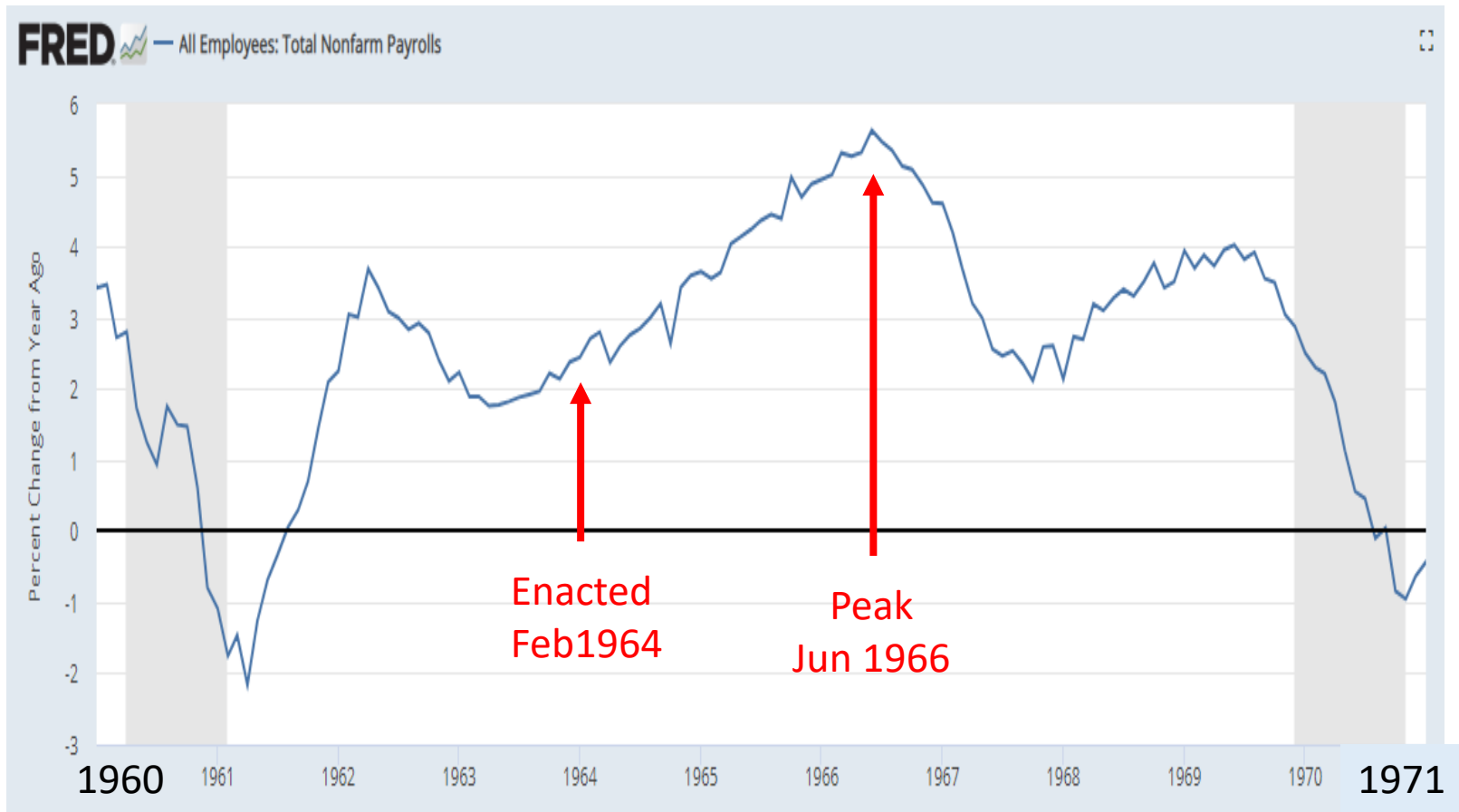


Revenue Act of 1964

Enacted February 26, 1964

- Recovery from recession of 1958 was slow.
- JFK campaigned in 1960 with the slogan of "getting America moving again."
- Proposed cutting individual tax rates from a range of 20-91% to 14-65%
- Proposed cutting the corporate tax rate from 52% to 47%.

Percentage Change in Employment After the Kennedy Tax Cuts



Source: Federal Reserve Bank of St. Louis

Tax Reform Act of 1986

Enacted October 22, 1986

Top rate for individuals cut from 50% to 38.5%.

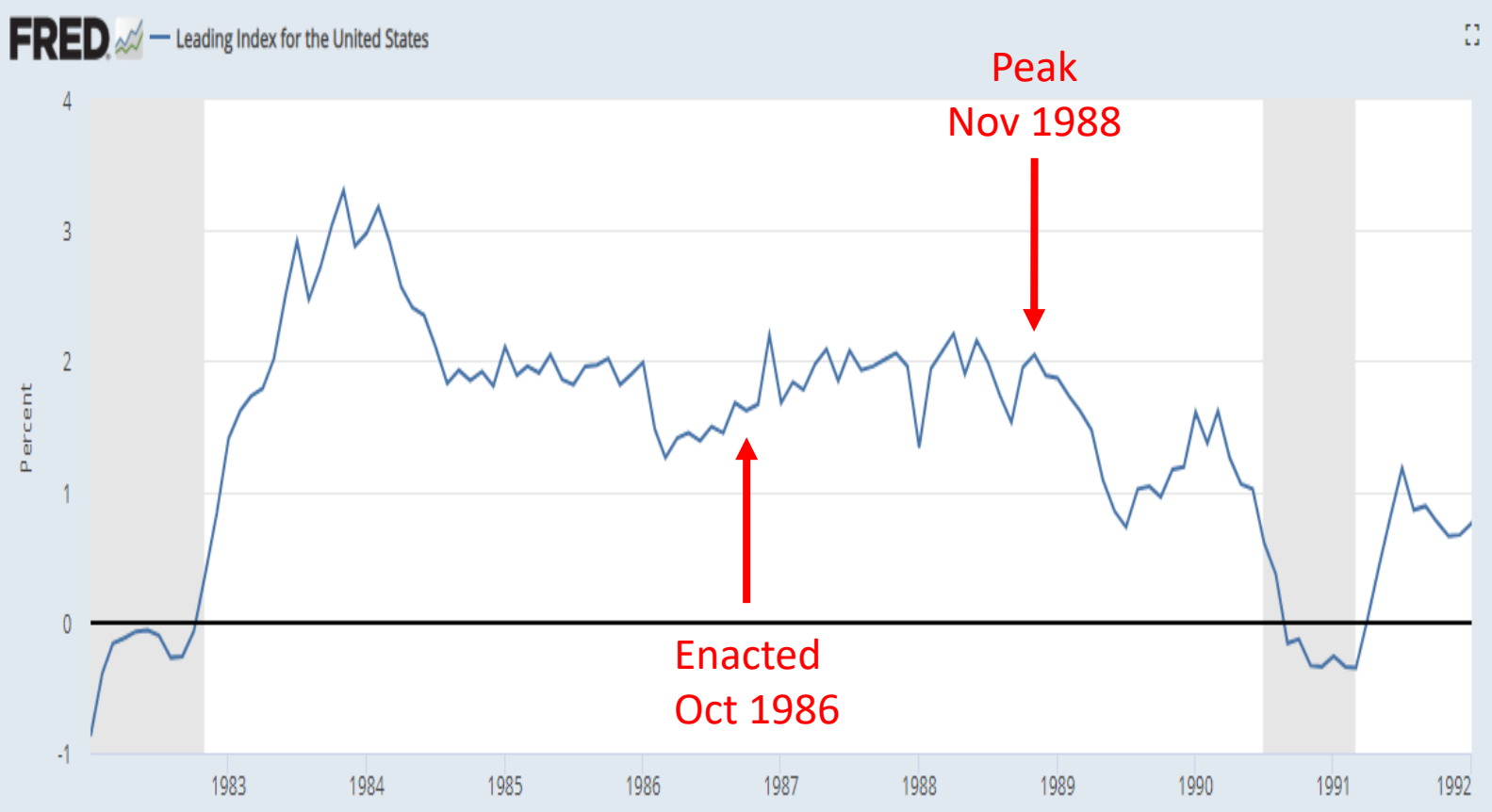
Major reduction of depreciation for real estate

Raised tax rates on capital gains.

Corporate tax rate lowered from 50% to 35%.



Index of Leading Economic Indicators After Reagan Tax Cuts



Source: Federal Reserve Bank of St. Louis

Texas Leading Index

1980 to present

Texas Leading Index

Index, 1987 = 100*

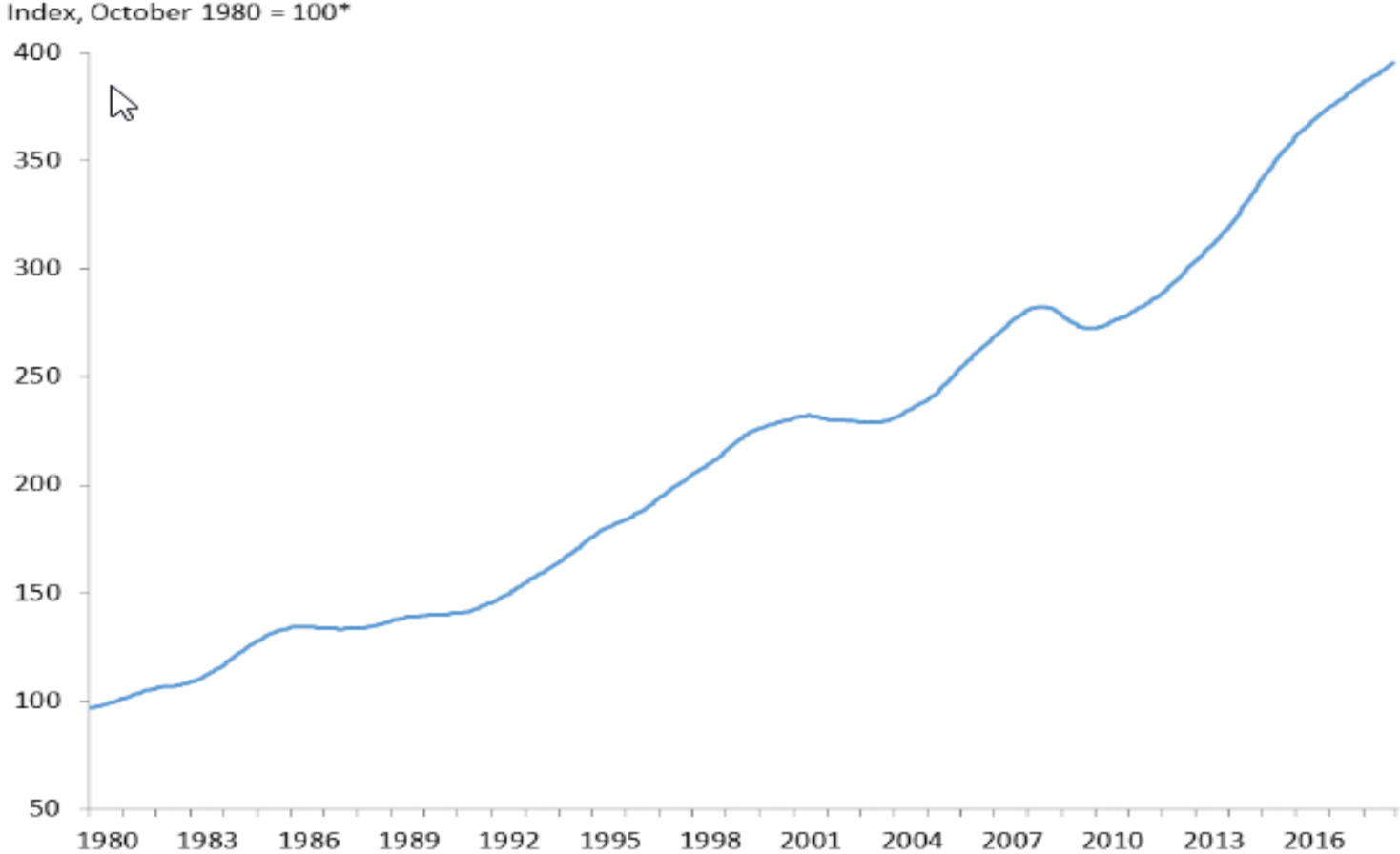


*Monthly, seasonally adjusted.
Last data entry November 2018.
SOURCE: Federal Reserve Bank of Dallas.

Source: Federal Reserve Bank of Dallas

San Antonio Business-Cycle Index

1983 to present



*Monthly, seasonally adjusted.
Last data entry November 2018.
SOURCE: Federal Reserve Bank of Dallas.

Population Projection: San Antonio Metro Area

Table 2: Metro SA (Feb 2013) Level [\[Top\]](#) Excel PDF CSV

Migration Rate ▲	Year ◆	Area Code ◆	Area Name ◆	Age ◆	Total Pop ◆
2000-2010	2010	41700	San Antonio-New Braunfels	All (0-85+)	2,142,508
2000-2010	2015	41700	San Antonio-New Braunfels	All (0-85+)	2,380,005
2000-2010	2020	41700	San Antonio-New Braunfels	All (0-85+)	2,635,183
2000-2010	2025	41700	San Antonio-New Braunfels	All (0-85+)	2,904,769
2000-2010	2030	41700	San Antonio-New Braunfels	All (0-85+)	3,182,644
2000-2010	2035	41700	San Antonio-New Braunfels	All (0-85+)	3,459,143
2000-2010	2040	41700	San Antonio-New Braunfels	All (0-85+)	3,735,981
2000-2010	2045	41700	San Antonio-New Braunfels	All (0-85+)	4,013,515
2000-2010	2050	41700	San Antonio-New Braunfels	All (0-85+)	4,294,232

Source: Texas State Data Center at UTSA

Why 2019 Will Be Slower

- Housing industry appears to have peaked
- Auto industry appears to have peaked
- Smart phone sales declined in 2017 for first time
- Low oil prices will pressure oil and gas
- Heavy duty trade negotiations with China
- Businesses not using tax benefits to expand
- Congress won't be interested in growth
- Downturn in stocks due to lower earnings growth

Why 2019 Will Be Slower

- Corporate earnings growth may have peaked
 - Defense spending may have peaked
 - Federal budget deficits can't get too much higher
 - Companies “buying ahead” inventory in front of tariffs
-
- **3% Interest on the 10-Year Treasury**

The Bond Market Super-Cycle

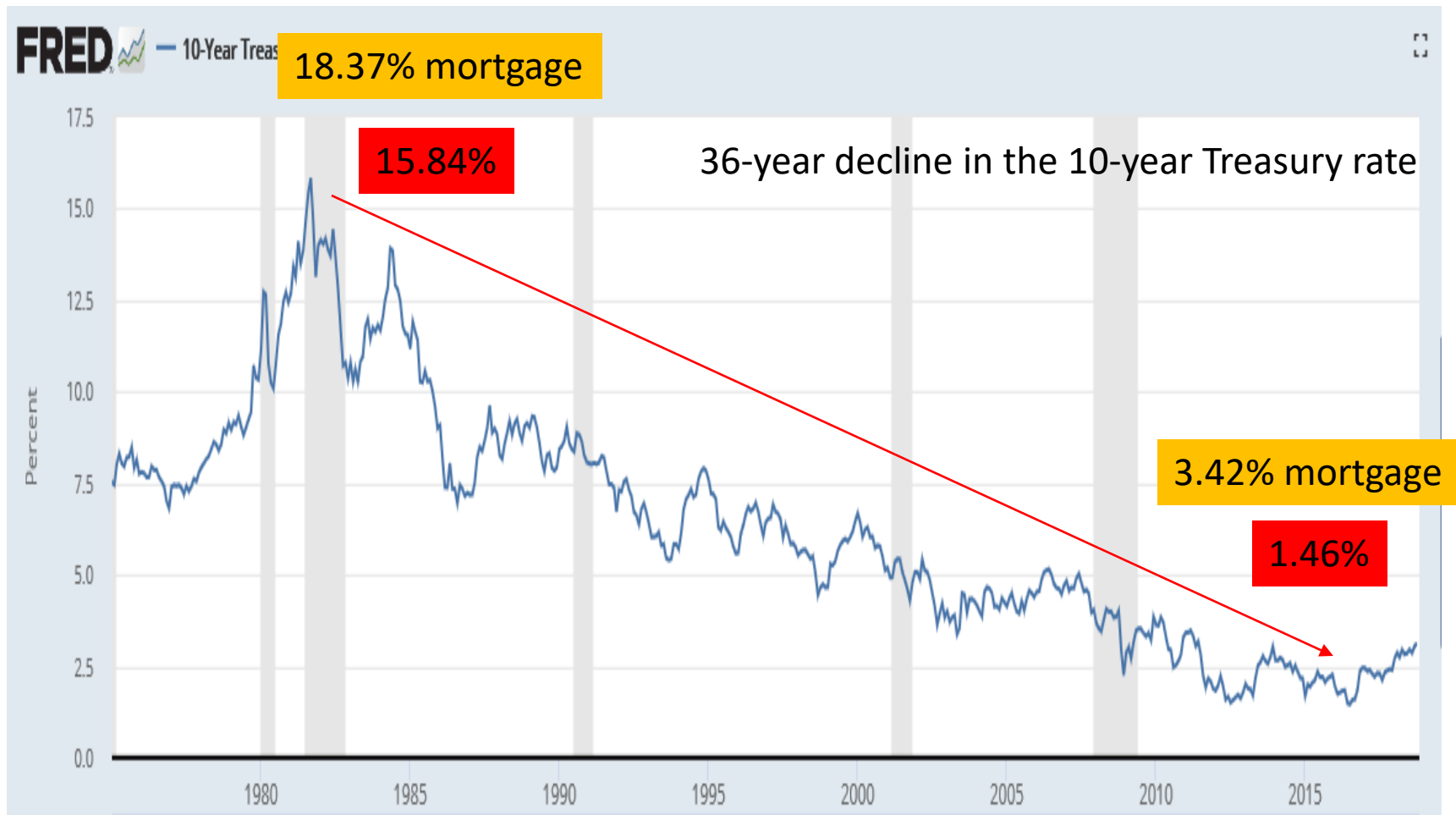
Ten-Year Treasury rate 1981 to Present



Source: Federal Reserve Bank of St. Louis

The Bond Market Super-Cycle

Ten-Year Treasury rate 1981 to Present

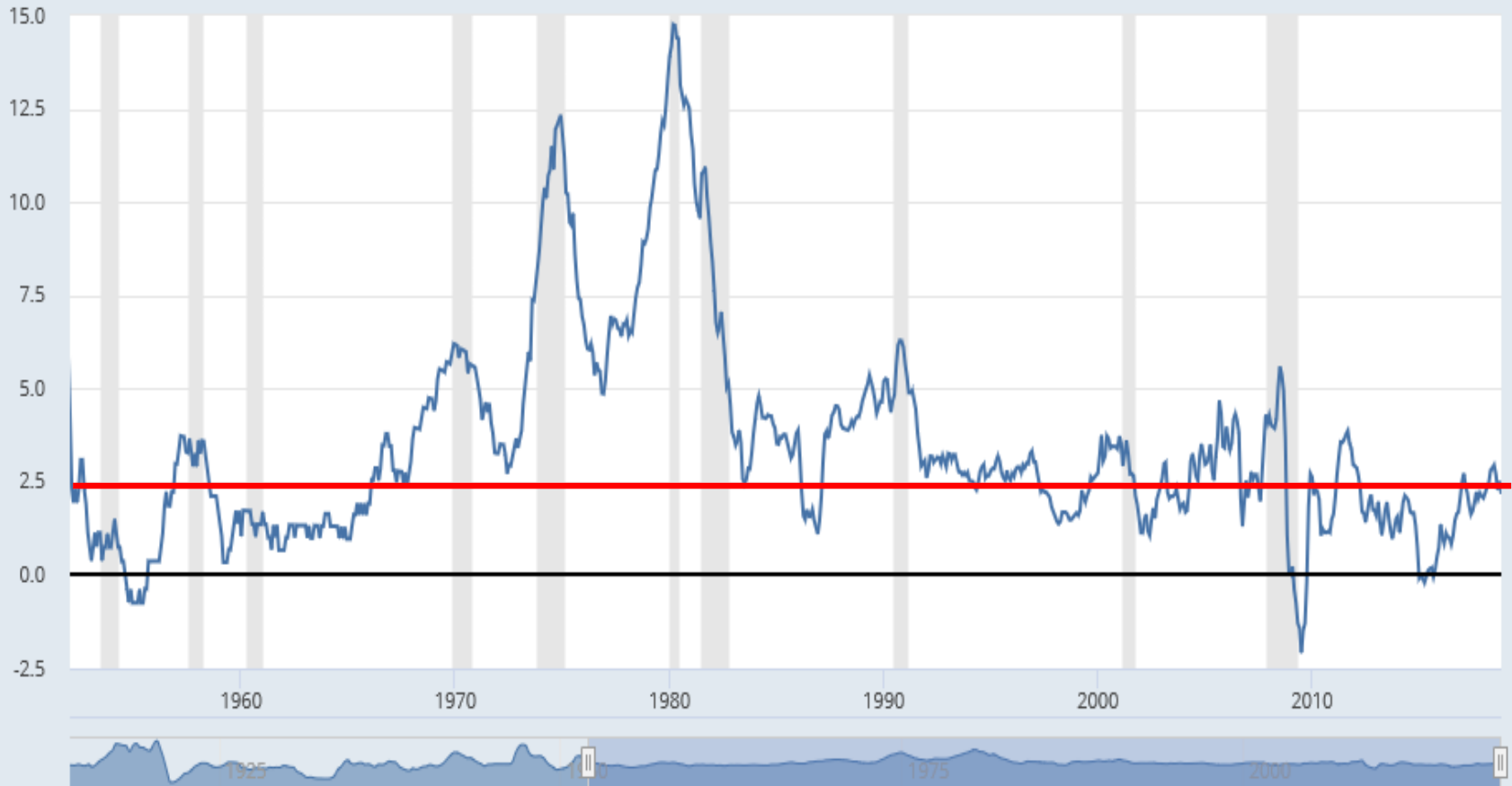


Source: Federal Reserve Bank of St. Louis

The CPI Inflation Rate

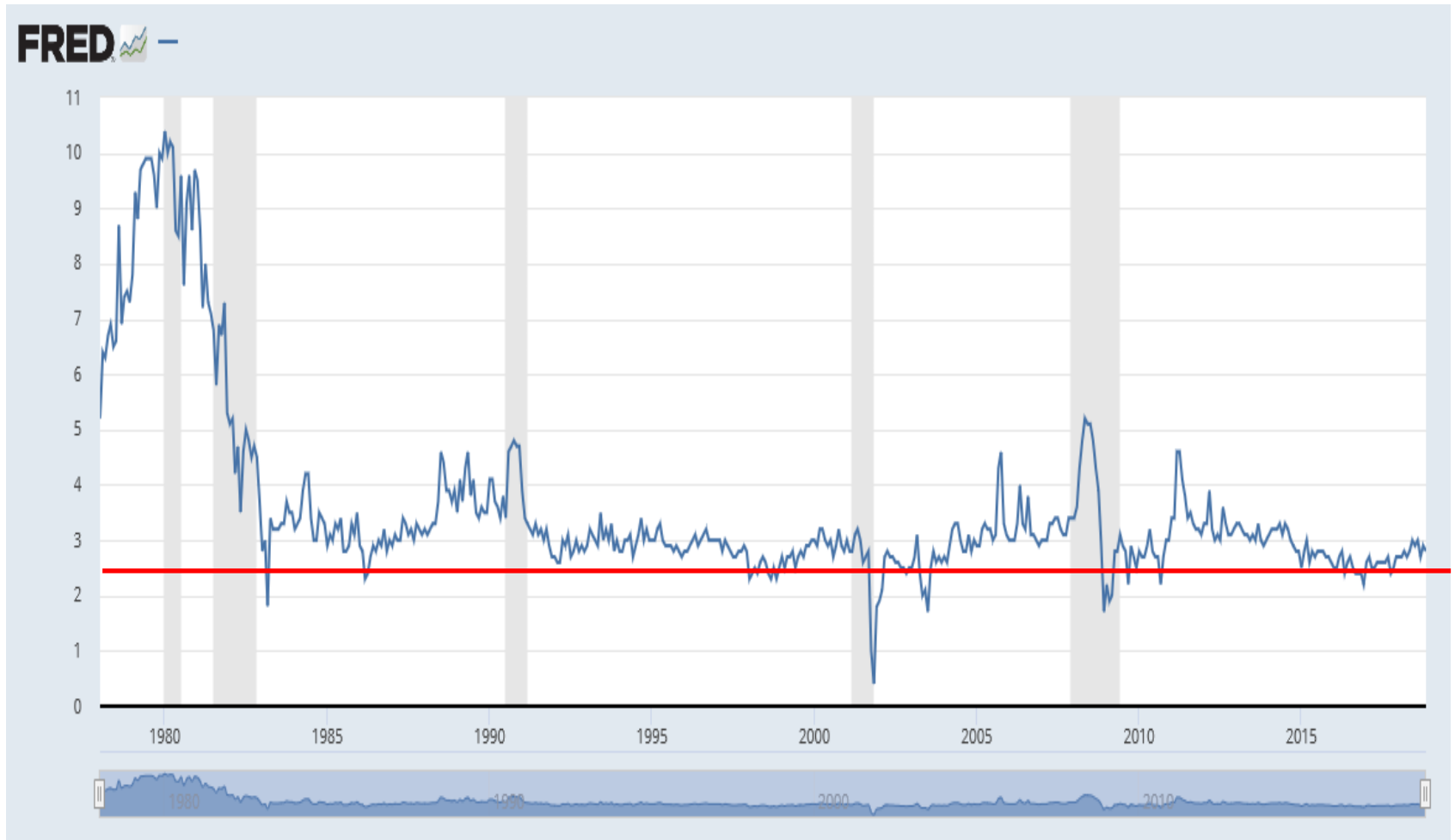
1955 to present

FRED 



Source: Federal Reserve Bank of St. Louis

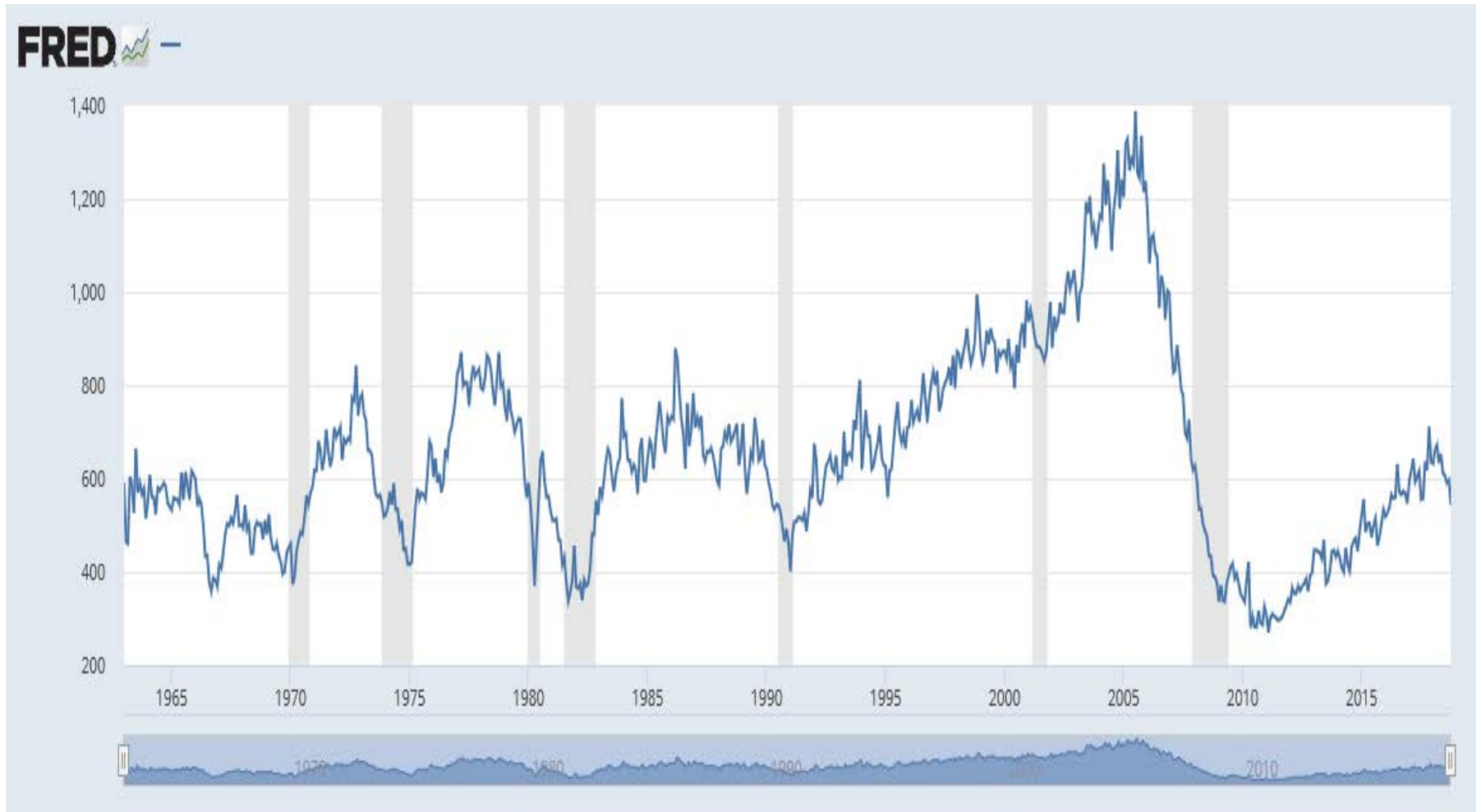
Inflation Expectation Survey



Source: University of Michigan and Federal Reserve Bank of St. Louis

New Single-Family Houses Sold

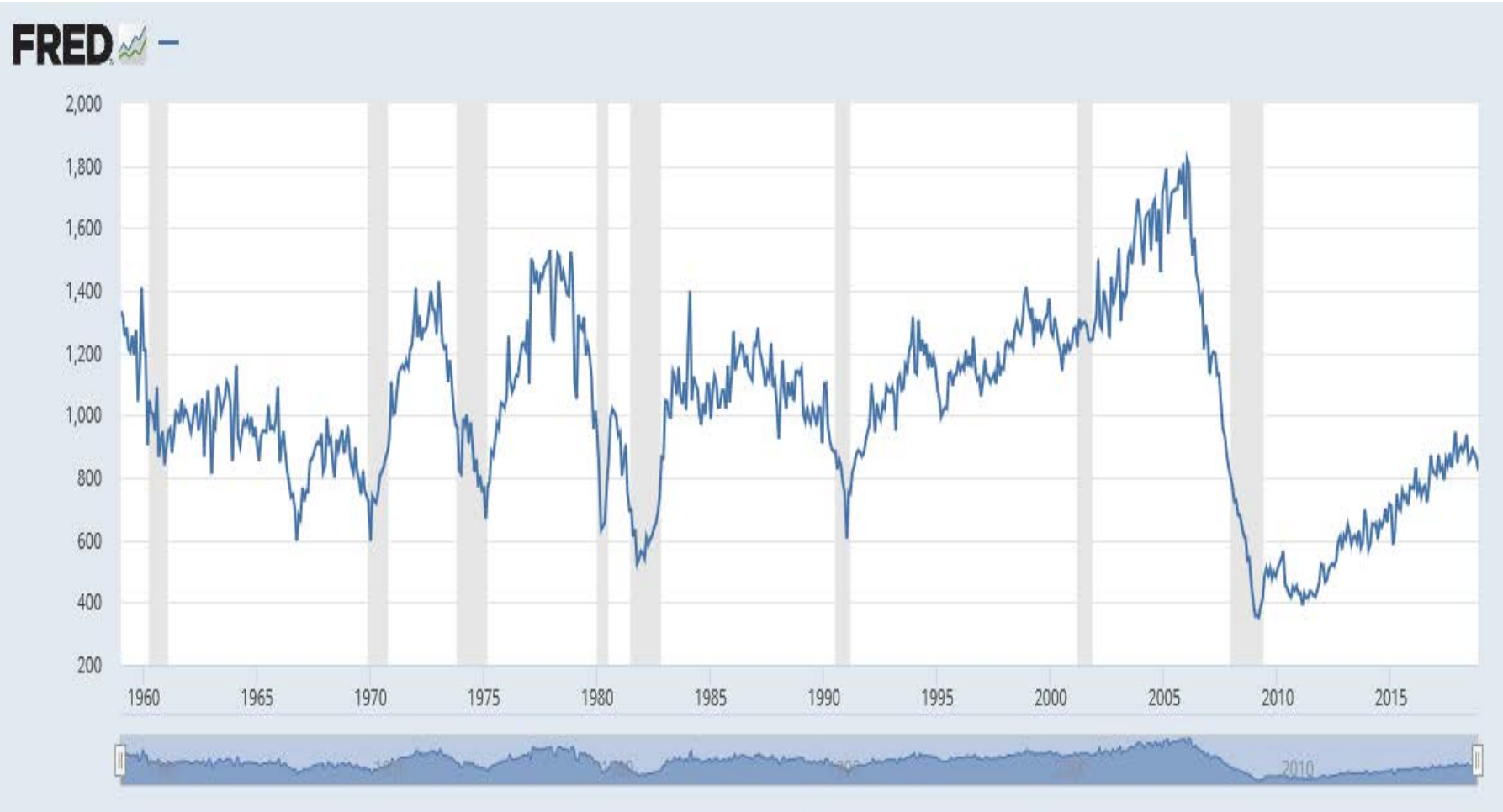
U.S. since 1963



Source: Federal Reserve Bank of St. Louis

New Single-Family Housing Starts

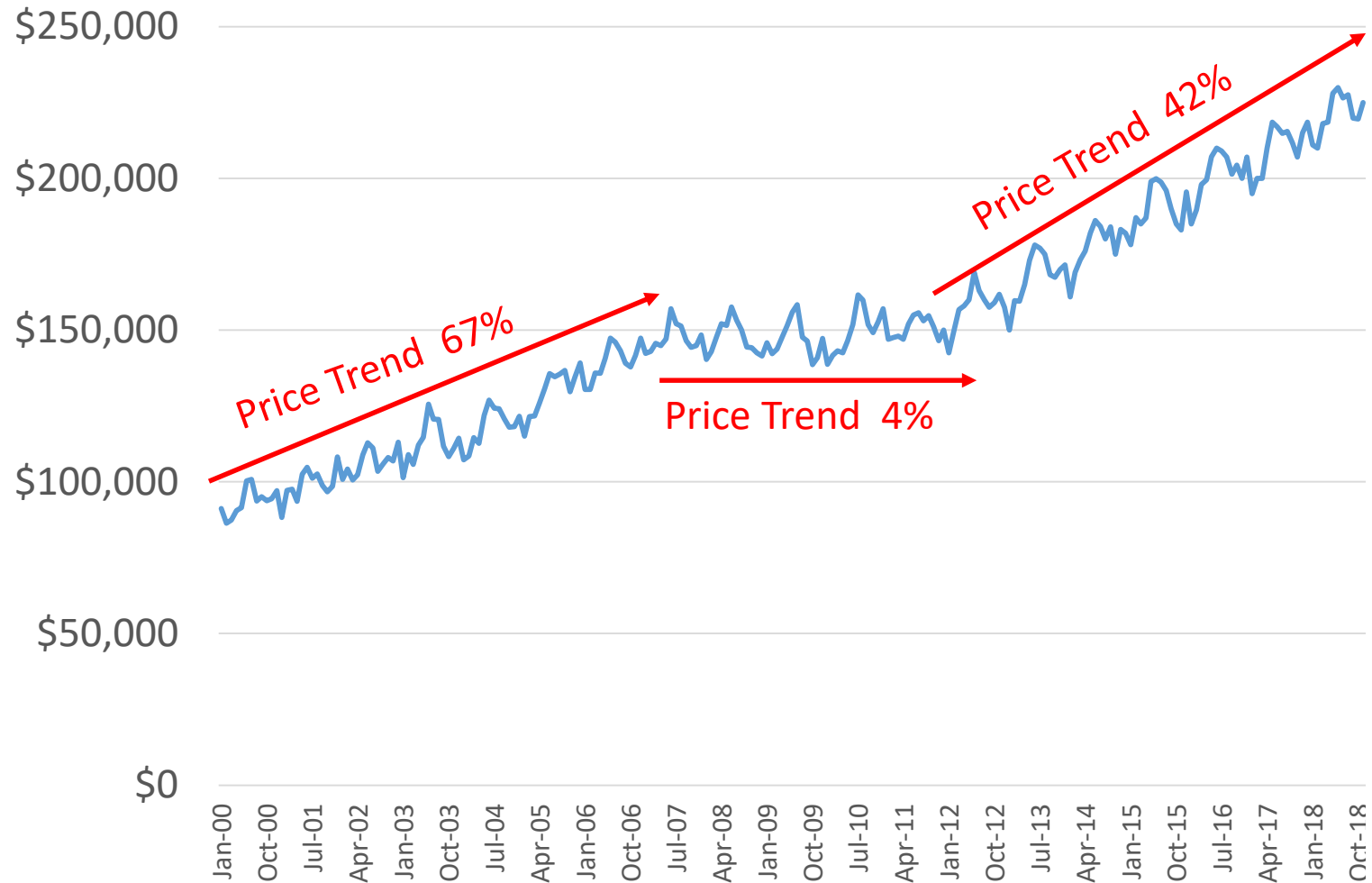
U.S since 1959



Source: Federal Reserve Bank of St. Louis

Median Price of Homes Sold

(January 2000 to present in San Antonio)



Source: Real Estate Center at Texas A&M

Months Inventory of Homes For Sale

(January 2000 to present in San Antonio)



In the summer 2008, inventory rose above 6.5 months. Prices went flat.

In the summer 2012, inventory fell below 6.5 months. Price appreciation resumed.

Jan-00 Oct-00 Jul-01 Apr-02 Jan-03 Oct-03 Jul-04 Apr-05 Jan-06 Oct-06 Jul-07 Apr-08 Jan-09 Oct-09 Jul-10 Apr-11 Jan-12 Oct-12 Jul-13 Apr-14 Jan-15 Oct-15 Jul-16 Apr-17 Jan-18 Oct-18

Source: Real Estate Center at Texas A&M

Number of Listings For Sale

(January 2000 to present in San Antonio)



Prices increase when the inventory of homes for sale is between 8,000 and 10,000.

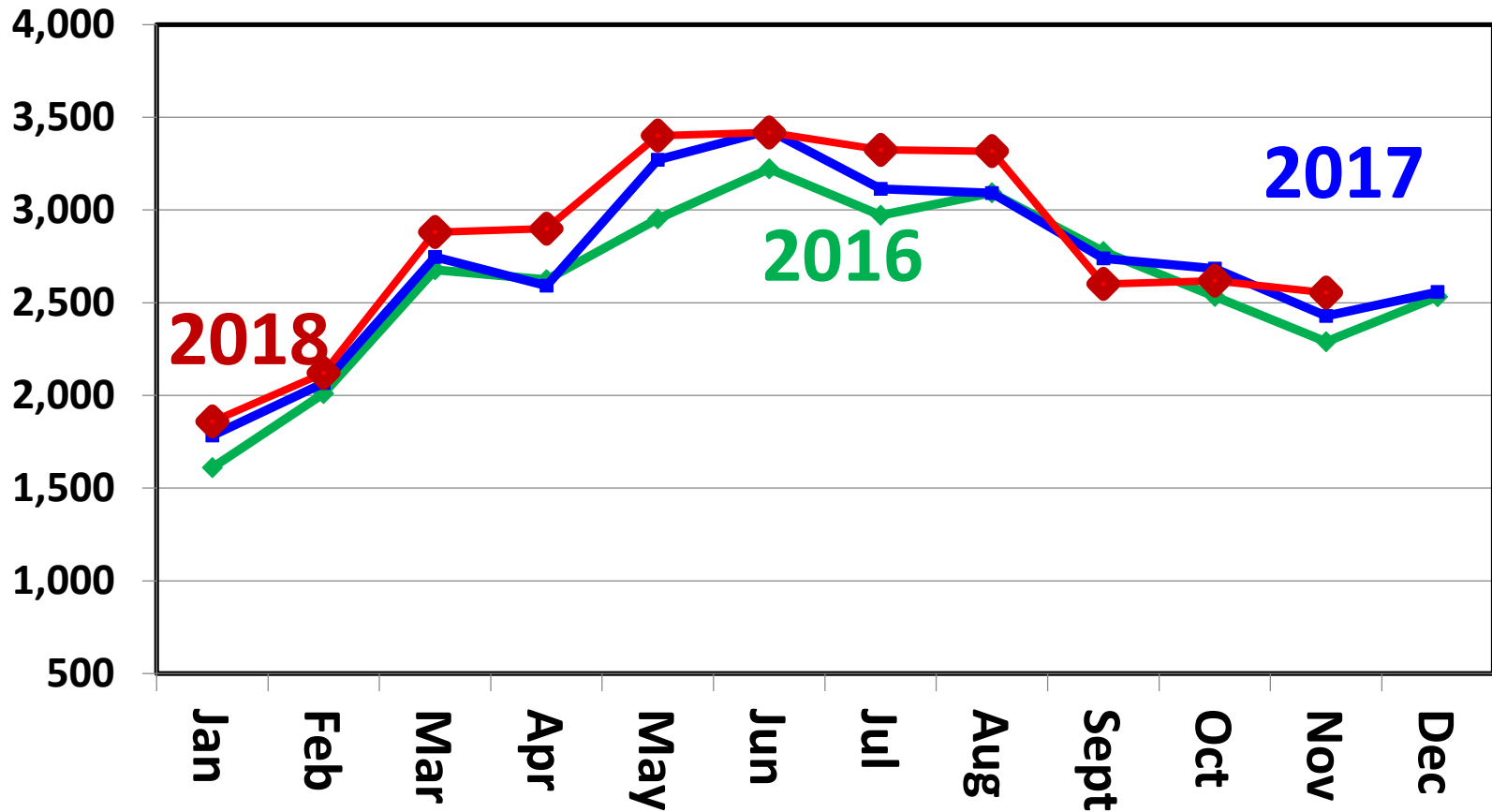
Prices have gone flat when the inventory goes to 12,000 to 14,000.

Jan-00 Oct-00 Jul-01 Apr-02 Jan-03 Oct-03 Jul-04 Apr-05 Jan-06 Oct-06 Jul-07 Apr-08 Jan-09 Oct-09 Jul-10 Apr-11 Jan-12 Oct-12 Jul-13 Apr-14 Jan-15 Oct-15 Jul-16 Apr-17 Jan-18 Oct-18

Source: Real Estate Center at Texas A&M

Existing Home Sales

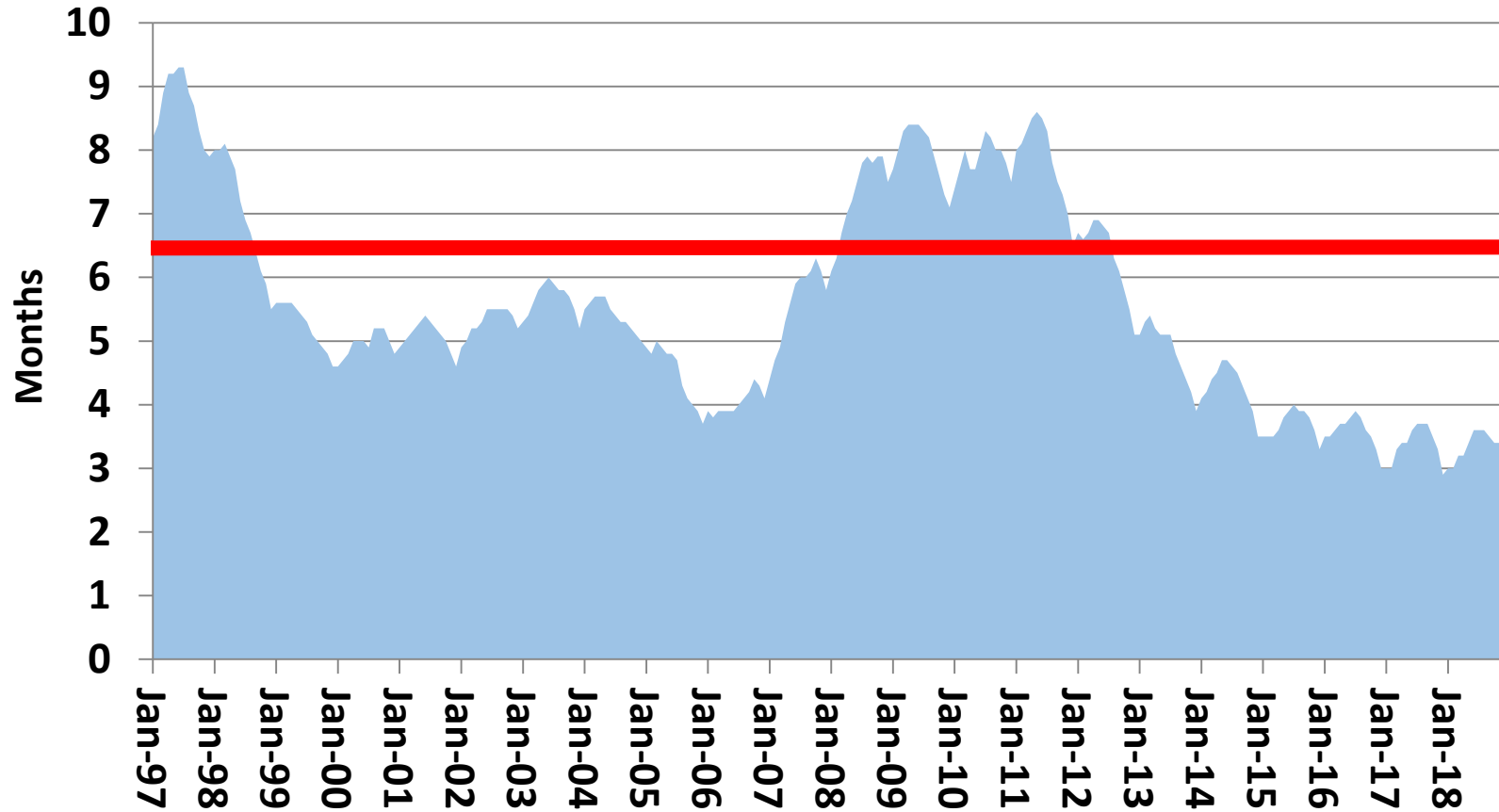
San Antonio



Source: Real Estate Center

Inventory of Unsold Homes

San Antonio



Source: Real Estate Center