The *Investment* House LLC

The Investment House Quarterly: Mar. 31, 2018

Index %	Q1 '18	2017	2016
S&P 500	**-0.76**	**+ 21.83**	**+11.96**
Barclays US 20+ Yr Treasury	**-3.36**	**+8.96**	**+1.43**

Source: Morningstar

Synchronized Growth

Real GDP Growth (YoY)	2016	2017	2018	2019
World	3.1	3.8	4.1	4.0
Advanced Economies	1.7	2.4	2.5	2.1
Emerging Markets	4.5	5.2	5.5	5.6
G3				
United States	1.5	2.3	2.8	2.2
Euro area	1.8	2.5	2.6	2.1
Germany	1.9	2.5	2.7	2.1
France	1.1	1.9	2.2	1.8
Italy	1.1	1.5	1.5	1.2
Spain	3.3	3.1	2.6	2.2
Japan	0.9	1.7	1.5	1.3
Advanced Economies				
Australia	2.6	2.3	3.0	2.8
Canada	1.4	3.0	2.2	1.6
New Zealand	4.0	2.9	3.1	2.9
Norway	1.0	1.9	2.4	2.3
Sweden	3.0	2.7	3.2	2.6
Switzerland	1.4	1.0	2.0	1.8
United Kingdom	1.9	1.7	1.7	1.5
Asia				
China	6.7	6.9	6.5	6.1
India	7.9	6.4	7.5	8.2
CEEMEA				
Russia	-0.2	2.1	3.3	2.9
Turkey	3.2	7.4	4.0	3.5
Latin America				
Brazil	-3.5	1.0	2.5	3.1
Mexico	2.9	2.0	2.1	3.0

Source: Goldman Sachs Global Investment Research

As the chart above illustrates, we began 2018 with synchronized economic growth throughout the world, with average world real GDP growth increasing from 3.1% in 2016 to an estimated 4.1% in 2018. That might not sound like much, but the rate of increase from roughly 3% to roughly 4% in 2 years is 33% (!). In other words, world real GDP growth is *accelerating.*

This is having 2 predictable, and entirely natural results: 1) The rate of inflation is increasing, though from very low levels, and 2) interest rates are slowly climbing in anticipation of greater pricing pressures, fuller employment and, in short, *more growth.*

Core CPI Inflation (YoY)	2016	2017	2018	2019
G3				
United States (core PCE)	1.8	1.5	1.9	2.1
Euro area	0.9	1.0	1.0	1.1

Policy Rate (%)	2016	2017	2018	2019
G3				
United States	0.5	1.3	2.4	3.4
Euro area	0.0	0.0	0.0	0.0
Japan	-0.1	-0.1	-0.1	-0.1

While T.V. pundits and talking heads fulminate about the risks to markets of such developments, a calm consideration of basic economics would remind them that *this is what's supposed to happen*: i.e. as economic growth takes hold, prices, interest rates, and employment all adjust to accommodate greater demand.

For us, as investors, while such a transition may include slightly different market dynamics – such as more volatility – since our focus is on companies with higher, longer lasting growth, an overall economic environment of higher growth *favors* us, even as the constant worrying of talking heads produces conditions in which such companies may occasionally be bought at bargain prices.

In other words, as 2018 begins, we see opportunity, where others see challenges, and, as usual, we hope to take every advantage of the opportunities we see.

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