

## **BOTDORF RESEARCH GROUP, LLC**

### **2024 US ECONOMIC REPORT- SUMMARY**

**DECEMBER, 2023**

#### **KEY HIGHLIGHTS IN THE 2024 REPORT**

**The first seven pages of this Summary Report highlight what is in our 2024 US Economic Report. The full Report is fifty-one pages and is only available on our website**

Welcome to this year's 2024 US Economic Report. Our Report for 2024 has grown to fifty-six pages, quite a bit longer than last year's twenty-nine page report. We have expanded our reporting on geo-political issues, two major wars that will play into 2024, and despite a Q3 GDP uptick, a slowing US Economy based on a number of time tested indicators we review in this year's 2024 report.

On the geo-political front we have a complex global environment for 2024, we also have two opposing Presidential candidates in legal peril that could put one or both of them in jail at some point, now complicating the Presidential election of 2024. There are also regional voter issues on the horizon in several swing states, and an evolving situation with Artificial Intelligence that will impact jobs, productivity, and drive earnings in 2024 for companies across the S&P 500 Index. Lurking under the hood is how bad are the US banks right now, and is a U.S. banking crisis on the horizon. We will tell why this is worth paying attention too and what the press is not reporting.

On the goldilocks side we have six out of seven wall street banks telling us the market is pricing in rate cuts for 2024, we have low current unemployment, rising earnings coming out of 2023, lowering inflation, and a surprising upbeat in the Q3 GDP report. We also have a stock market that seems determined to broaden out into small caps with bonds and dividend stocks looking the best they have in years.

Why then do many consumers feel uneasy and several economists feel the economy is in trouble? It really comes down to math. The Federal Reserve reported year over year borrowings across the aggregate complex increased borrowings just from September of 2022 to September of 2023 from \$20.3 Trillion to \$22.3 Trillion. Therein lies the problem. The IMF has reported that industrialized nations are expected to grow between 2.7% down to 1.3% in 2024. Yes, US Q3 GDP surprised to the upside at 5.2% annualized but it is more the exception than the rule.

This growth did not come from small business growth, the engine of our economy. Some of it came from stimulus spending from the Inflation Act, and the One Trillion dollar Infrastructure Act (passed 69 to 30 by the Senate in Nov of 2021) and the "Chips Act ". GDP was in part driven from consumer borrowing to purchase household goods and travel in 2023, now burdening Americans with higher interest rates to the tune of over One Trillion in credit debt. As we have mentioned in past reports the Inflation Act, along with substantial government borrowing are putting an inflation floor underneath the Fed's ability to reduce inflation much below 4% over the next several years. In other words the Inflation Act and bills like them are causing inflation.

It is not because we are investing in needed U.S. investments, it is because we are borrowing money to do it and growing the national debt much faster than GDP. In fact GDP grew around 2.4 % in real terms averaging all four quarters in 2023 while U.S. debt is growing at 6-7%.

Let us review the math. We borrowed over \$1.725 Trillion for just these three Acts to finance green projects, and infrastructure spending in multiple states. We also committed \$280 Billion to create 106,000 jobs and invest in our own chips giving the U.S. much better control over our supply of next generation chipsets. With the Infrastructure Act, the Inflation Act, and the CHIPS Act, we bought many of the jobs that were and are being created.

This money trickled into the economy in 2022 and 2023 with more of these funds earmarked for 2024. We now have wind farms being canceled that are not economical, EV's piling up on Dealer lots originally financed by the government incentives, and hundreds of projects making their way into contracts to improve our country, many of them needed to improve highways and fund large scale water, bridge construction/repairs and high speed rail and transportation projects.

These three spending bills alone do not account for all of the government spending as some of these line items come from other government departments and other borrowings. What is clear is that most of it is financed on the government credit card known as T-Bills and Treasury Bonds. Here is what CNN found.

"If we include the aforementioned \$235 billion additional funding for transportation infrastructure, plus the \$126 billion for building housing units, the \$112 billion to build public schools and improve community college facilities, the \$111 billion for water infrastructure, the \$100 billion for digital infrastructure and the \$100 billion for power infrastructure, infrastructure accounts for about 30% of the \$2.65 trillion plan as announced by the White House." (CNN Fact Check, 2023).

This is why we do not necessarily see interest rate cuts as automatically baked into the Federal Reserve's plan next year, albeit as the economy sours, rate cuts seem likely sometime in 2024. If they do come they will be "much less for much longer." In other words, we have too much debt to drive rates down to the government target of 2% inflation for very long, if at all. Simple math, you cannot grow debt by six percent plus per year at a \$34T level and only grow GDP by 2% give or take a few basis points in perpetuity. In real terms this means the U.S. is headed for negative growth when inflation is baked out of the numbers because the government debt is taking out too much from the U.S. budget.

Something has to give. Printing trillions of dollars every year beyond what we can afford is always inflationary. If left unchecked the US will be bankrupt within ten years. Yes, we have gotten away with it for a hundred years, but the numbers are getting too big to ignore. Theoretically, while it is true the U.S. can absorb higher deficits every year, this assumes we grow the economy fast enough to support it and that our debt to GDP ratio still idle or declines toward 1 to 1 versus growing toward 1.5 to 1.

History has shown a severe decline in the median quality of life when countries take on too much debt. This is why U.S. debt is getting downgraded, a serious crack in the "we can always print more money" theory the U.S. have lived on for the past hundred years.

The massive debt roll overs needed to fund our deficit will preclude a 2% inflation target reality because a rise in rates will be needed to sell the debt. We will soon blow past \$34 Trillion in debt on our way to \$36 to \$37 Trillion for the next President to deal with. It is one thing to have a \$10 Trillion dollar deficit and grow it to \$11 Trillion over a year and a number of months. It is quite another to have a \$34 Trillion dollar deficit and grow it to \$37.5 Trillion in a year or two in a flat growth environment. ***The current growth of our U.S. debt is not sustainable particularly at higher rates without substantial increases in taxes, massive program cuts, and either leaving rates where they are or increasing them over the next two to four years. Yes, rate cuts may come in 2024, but the real question is “what is behind the curtain” when the Fed tries to engineer a soft landing and demand for U.S Treasuries comes under pressure from other countries.***

Furthermore at the rate we are borrowing, the demand from investors for higher rates will put pressure on bond rates as other countries with even worse debt ratios will have to raise their rates to create demand for their bonds. U.S. bonds rates may need to go much higher in the longer term over the next two to four years, forcing the U.S. to increase interest rates in the longer run. Money goes where it is best treated. We will cover in detail in this year's Bond Report why some cracks are showing up in the recent bond auctions. The press is so consumed by the current Goldilocks economy, they are missing what is slowly happening to the U.S. credit rating. One by one the top rating agencies in the world are facing the facts.

“U.S. loses its top AAA rating from Fitch over worries about the nation's finances. Rating agency Fitch has cut the U.S.' credit rating, lowering it by one notch from the top grade. It cited big government deficits and a deterioration in governance over the last two decades.” (npr.org. 2023).

According to a recent November 23<sup>rd</sup> report on CNBC the Treasury department said it would need to borrow \$776 billion in the current quarter (Q4-2023) and \$816 billion in the first quarter of calendar 2024. (Cox, 2023).

What is concerning is the amount of debt rolling over at higher rates in 2024 from the initial issue dates, only increasing the stress on the U.S. economy as cutbacks in other programs will be needed to make room for larger payments on the U.S. debt.

The good news is that we do not predict the world will end in 2024 and nor are there any Asteroids heading toward earth next year. As usual we will cover all of the chaos with the most credible data available from reliable sources, and despite multiple economic headwinds and crosswinds, we will boldly make our predictions for 2024. Before we start, we want to extend our best wishes for the year ending 2023 holiday season to you and your families.

## 2023 REVIEW OF FORECAST MADE IN NOV, 2022 FOR 2023.

Our 2023 forecast was on the mark for a national housing decline averaging 15% in 2023 as verified by the National Association of Realtors. While several niche housing markets actually increased in 2023 our focus was on the national averages since we produce a national report. We got the call right on U.S. housing declines in 2023 overall.

China continued its real estate decline as we forecasted. China now faces serious revenue issues domestically since 37% of their revenue actually collected comes from land leases. (Peterson Institute, 2023). Land lease defaults are on the rise and along with it, Chinese issues that will impact the United States.

We correctly predicted the increase in both business and personal bankruptcies over 2022, did not predict a recession for 2023 but rather stated that M2, MV, the inverted ten year yield curve along with slowing GDP *“are signaling the US is heading into a recession”*. The current signs are showing a smooth first quarter in the second quarter of 2024, but there are many flashing red signs that are suggesting the US economy is heading for trouble by Q3 of 2024. We will cover these in detail in the complete 2024 Report.

We missed the stock market bottom by 6.24% for 2023, and expected interest rates to rise up to 2.50-2.75% from the 1.25% actual increase since Nov of 2022 when our 2023 report was released in Nov of 2022. The stock market bottomed (Dow Jones) on March 15<sup>th</sup>, 2023 at 31,874 just after Silicon Valley Bank failed. We predicted two or three downdrafts in the market and saw two downdrafts during the year and one minor one during all of 2023. We also noted correctly in our 2022 report *“that high inflation will turn out to be a false positive”* but will remain high in early 2023 and then will tame into 2024. While high inflation has tamed, our best case going forward is for inflation to hover around 3.5%-4.50% going forward as we head into 2025, well above the Fed target rate of 2%. Overall, we got seven predictions correct, missed the stock market bottom by 6.24% and missed interest rate increases by 1.25%. Seven right, one 93.75% correct, and missed our projected 2023 interest rate increases by 125 basis points. As always we will shoot for 100% for 2024.

### Highlights on what is in the 2024 US Economic Report

## A REVISIT ON WHY M2, MONEY VELOCITY, AND THE TEN YEAR INVERTED YIELD CURVE ARE ALL FLASHING RED, LOUDER THAN EVER.

### What is so different about the year ending 2023 M2 Money Supply and what does it Mean?

“According to [data](#) from Reventure Consulting CEO Nick Gerli, a meaningful reduction in the M2 money supply (2% or more) has only happened four times since 1870, and each time it has proceeded a depression with double-digit unemployment.”

**For only the fifth time in 153 years, the M2 money supply is contracting by at least 2%.**

**WHY MONEY VELOCITY MATTERS AND WHAT IS HAPPENING IN THE U.S.?**

**Are we headed for negative growth in the U.S. for 2024?**

**We give you an answer and explanation**

**WHY DID THE VELOCITY OF MONEY TURN UPWARD AFTER A 40 YEAR DECLINE?**

**We give you the answer.**

**THE INVERTED YIELD CURVE-IS HISTORY IN THE MAKING?**

**Will the U.S. end 2024 with negative growth in real terms?**

**We give you our projection and reasons.**

**US BANKRUPTCIES SURPASS 2022**

**Yes, our 2023 forecast was accurate**

**We tee up 2024 US Bankruptcies and the U.S. Impact**

**WILL MORE US BANKS CONTINUE TO FAIL?**

**Yes, but mostly regional banks with significant CRE exposure.**

**Larger Banks still face a triple threat from depositors in 2024-We explain in detail.**

**An increasing number of banks have negative net worths hiding in their loans**

**WHAT REALLY HAPPENED IN 2023 TO THE HOUSING MARKETS?**

**Yes, they declined in all four US quadrants in 2023 according to National Association of Realtors-in line with our forecast for 2023-we tell you where and by how much and provide our 2024 forecast.**

## 2023 RESULTS AND 2024 US HOUSING MARKET FORECAST

“Home sales fell 2 percent from August 2023 to September 2023, the National Association of Realtors says. The decline since September of last year (2022) was a much more significant 15.4 percent.” (Bankrate.com. Nov 5<sup>th</sup>, 2023). Our housing forecast for declines nationwide for 2023 was on the mark.

## 2023 US LAYOFFS-ARE WE DONE?

No. The A.I. Reduction Reality is underway.

Recent headline from Forbes

“Layoffs Are Up Almost 200% So Far In 2023—These Industries Hit Hardest”

## SUMMARY OF US STOCK AND BOND MARKETS-2024 FORECAST.

Includes our 2024 Bond and Stock Forecast

## IMPACT OF ISRAELI/UKRAINE WARS ON THE US-PLUS THE CHINA STRAIT AND US/CHINA POLICY ISSUES.

Over forty warships from thirteen nations stacked up in Baltic, Mediterranean, and Red Sea.

How many Countries does it take for Ukraine/Russia War to be called WWII?

Is 55 Countries enough?

We will break it down for you by Country.

Will Ukraine/Russia War and the Israeli war merge into WWII?

The common link to both Wars is Iran

## THE US BORDER-IS A DISASTER IMMINENT?

We are in the highest threat zone since 911

## THE PENDING 2024 ELECTION YEAR -VOLATILITY FORECAST.

We go where no Rational Thinker Should-We Predict what Happens in 2024

## **SUPER ARTIFICIAL INTELLIGENCE REPORT-NOT YOUR DADDY'S A.I.**

[Will release fifty page complimentary A.I. Summary Report in Q2-2024 on website](#)

**Is it smart to develop an intelligent species well over a Million Times Smarter than Humans?**

**The Pending Singularity Countdown-Why the U.S. will never be the same.**

**In the next five years over 66% of US jobs will be replaced by A.I.**

**Will your Bank Passwords ever really be safe? Super A.I. needs a few seconds to get it.**

**Why Machines will demand Voting Rights and the Right to own Assets.**

**Why Machines will soon determine whether you broke the law. Be nice to your Robot.**

**Meet Sophie, the Arab Robot with her own credit card. Yes, she can vote in Saudi Arabia.**

**Can Super A.I. Unlock and Launch Nuclear Missiles?**

We will tell you where 16 ICB Missiles were unlocked, loaded with nuclear weapons, and blown to pieces in space and the US could not stop it. PS: It happened on a US Air Force Base. We note Lord Hill Norton's comments below. Lord Hill Norton served as the NATO Chairperson of the Defense Committee (1974 to 1977) and Britain's Chief of Defense Staff, their highest ranking military officer. He was furious when attempts to deny this incident ever occurred inside his own ranks.

The incident resulted in over sixteen service members during the period of time between Dec 25<sup>th</sup> and Dec 30<sup>th</sup> in 1980 watching an Alien craft take control of sixteen nuclear missiles, fire them into space and destroy them according to some accounts who were eyewitnesses. Lord Gilbert ended up stating upon being pressed by Lord Hill Norton that he could not "confirm or deny that any such incident occurred."

For the complete story on this incident and what governments are not telling us about Alien Life see "Extraterrestrial Existence" What do we really know?

On sale now at [botdorfresearch.com](http://botdorfresearch.com). Researched and written by John C. Botdorf.

**OUR 2024 US ECONOMIC REPORT IS NOW AVAILABLE**

[For the Complete 2024 US Economic Report, see www.botdorfresearch.com under Whitepapers.](http://www.botdorfresearch.com)

