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The Dog That Didn't Bark

This summer the Washington Post had an article titled," So Whatever Happened to the deficit?" Not quite a year ago, House Republicans threatened to shut the Federal government as part of their effort to lower the deficit. Meanwhile, while no one was looking, the deficit shrunk dramatically on its own. The deficit has shrunk from an unsustainably high $1.6 trillion in 2009 to an estimated $500 billion for the fiscal year that ends in a few weeks. The deficit will keep dropping as long as Congressional gridlock prevents new spending. Most economists consider the current level sustainable. Meanwhile, the economy has continued a five-year expansion. While the economy isn't back to where it was before the Great Recession, this is a huge improvement from those dark days of late 2008 and early 2009 when the world economy threatened to collapse completely. As a result, the stock and bond markets have staged dramatic, if unheralded rallies. The stock market has nearly tripled from the bottom in March 2009 and the broad bond market is up more than 30 percent, according to Bloomberg. While none of this feels like a boom because it isn't, the trends are good and investors shouldn't be overly pessimistic.
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Larry is a Chartered Financial Analyst with 28 years experience as an institutional investor and financial consultant. Larry specializes in retirement planning for Baby Boomers and strategies for maximizing benefits for Social Security. He has been widely quoted in newspapers and magazines and has appeared on CNBC and other television and radio programs.