

# THE FED SEEKS THE LONGEST EXPANSION ON RECORD

## Ask the PORTFOLIO MANAGER

### Will the U.S. expansion continue?

Transcript of a video recorded on November 8, 2017.

**Michael Grant, SVP, Senior Portfolio Manager, explains why he's confident the U.S.'s expansion could continue.**

Here in the U.S., we're in the ninth year of expansion. But if you look closely under the hood, what you'll see is that 80% of American households, the bottom 80%, only really began to participate in this expansion about 2 1/2 years ago. And by participate, I mean, do the things that they normally do, like, buy homes, buy more cars and so forth.

So when you look at the U.S. expansion and why we seem to be getting this late burst of energy, it's because for those households, the expansion is barely three years old, and in some ways, could be described as mid-cycle rather than late-cycle. That gives me confidence that we should have another couple of years left in the expansion. And the relative question is the Fed, and what the Fed's intentions are. Most expansions end because the Fed wants them to end.

And I think the Fed is well aware that many of the social and political issues here in the U.S. are at least partly the outcome of the nature of economic growth. So the idea that the economy needs to be slowed down is hard to fathom. I think the Fed's real intention is to make this the longest expansion on record. And they would rather see an economy that grew slowly, 2 per year for five years, as the way to address some of these problems. Rather than an economy that grows suddenly 3 1/2 - 4% in 2018 and suddenly the Fed has to tap on the brakes.

So, none of know how the future will unfold. I think there are a few scenarios that we're still grappling with. Right now, I think the expansion is fine. There's little sign of recession, any evidence of recession on the horizon. But by late spring of '18 or the middle of 2018, my guess is we'll be able to sketch out some of these scenarios in a bit finer detail.



**MICHAEL GRANT**  
SVP, Senior Portfolio  
Manager

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Video recorded 11/8/2017.

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