



The Wealth Dissipation Effect - RIA

Ben Bernanke popularized the wealth effect theory during the financial crisis in 2008. In his words, *“higher stock prices will boost consumer wealth and help increase confidence, which can also spur spending.”* Moreover, he argued this would create a *“virtuous circle”* of increased spending, higher incomes, and further economic growth. Since then, the Fed has been more focused on wealth and, in particular, the role of the stock market in generating wealth.

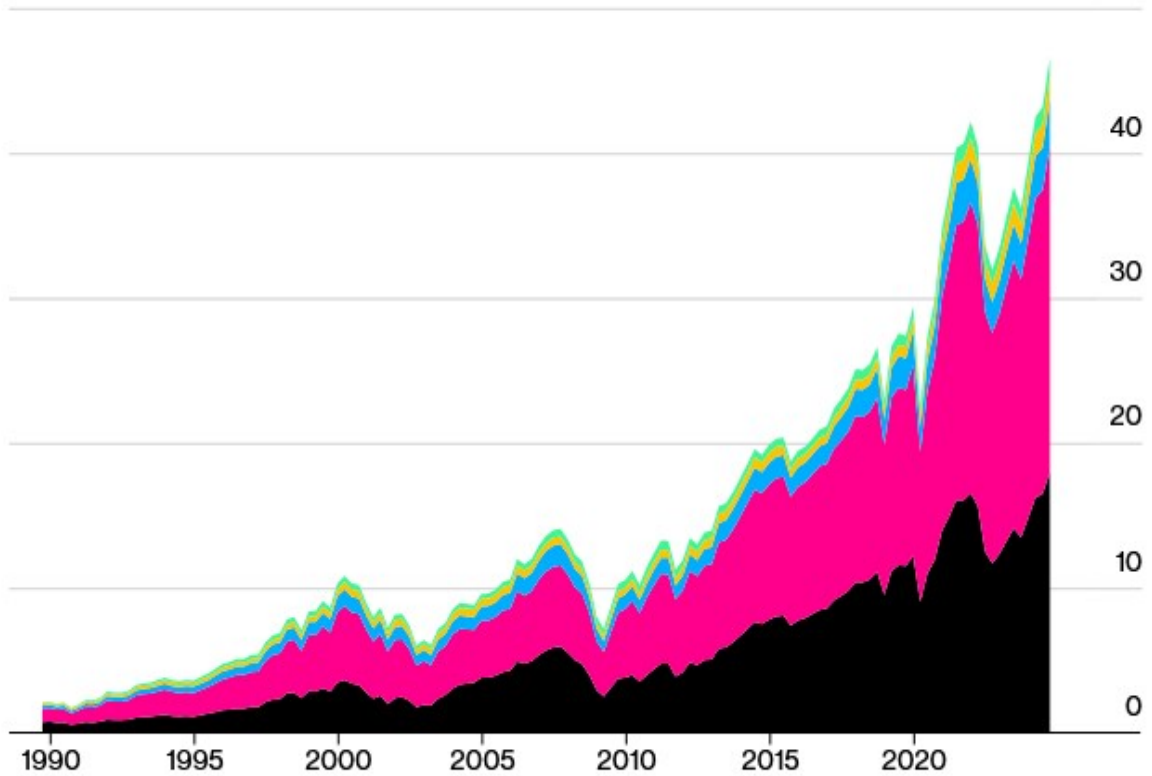
The graph below, courtesy of Bloomberg, shows that the rising stock market is making the wealthy, wealthier. Moreover, 50% of personal spending comes from the top 10% of income earners. Thus, given the concentration of wealth among the consumers that spend the most, we wonder if the recent market decline is creating a wealth dissipation effect. Furthermore, given the surge in stock market wealth, might a further decline have a more significant impact on the economy than in years past?

We end with a startling fact from the New York Post: *“The top 1% of Americans have enough money to buy 99% of US homes.”*

Stock Market Gains Had Wealthiest Americans Feeling Flush

US stock ownership by income percentile

■ Top 1%
 ■ Next 19%
 ■ Upper-middle (80%-60%)
 ■ Middle (60%-40%)
 ■ Bottom 40%
 \$50t



Source: Federal Reserve Distributional Financial Accounts
 Note: Data for equities and mutual funds

What To Watch Today

Earnings

Thursday Mar 27	EPS	Consensus	Previous	Revenue	Consensus	Previous	MarketCap	Fiscal	Time
SYNEXX <small>SNX.US</small>		2.91	2.99		14.79B	13.98B	\$11.2B	Q1	AM ★ 📌
Walgreens Boots Alliance <small>WBA</small>		0.5204	1.20		37.59B	37.1B	\$9.58B	Q2	PM ☆ 📌
AAR <small>AIR.US</small>		0.99	0.85		699.07M	567M	\$2.49B	Q3	PM ☆ 📌
Winnebago Industries <small>WGO.US</small>		0.21	0.93		623.58M	703.6M	\$1.02B	Q2	AM ☆ 📌
Oxford Industries <small>OXIM.US</small>		1.27	1.90		383.78M	404M	\$953.1M	Q4	PM ☆ 📌

Economy

Thursday March 27 2025			Actual	Previous	Consensus	Forecast		
06:30 AM	US	GDP Growth Rate QoQ Final Q4		3.1%	2.3%	2.3%		
06:30 AM	US	Corporate Profits QoQ Q4		-0.4%		-0.9%		
06:30 AM	US	GDP Price Index QoQ Final Q4		1.9%	2.4%	2.4%		
06:30 AM	US	Goods Trade Balance Adv FEB		-\$153.26B	-\$134.5B	-\$136.0B		
06:30 AM	US	Initial Jobless Claims MAR/22		223K	225K	225.0K		
06:30 AM	US	Retail Inventories Ex Autos MoM Adv FEB		0.5%		0.4%		
06:30 AM	US	Wholesale Inventories MoM Adv FEB		0.8%	0.4%	0.6%		
06:30 AM	US	Continuing Jobless Claims MAR/15		1892K	1890K	1893.0K		
06:30 AM	US	Core PCE Prices QoQ Final Q4		2.2%	2.7%	2.7%		
06:30 AM	US	GDP Sales QoQ Final Q4		3.3%	3.2%	3.2%		
06:30 AM	US	Jobless Claims 4-week Average MAR/22		227K		228.0K		
06:30 AM	US	PCE Prices QoQ Final Q4		1.5%	2.4%	2.4%		
06:30 AM	US	Real Consumer Spending QoQ Final Q4		3.7%	4.2%	4.2%		
08:00 AM	US	Pending Home Sales MoM FEB		-4.6%	1.5%	2.9%		
08:00 AM	US	Pending Home Sales YoY FEB		-5.2%		-3.7%		
08:30 AM	US	EIA Natural Gas Stocks Change MAR/21		9Bcf				
09:00 AM	US	Kansas Fed Composite Index MAR		-5		-6		
09:00 AM	US	Kansas Fed Manufacturing Index MAR		-13		-14		

Market Trading Update

Yesterday, we noted that we are entering the end of the quarter, and pension and target-date funds need to rebalance portfolios. Given the recent correction, this suggests that these entities will likely be net buyers of equities. However, yesterday, another shift in tariff policies interrupted the market rally from the recent lows.

*?Following President Trump?s comments earlier in the week that�he would detail the scale of auto levies in the coming days, Bloomberg reports that ?�citing the usual people familiar with the matter ?�the **Trump administration is readying an announcement on auto tariffs as soon as today**. Bloomberg added that the people shared the timing of the expected announcement on condition of anonymity, to discuss plans not yet made public.�However, one of the people, though,�cautioned that the president?s plans could still shift.?*

As discussed previously, the *?on again, off again?* tariff policies make it difficult for markets to predict future earnings and corporate profitability. With the *?E?* in forward valuation measures in flux, markets struggle to price in expected outcomes. However, from a technical basis, yesterday?s sell-off didn?t change the recent improvement in either the technical signals or money flows. However, the outlook will undoubtedly change if the selloff continues over the next few days.



For now, we are not making any major adjustments based on a one-day reversal after a rally. However, we will reassess our exposures if we begin to technically break down from here.

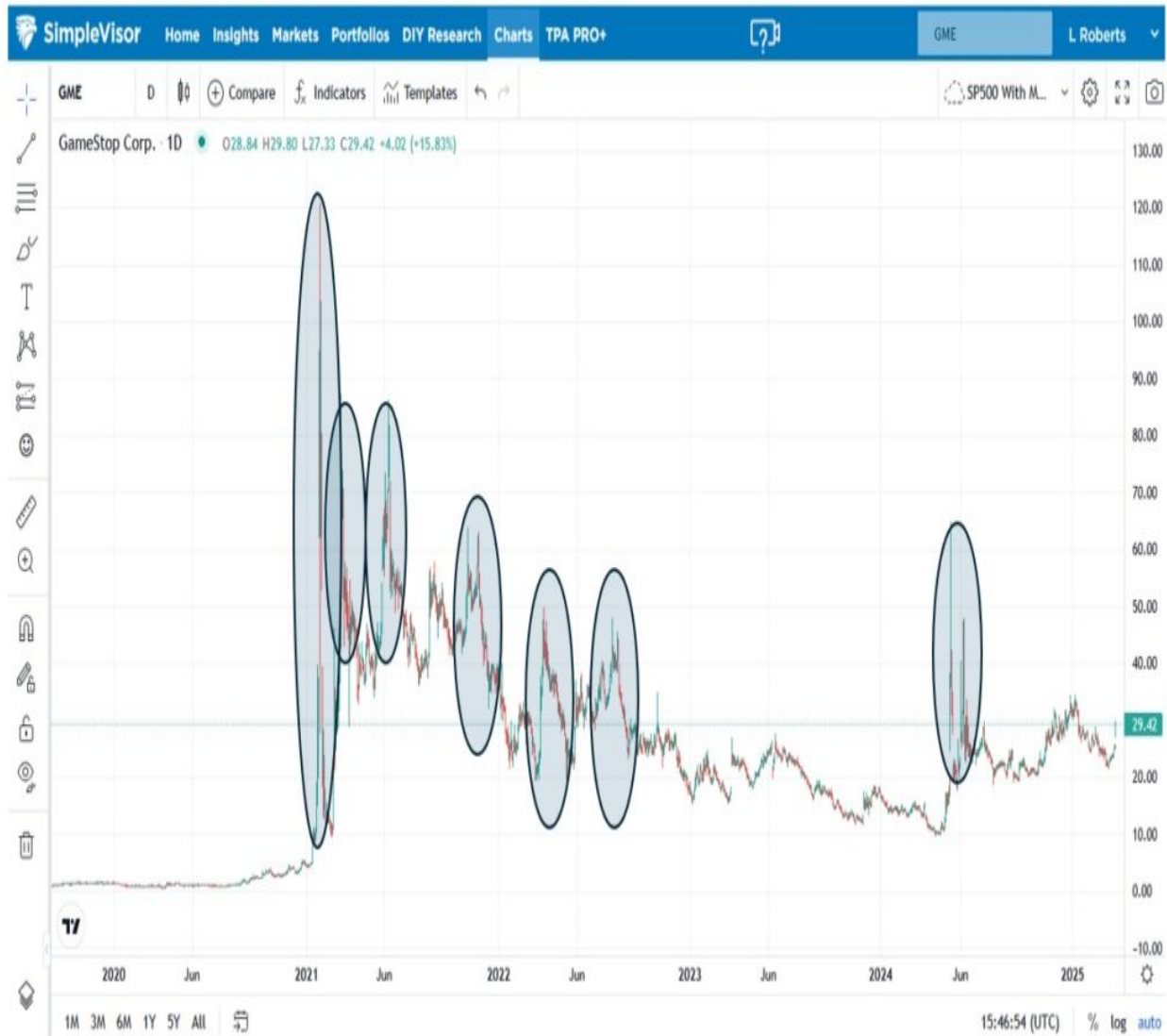
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GameStop Is Back In Vogue

GameStop, the famed meme stock, is back in the news. After bouts of significant volatility, as circled below, the stock finally seemed to have found a relatively limited trading range. Those days may be over. However, it may not be because 'Roaring Kitty' is buying. GameStop shares rose about 15% on Wednesday as its board 'has unanimously approved an update to its investment policy to add Bitcoin as a treasury reserve asset.' The company has approximately \$4.5 billion in cash, so it could make a sizeable splash in the Bitcoin market. However, as we see with Microstrategy, with Bitcoin comes volatility.



GDPNow Or Nowcast?

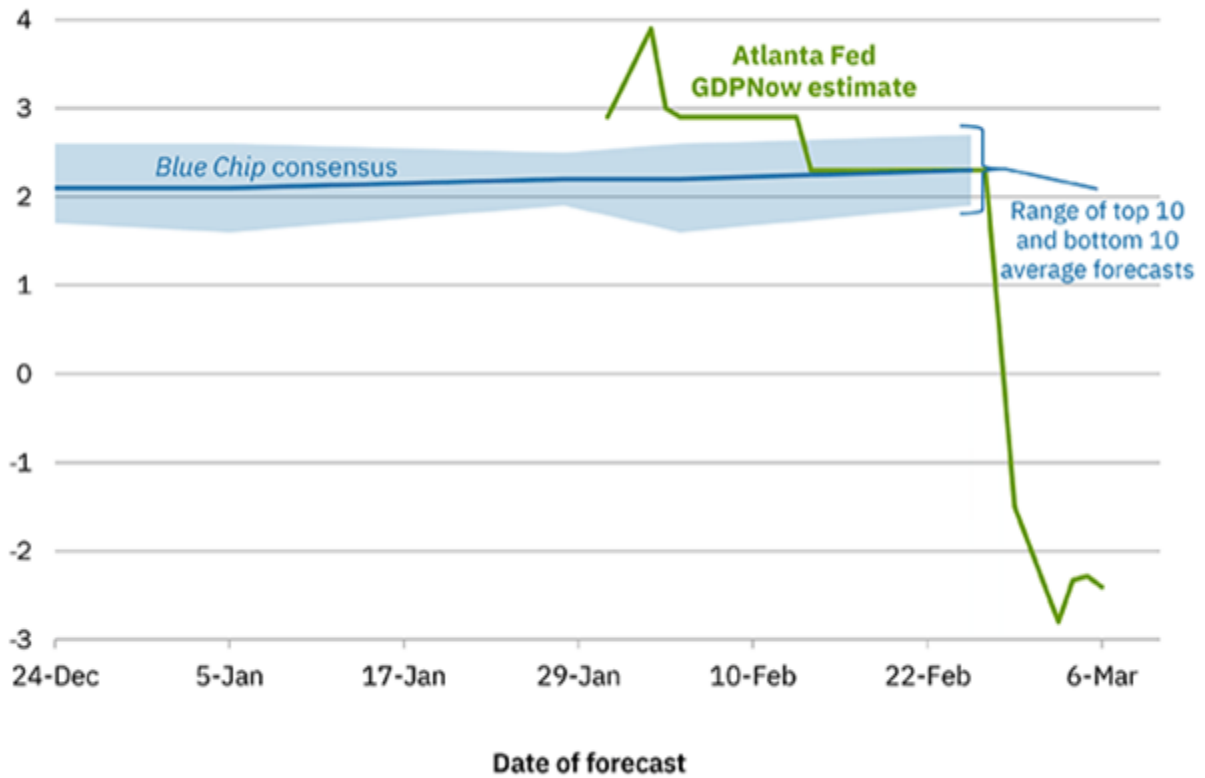
The Atlanta Fed's GDPNow economic forecasting tool predicts an imminent recession, which is fueling investor angst. However, the New York and St. Louis Fed's Nowcast economic forecasts predict continued economic growth in the first quarter.

Confused?

This article explores the GDPNow and Nowcast models to understand the recent forecast divergences. A better understanding of the two models helps us appreciate the current state of the economy and, therefore, better estimate the first quarter GDP. Importantly, it shows that investor angst over an imminent recession may be unwarranted.

[READ MORE?](#)

Evolution of Atlanta Fed GDPNow real GDP estimate for 2025: Q1 Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

Tweet of the Day

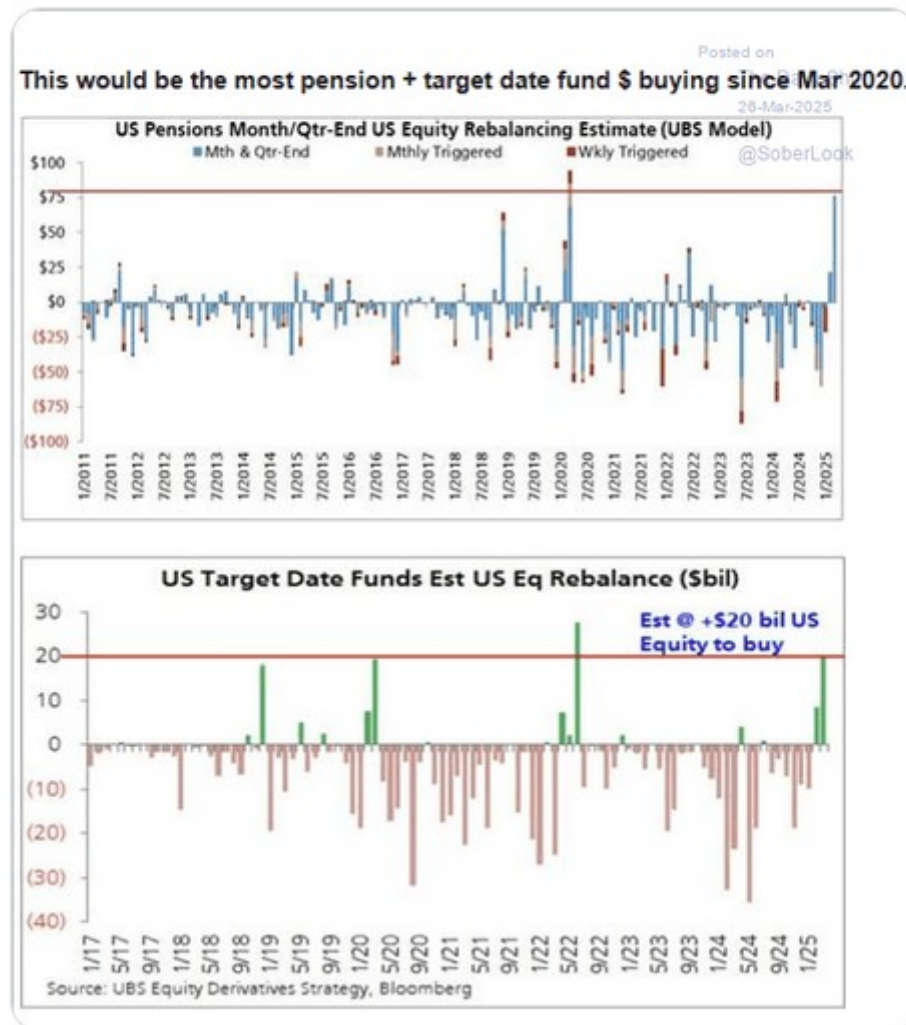


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Here comes the end of the quarter. UBS estimates that pension funds and target funds could purchase a combined \$105 billion in US #stocks for monthly and quarterly rebalancing.

@thedailyshot



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