

## ➤ The Investment Perspective – December 2024



*"Wealth is not primarily determined by investment performance, but by investor behaviour."*

-Nick Murray

**Peter Flannery CFP FA**

## Should you still invest in America?

Year	Best Performing Equity Region	Second Best Performing Equity Region	Third Best Performing Equity Region	Fourth Best Performing Equity Region	Fifth Best Performing Equity Region
2024 YTD	🇺🇸 U.S. 27%	🌐 EM 14%	🇯🇵 JAP 10%	🇬🇧 UK 9%	🇪🇺 EUR 5%
2023	🇺🇸 U.S. 27%	🇪🇺 EUR 23%	🇯🇵 JAP 21%	🇬🇧 UK 14%	🌐 EM 10%
2022	🇬🇧 UK -5%	🇯🇵 JAP -16%	🇪🇺 EUR -17%	🇺🇸 U.S. -19%	🌐 EM -20%
2021	🇺🇸 U.S. 27%	🇬🇧 UK 19%	🇪🇺 EUR 17%	🇯🇵 JAP 2%	🌐 EM -3%
2020	🇺🇸 U.S. 21%	🌐 EM 19%	🇯🇵 JAP 15%	🇪🇺 EUR 12%	🇬🇧 UK -10%
2019	🇺🇸 U.S. 32%	🇪🇺 EUR 26%	🇬🇧 UK 21%	🇯🇵 JAP 20%	🌐 EM 19%
2018	🇺🇸 U.S. -5%	🇯🇵 JAP -13%	🇬🇧 UK -14%	🌐 EM -14%	🇪🇺 EUR -14%
2017	🌐 EM 38%	🇪🇺 EUR 28%	🇯🇵 JAP 24%	🇬🇧 UK 22%	🇺🇸 U.S. 22%
2016	🇺🇸 U.S. 12%	🌐 EM 12%	🇯🇵 JAP 3%	🇪🇺 EUR 0%	🇬🇧 UK 0%
2015	🇯🇵 JAP 10%	🇺🇸 U.S. 1%	🇪🇺 EUR 0%	🇬🇧 UK -8%	🌐 EM -15%

*The table above ranks the best-performing share markets by region.*

So, the table above shows the best returns for investors. America features at or near the best. Why?

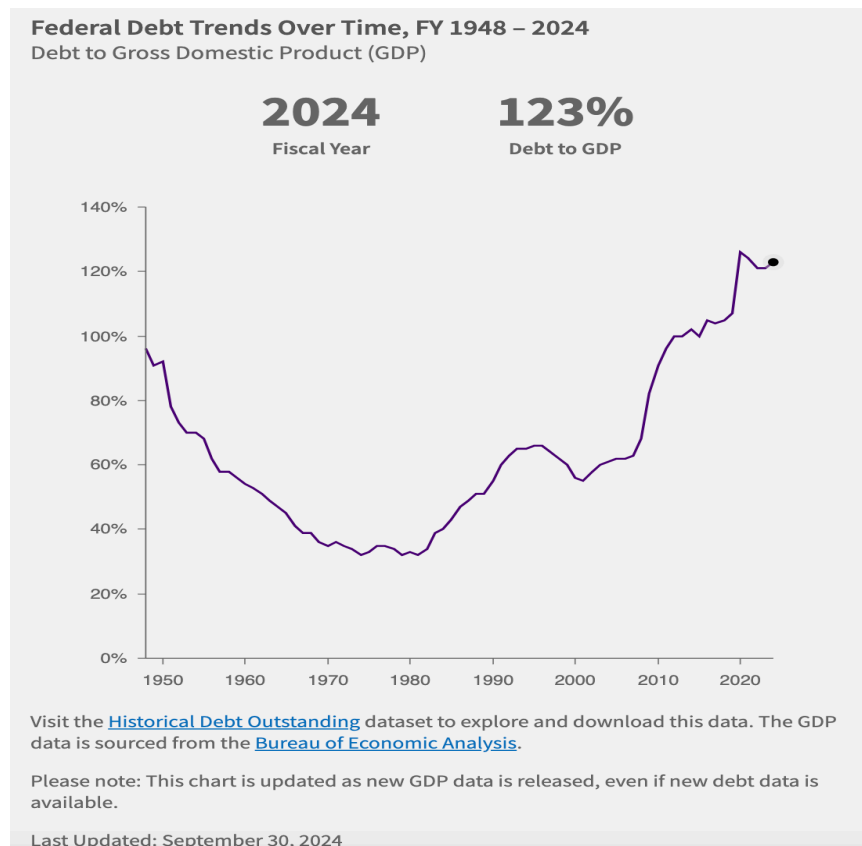
Also, this table looks back at the past. As we say in the investment world, *"We should not invest looking through the rear vision mirror"*. Even so, that does not stop people from doing it (it works for a while, until ...).

## America runs ongoing twin trade deficits

The twin deficits are the combined shortfalls in Government revenues and export income.



Not only that, the total debt to GDP ratio is high as well and growing.



*The graph above tracks the debt-to-GDP ratio in America*

In addition to twin deficits and increasing debt, America has other issues, too. For example, the fragmented and less reliable media creating mistrust, growing anxiety about the future for the everyday American, and we have also seen America's strength of democracy weaken, not ideal.

I imagine you might come up with some other items that don't put America in a good light as well.

## However, America has a unique package

I have mentioned over many years 'the package' that makes America unique. Simply, here it is:

- Educated population,
- Innovation,
- The rule of law,
- Democracy,
- Strong use of technology,
- Low population per hectare (significant resources),
- Scale

The combination of the individual pieces that make up the package is a kind of 'network effect'.

It is also powerful.

By the way, America has options to deal with growing debt (e.g. cut costs, adopt a more streamlined and targeted funding regime, grow the economy, engineer efficiencies, raise taxes in a targeted way). Instead, they may wait until it becomes a crisis (nowhere near that currently – despite what popular media might have you believe).

As Warren Buffett said, “It is a brave person who bets against America Inc.”

So what we have is a sustainable investing ‘playground’ with scale and significant opportunity for growth despite the challenges the country faces from time to time.

## The Green, Amber, Red Portfolio

A client came to his meeting in my Christchurch office one day.

He showed me a printout of his portfolio. He had used a highlighter pen to colour each investment – green, amber, red. You can imagine what those colours meant.

The red and amber colours denoted mainly New Zealand and, to a lesser degree, Australian holdings.

The significant amount of green colour was... you guessed it, mostly US and some UK holdings.

There you have it – the traffic light test proves everything (thank you, Mike, for your hard work with those highlighter pens. It looks like we might need to replace that green highlighter soon)!

*“Don’t worry about what the markets will do, worry about what you are going to do in response to the markets”.*

-Michael Carr

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