**Rob Spivey**

Traffic isn’t just a nuisance, it can actually add to economic growth. Up to a certain level, traffic can actually be good for the economy. An additional 9 minutes per day, and it becomes a hinderance for the economy.

The same can be said for inflation. A little inflation can lead to innovation. But, at a certain point, it can be highly destructive to economic growth. Especially when inflation is coupled with a slowing economy (“stagflation”).

Is stagflation here? Inflation is up (obviously). But is economic growth slowing? Rob says the inflation is caused by the hot economy – meaning no stagflation. That means we’re not in for another lost decade like the 1970s.

The Federal Reserve and other central banks are doing the right thing to raise rates to slow the economy and bring down inflation.

The 1970s isn’t the correct comparison. **World War II is a closer comparison**. The U.S. grew above 10%, then the government pulled back on spending (like it did in 2021). But that time, the market rocketed higher throughout that recession.

The saving rate spiked in the early 1940s, but then dropped sharply as people pumped these savings back into the economy. This, plus a crippled global supply chain, led to a skyrocketing inflation rate in 1946.

Like today, the Fed was slow to raise rates – waiting for it to hit 20% before hiking. The rate hikes reduced congestion in the economy (spreading out demand). After two years, inflation came back down to normal levels.

The Fed’s rate hike put both a floor and a ceiling on stocks – spreading out demand and slowing earnings growth.

This is extremely similar to what we saw in 2020 and 2021. During COVID, people saved up $4.3 trillion in savings, before rapidly being deployed back into the economy. Consumer spending surged and consumer habits changed. And that caused inflation.

Like in 1946, the market plummeted as investors panicked about inflation. Then the market rallied after the Fed said it was taking inflation seriously. Now, the market is worried about whether the Fed is going to tip the economy into a recession. The market isn’t pricing in a high risk of defaults.

The recession caused by the Fed in 1949 reset the economy. And that broke the market out of its trading range to the upside – leading to a 5x return in the Dow in 15 years. It also led to 15 years of 4.7% annualized GDP growth.

We’re about at 1947. That could mean two years of weak economic growth. In 2024 and 2025, we could see defaults as debt maturities come due with higher interest rates. But we’re seeing investment to build out supply chains – leading to long-term economic growth.

In the upcoming Supply Chain Supercycle, buy the picks and shovels companies. “High growth software” is not going to be the leader. Industrial companies, tech hardware, and industrial commodities (like copper). These will be the winners over the next 10 to 15 years.

**Top Ideas**

Atkore (ATKR) – makes conduits, anything to organize wires. They’re essentially a monopoly.

TrueBlue (TBI) – staffing company for blue-collar workers. More construction workers, drivers needed for supply chain supercycle.