2024 RECAP AND MID YEAR U.S. ECONOMIC REPORT-UPDATE

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The State of State 2024 Mid-Year US Economic Report-Update. There is not much that is more challenging than trying to calculate (some economists refer to this as guessing) where the US and global economies are headed twelve months into the future. For starters where does one begin? We put out our US Economic Reports around December 20th of each year for the succeeding year. We do not touch or change it after it goes out. We live or die on our forecasts and predictions we make in December until the next year's December report gets released.

We often go against the masses in our reports. For example, when the financial media and Wall Street were hell bent on "six or seven rate cuts for 2024", we predicted in 2023 either "no rate cuts at all or one to two small cuts at the end of 2024". Our deep dive on several leading indicators did not support the common thesis of any real rate cuts for 2024 at the time we released our report in December of 2023.

Our research just did not conclude that the Federal Reserve would be in position to cut rates this year. We felt the stock market would see 4-6% gains for the 2024 year, that Iran would see bombing within their borders in 2024, and personal and business bankruptcies, consumer debt, student loans and mortgage defaults would increase substantially in 2024. We also felt that housing prices for median home prices nationally would continue to fall as they did in 2023. It is why we felt US bonds may outperform equities because there is much less downside risk with the same return. Bingo on these so far in 2024.

According to the New York Federal Reserve as of Q1, 2024, Household Debt is now at record levels surpassing 2023, now sitting at $17.69 Trillion, up $184 Billion in just Q1. Student loan debt now exceeds $1.7T and is fast becoming the second biggest debt behind a mortgage for many of the 40M people in the United States that have student loan debt. Student loan defaults are rising under this burden as home ownership cost, food, gas, utilities, and insurance cost continue to increase at rates much higher than the reported CPI increases.

We also predicted that any one of three isolated events could happen in 2024 with a 67% chance that any one of these three events may occur in 2024 resulting in a severe backlash to the US Economy. We predicted the two wars could merge into WWIII, now involving over fifty countries directly and/or indirectly. By some accounts we are already there given that over 650,000 lives have been lost, and $184B was spent up through 2023 with another $100B being committed.

We also noted that China may provoke a war with Taiwan, something that is now on the verge of exploding after what happened over the Memorial Day weekend with China encircling the island with thirty-nine warships and 1,100 war planes on exercise. Taiwan was forced to meet this threat by sending its own planes into the air to protect their sovereign air space. Finally we suggested we could see some large regional bank failures in 2024 as billions in CRE loans face severe mark downs to the market. Despite U.S. regulators increasing stress test analysis and reporting requirements, at some point a leaking dam has to break.

Lastly, we are set up for some type of terrorist attack on US soil in the next 18 months and are now sitting at the highest threat level in decades. It will take years and a new border policy to begin to reduce this threat level. It is the number one threat facing the CIA and FBI today other than a nuclear attack from outside the U.S. Any one of these events will rock the stock and bond markets and trigger a massive sell off in the markets like what happen in 2023 when Silicon Valley Bank went down in less than a week after the first reports came out. The average P/E ratio at twenty-three times plus is too high compared to our current U.S. GDP growth and coupled with the current cost of capital and the above risk factors, has set the markets up for the highest downside risk profile we have seen since world war II and the 2008 credit meltdown.

The underlying factors leading up to these predictions are now well underway. It took us fifty-six pages to cover these and other issues in our 2024 US Economic Report released last December.

We also predicted the biggest issue in the 2024 election will be fighting over potential voter fraud particularly in six swing states from ineligible, deceased and non-existent voters. The biggest target state for both sides could well turn out to be Pennsylvania. More likely than not the road to the white house will be determined by who wins PA. Our thesis on the other five swing states has also not changed; however, we do have some new predictions in this midyear update on what is really going to happen before the November election and for what the "Debates" are really setting up. We will give you our best guess as to what happens later in this report.

This is why this year we put out a small separate midyear update. As a matter of policy, all of our other research reports on a wide array of subjects are always free on our website (**www.botdorfresearch.com**) except for the most current US Economic Report which becomes free in December of each year and is replaced by the new year report.

We also leave the former reports on the website because they contain valuable research on numerous topics like why we predicted billions will be lost on Electric Vehicles for years and why they do not reduce carbon emissions after production pollution is factored in. We also reported that the temporary uptick in housing prices in 2024 in many markets is a head fake, and why the total decline in overall housing prices will fall 20% to 30% from 2023 through 2026. Last year the National Association of Realtors reported an overall ***decline*** in all four quadrants of the United States came in at 15.9%. We predicted this number would come in at 15%.

The reason housing prices remain high in tight markets is because many sellers cannot afford to sell; cash out and then buy another home anywhere near like the one they had. This pricing disconnect is due to mortgage rates being up to 200% higher than two years ago which is now keeping home prices artificially high. Cash buyers are immune to the current interest rate environment with most luxury buyers now paying all cash in high end markets. For the rest of the housing market hyperinflation in mortgage rates, insurance policies, local taxes, maintenance costs and utilities is keeping buyers out of the market, keeping home inventories at lower levels.

This is about to change over the next 18 months as many sellers will be forced to sell due to divorces, job losses and job transfers and the need to raise cash. Also Baby boomers are retiring at the rate of over 300,000 persons per month which eventually has to drive nest egg sellers into the market. This disequilibrium is causing many to confuse the housing market as healthy. The market is never healthy when the vast majority of homeowners and move up buyers cannot afford to buy the home they live in. We note the latest figures from the National Association of Home Builders. Traditionally new home prices falling comes before severe market declines.

-The median sales price for new homes was $431k in March of 2024. That is down from the record high of $497k in October 2022. This is also in line with our 20% to 30% estimated drop in home prices from 2023 into 2026.

-Builder confidence declined this month for the first time since November 2023. Previously, for April, the National Association of Home Builders reported that 22% of builders cut home prices last month. The average price reduction was 6%. The use of sales incentives edged down slightly from March.

We note this home price decrease is just for the month of April and represents just one month of price adjustments that will continue well past the election given the current interest rate environment. This fall out is now beginning to hit local markets selling existing homes.

There is one formula that is working very well, however. Sell your home, take the money, pay cash for your next home, and move into a tax free state. We called this trend over two years ago and we are now seeing the biggest influx of home buyers in over thirty years into tax free states. It is going to take the Governors initiating and driving legislation in these high tax states by having the guts to lower taxes, provide business incentives, and get their deficit spending under control to reverse this trend that is likely to continue for years to come.

Each Governor of high tax states has little incentive to make the hard choices in favor of kicking the can down the road for the next Governor to deal with. This playbook has been in use for decades and is why states like California that had net inbound migration for over one hundred years are now seeing net outbound migration for the third year in a row. This net outbound migration is resulting in a spiraling deficit for California now approaching over $68B for this year. Money goes where it is best treated- and eventually so do many people who work hard for their money.

Our predictions have become even bolder as we reach the midpoint of 2024. We caution our readers that given our current forecast and despite our great track record over the past three years, we are due for being wrong at some point. That does not stop us from making unpopular predictions when the data are pointing toward increased risk in many economic and geo political environments. We tend to conduct intensive research to reach our conclusions and we like to have as many relevant data points as possible to support our positions. This practice will remain in force even if it means we are going against the popular media opinion of the day, something our research continues to opine on.

Our 2024 US Economic Report was our longest ever-at 56 pages. Our calculations were more complicated because of two major wars that remain ongoing in Ukraine and in Gaza including the surrounding proxies involved adjacent or near the Israeli borders. One might ask, what does the Ukraine War have to do with the US Economy? Well, for one, Ukraine was the second largest producer of grain in the world (behind the U.S.) so the war has impacted the cost of cereal and all grain products, like bread. Secondly, the US budget must be revamped to accommodate war spending by the U.S. to support the war. This only increases the deficit which through a series of events we explained in our 2022 and 2023 reports, just increases inflation. It is why the days of 2% inflation are over for a long while.

These two wars are also affecting the overall cost of capital for all nations, driving up global inflation, creating shortages, and creating the need to increase defense spending around the globe. This is taking funds away from social programs, spending for infrastructure programs, and is now slowing down GDP growth on a global basis, thereby producing a negative trend in Money Velocities on all continents. Money Velocity is how many times a unit of currency turns over in a year for a given country, so the higher the MV the higher the GDP and vice versa.

In short these wars besides costing several hundred billion so far are taking precious lives and show no signs of easing up this year. The latest figures are approaching 600,000 lives lost on the Russian side of the war. Ukraine has fared much better with just under 40,000 lives lost. This is due to the clever use of attack drones and western weapons that fly smarter and can react very quickly to troop maneuvers. These weapons in many cases are smarter and off the radar of most Russian defensive capabilities. Russia is trading lives for weapons in this war.

We note the math on what these wars cost just through 2023 below. With over seventy countries on the IMF “Watch List” for danger of defaulting before the wars even broke out, we now have one third of all countries well overextended on debt and even large, industrialized countries like the United States, are going to feel the pain of this war debt. We covered these alarming debt to GDP ratios and how they will slow global growth in detail in our 2022 and 2023 reports and why they will prove to be problematic and inflationary going forward as these defaults increase.

As noted below, as of the end of 2023, over $184B has been pumped into the two wars and this does not include the increased military spending many Nordic and European countries are pouring into their military budgets. This of course excludes the latest $61B package the United States just committed in April of 2024.

These wars are also causing havoc in the China Strait, where China, the Philippine’s, Australia, and Japan are vastly increasing their defense spending as a by-product of the Ukraine and Israeli wars. Before 2024 is over, we estimate that over One Trillion dollars will be redirected into weapons and increased military armies as a result of these wars from over fifty countries, and now, an extremely dangerous environment in the China Strait.

China realized over ten years ago they did not have the logistical assets to mount an attack on Taiwan. They started on a dedicated program to develop, build, and convert what is now over 300,000 cargo, civilian and military ships, and boats to manage this task. They also build several islands within military reach of Taiwan “to be ready” when this day comes. Special training, newer military planes and contingency and logistical support are now in place.

When President Putin recently met with President XI of China about a month ago, they had something in mind for the US to be released on Memorial Day. On Saturday, May 25th, Ukraine saw one of its heaviest days of fighting and bombing while China entered into war games by surrounding and in some cases blockading access into and out of some portions of the China Strait. This has now caused the U.S. to send in the President Reagan SuperCarrier, the most powerful Military Carrier in the world. She does not come alone. A considerable number of anti-submarine, attack frigates, logistical, and attack craft are part of what comes with this super carrier.

The U.S. is now in communication with the Netherlands, Japan, South Korea, Vietnam, and the British to monitor the China Strait around Taiwan. The “Island Chain Strategy” once employed by the United States seventy years ago, is now top of mind for the overall strategy to defend the China Strait and protect the sea lanes that serve one third of the world. Tensions are now the highest they have been in decades, and the probability of a mistake or false interpretation is about as high as it can get without being in a formal war.

As a result the U.S. will soon see its first One Trillion dollar military budget by the end of 2025. again pulling money away from medical, social and infrastructure programs, also seeing pressure to cut social benefits sooner than later. While this is great for the Industrial Military complex and the defense contractors that feed the war machines, it does not do much for the average citizen and eventually will erode the quality of life for all nations, particularly the United States.

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TOTAL COST OF UKRAINE/ISRAELI WARS UP THOUGH 2023 ON NEXT SLIDE

		Analysis of the Ukraine/Russian War-Top Countries Involved and Military Spend since War started		
	Country	Time Period for Facts and Figures is from start of War through 2023 Weapons/Intel Support for the War in Ukraine	2024 Active	Financial thru 2023
1	United States	Submaries, F-16's, Survelience, Aircraft Carriers, Patriot Missiles, Anti-Missiles, Special Ops Forces	yes	$61B
	Notes	U.S. approved $119B of which $61B has been sent. Source: USAfacts.org		
2	United Kingdom	Longest Guided Missiles (155K)-Storm Shadows+14 2nd gen tanks, hundred of attack drones.	yes	$4.1B
	Notes	M270 Mobiles Rocket Launch Systems for long range, 5,000 attack weapons. Source:bbc.com		
3	Netherlands	Amunition, maintance of systems, F-16's/Training, T-72 Tanks, Patriot Missiles. 100 Ger. Leopard Tanks	yes	$2.1B
	Notes	Netherlands is pleding to donate over $2.4B for 2024. Largest Donor by GDP. S:defensenews.com		
4	Denmark	Prime Minister Mette Federeksen announces $1.1B for 2024, Tanks, drones, ammo, other equipment	yes	$3.1B
	Notes	Denmark believes protecting the EU will stablize the EU's future. Source: newsweek.com		
5	Italy	Italy has provided civilian assistence, financial, humanitarian and emergency support for Ukraine	yes	$1.05B
	Notes	Stinger surface to Air, Anti-Tank Weapons, multiple launch rocket systems, Food & Water, Supplies.		
6	France	30 Cannons, Armored Vehicles, TRFi Howitzers, 100 suface to air, two rocket launchers, strom shadow	yes	$4.05B
	Notes	missiles, anti tank missiles, bullet proof vest, night vision googles, helmets, Zodiac Boats, S:lemode.fr.com		
7	Finland	Finland has donated anti-aircraft weapons as well as ammo and humanitarian aid. Source: rferi.org.	yes	$1.2B
	Notes	Lead a 30 nation joint exercise in Nov-23 in the Baltic Sea to coordinate war excercises to protect sea lanes		
8	Poland	Poland did initially support Ukraine with Leopard Tanks and Soviet MIG's. Focus on Poland weapons now	no	$500M
	Notes	for its own defense against Russia. Poland also cited trade issues for stoppage. Source: pbs.com, Nov-23.		EST
9	Germany	69 Military ATV's, 80 fighting vehicles, 30 Leopard 1 A5's, 16 Armored Carries, 138 Mguns for Tanks, 2	yes	$8.25B
	Notes	Patriot Sys, 6 air def radar, 49 anti air, rocket launchers, over 100K ammo, S: bundesregierung.de.	$9B-24-27	
10	Saudi Arabia	Crown Prince Mohammed bin Salman annoucned a $400M aid package for humanatarian purpose in	no	$400M
	Notes	2022. We did not find any more aid from Saudi Arabia for 2023. Source: Reuters.com.		
11	UAE	UAE donates humanarian aid to the people of Ukraine. In the month of October, 2022, on behaf of UAE	yes	$100M
	Notes	President Sheikh Mohammed provisioned $100M in aid to Ukraine. Source: reliefweb.intl		
12	Czek Republic	The Czech Republic has donated 62 older Tanks, 55 Armored Vehicles, 17,400 Mortar Shells, 13 Howitzers	yes	$224M
	Notes	131 Infrantry fighting vehicles, 128 mortars. Source: euromaidanpress.com. Oct, 2023.		
13	Japan	In February (2023), Japan announced $5.5B in additional support to Ukraines which includes $900M in	yes	$7.1B
		humanitarian aid and funds for reconstruction. Japans total commitment is now $7.1B. S: japan.go.jp.		
14	Sweden	Sweden is also considering sending figher jets to Ukraine possilby by the middle of 2024. Tot.aid is $2.9B	yes	$2.9B
		This also includes some support to Moldova due to Russia's invasion of Ukraine. S: www.government.se		
15	Norway	Norway is donating funds for Military aid (about half) and the International Red Cross, Save Children,	yes	$2.5B
		Food Security, funds for clearing mines in Ukraine, and donations to churches. S:www.regjeringen.no/		
16	Turkey	Turkey has provided a $36M aid package to Ukraine which provides for the purchase of military weapons	yes	$36M
		and other dual use products from the Turkish government. Source: www.wikipedia.org.		
17	Canada	Canada has supported the Ukraine War with over $2.4B in military and humanitarian aid through 2023	yes	$2.4B
		Source: the Canadian Government. www.canada.ca.com.		
18	Estonia	Estonia has provided $25.4M in aid to Ukraine for refugee and relocation aid to the people of Ukraine.	yes	$25.4M
		Funds are targeted to the worst area's of the war and the people impacted by bombings/food/water		
19	Spain	Spain is the largest contributor of the European Peace Fund who in turn donates aid to Ukraine.	yes	$347M
		Source: La Moncloa. www.moncloa.gob.es		
20	Swizerland	In addition to sending heath volunteers to Ukraine, Switzerland has donated a total of $1.3B to Ukraine	yes	$1.3B
		which includes $270M in direct aid and $1.03B to host families from Ukraine. Source:www.eda.admin.ch.		
		Total Cost of War from Inception through the year:	2023	$102.6B
		Countries that are supporting Russia in the Ukraine War.		
1	Russia	Accroding to the Wilson Center, Russia has spent $73B since the start of the war and now spends 33% of	yes	$73B
		every dollar collected on the war. CNN reported that Russia has lost 87% of its troops since war started.		
2	China	According to Stimson Center, China bought $17.8B in discounted oil from Russia in 2021/22. We used $9B	yes	$8.9B
		for 2023. Since Russia spends one third of its revenue on the war, we took one third of $26.8B for YE 2023		
3	N. Korea	North Korea has sent 1,000 containers of military aid to Russia (US Intel)since the war began. It cannot be	yes	N/A
		determined what the value is, however. Ammo/guns/drones are assumed. N.Korea gets Russian Sate Tech		
4	Iran	Iran's relationship with Russia is increasing with shipments of drones, training and factories being built	yes	N/A
		with aid from Iran to build next gen attack drones. Russia selling Su-35's fighter jets, attack helicopters		
5	Belarus	Technically voted for independence from the Russian Federation in 1991, Belarus has seen it relationship	no	N/A
		with Russia strained in 2023, however it is one of the poorest countries in Europe/$9021 per capita GDP.		
		Total Cost of War from Inception through the year :	2023	$82.2B
		botdorfresearch.com. All Rights Reserved. Year Ending 2023-Ukraine/Russia War		

The most recent data suggest that Ukraine will continue to focus its attacks on defensive positions by wearing down Russian troop advancements in several key cities critical to key supply lines. Also, under relaxed rules from many countries, (including the U.S.) Ukraine and anti-Putin factions inside of Russia are increasingly attacking Russian assets and fuel depots, trains and even fighter jets inside of Russian borders. These attacks coupled with shortages, inflation, and falling Russian GDP, along with 600,000 Russian and foreign lives lost fighting for Russia, are wearing down the patience of Russian citizens. This has resulted in Putin himself evacuating the Russian Palace on more than one occasion pending riot arrests and the Putin police and the Russian Federation Security Forces increasing coverage to dispel larger and larger crowds. Putin's problems are mounting on all fronts of the war and are starting to impact him domestically as violence increases inside of Russia. This war has now become inflationary for countries around the world.

WHY THE FEDERAL RESERVE DOES NOT ACTUALLY DETERMINE INTEREST RATES BY THEMSELVES

It is logical to assume that the Federal Reserve Board and the Board of Governors known collectively as the Federal Open Market Committee, controls the overall direction of interest rates. While this is true on some level, the Federal Reserve does not control global demand for U.S. debt. The global credit and debt markets decide demand for U.S. securities and thereby over time, impact how and when the Federal Reserve may act.

Historically, demand for U.S. T-Bills and U.S. Bonds has been strong, but U.S. demand is not immune from international pricing pressure. As an example China has reduced its holdings in U.S. debt over the past ten years by liquidating over two trillion dollars of U.S. bonds, recently again a net seller of $53 billion in U.S. bonds. Japan is currently the largest foreign owner of U.S. bonds at just over $1.1 Trillion. We note several facts about the Federal Reserve below.

"Nearly half of all US foreign-owned debt comes from five countries. All values are adjusted to 2023 dollars. As of January 2023, the five countries owning the most US debt are Japan ($1.1 trillion), China ($859 billion), the United Kingdom ($668 billion), Belgium ($331 billion), and Luxembourg ($318 billion)". (usafacts.org, 2024).

It is the Federal Reserve's actions, as a central bank, to achieve three goals specified by Congress: maximum employment, stable prices, and moderate long-term interest rates in the United States. (federalreserve.gov. 2024).

"The FOMC consists of all seven members of the board of governors and the twelve regional Federal Reserve Bank presidents, though only five bank presidents vote at a time—the president of the New York Fed and four others who rotate through one-year voting terms." (Wikipedia.org, 2024).

Think of the International Bond Market as the Super Bowl of Bond Debt from countries around the world. The Federal Reserve Board represents the US referees on U.S. soil, they are not the players in the game. The players are the countries, companies, and individuals that buy and sell the bonds. While the referees can influence a short term outcome, in the long run, it is the buyers and sellers of the bonds who influence the outcome, and by association the price of U.S. debt and therefore the price of money in the United States.

Given last year's downgrade of US debt by the Fitch's Bond Rating Agency, (see out earlier reports) and the ballooning U.S deficits, some countries are selling U.S. bonds and reducing their bond exposure to U.S. debt, especially the BRIC countries. It was not that long ago when

China owned over $3T in U.S. debt, now down to $859B. Our deficits spooked them into dumping U.S. bonds into the global markets. In all fairness, they also needed the cash to shore up their real estate problems, which are substantial. (see our 2023 Report).

Eventually if the deficit continues to spiral out of control, now up to $34.7 Trillion dollars, the U.S. will start to see stress in the bid to cover ratio, meaning less demand for U.S. bonds. As we have to compete with not only selling bonds every quarter to finance the deficit, but we also compete with sellers who already hold U.S. bonds, also selling at the same time. That means there could be more supply in the market at some point. If the holder of U.S. debt (U.S. bonds) wants to unload a large block of debt, they are free to set the price. The world markets can only absorb so much U.S. debt at a time and at some point foreign holders could elect to set prices below U.S. auction sale prices. To some extent, this means other countries could decide or have influence on the price of our debt. Although the U.S. bond market is the largest in the world, it is not a market without limits, particularly with record amounts of global debt needing to roll over.

We spent considerable time discussing world debt in our 2022 and 2023 US Economic Reports and why global demand to finance debts is at unhealthy levels around the world with some countries now over 3 to 1 on their debt to GDP levels. The USA is now pulling past 1.20 to 1.00 and headed for much higher ratios in the years ahead. This is a perfect storm brewing on why the price of U.S. debt is likely to rise rather than fall in the future, meaning the Federal Reserve could be forced to increase interest rates because the global cost of capital is setting up to rise to keep the debts rolling over. Remember the Super Bowl analogy. There is not much the referees can do about the outcome if Patrick Mahomes throws six touchdown passes in the game. If demand weakens in the years ahead for US debt, especially from financial engineering by BRICS, the U.S. could be forced to raise rates irregardless of how the U.S. economy is faring. The Federal Reserve will be powerless to cut rates in the face of the global debt Tsunami that is building and already at dangerous levels. This includes the amount of U.S. debt in the market.

What is BRICS and its purpose?

"BRICS refers to certain emerging market countries—Brazil, Russia, India, China, South Africa, and more—that seek to establish deeper ties between member nations and cooperate on economic expansion, including trade. The countries function as a **counterbalance** to traditional Western influence." (Investopedia.com).

"While the renminbi will be the main currency for trade, payments, and settlements within BRICS, the role of a new prime holding currency offers fresh possibilities. Regarding trade,

Saudi Arabia and the UAE will most likely trade with China in renminbi, independent of the denominator currency." (omfif.org. Feb 29, 2024).

What is BRICS trying to accomplish?

BRICS countries aim to create new economic and trade systems separate from the U.S.-led Western systems, according to the group.Aug 21, 2023

"Over 40 countries, including Iran, Saudi Arabia, United Arab Emirates, Argentina, Algeria, Bolivia, Indonesia, Egypt, Ethiopia, Cuba, Democratic Republic of Congo, Comoros, Gabon, and Kazakhstan have expressed interest in joining the forum, according to 2023 summit chair South Africa." (reuters.com Aug 21, 2023).

If this trend continues, demand for U.S. debt as the "number one global currency" will cease to exist and the United States could be in danger of being just another currency. In fact it is baked into the stars at this point unless the U.S. radically reverses existing monetary and fiscal policies.

The fallout from the dollar unwinding its status as the world's currency will mean that the United States could lose its status as a Super Power nation over the next decade. Without other countries financing our debts, our cost of capital will soar driving interest rates in the U.S. to more than double from where they sit in June of 2024. A large part of the world is lining up to crash the U.S. dollar and we need to get serious about reducing our deficit to withstand what is coming.

Many people rightfully think that the dollar is the strongest currency in the world. While it is currently the most traded, it is far from the strongest currency in the world for the reasons we have stated herein. Here are the top eight strongest currencies in the world and their respective exchange rates of the last week of May, 2024.

1-The Kuwaiti Dinar-$1.00 US equals .31 Dinar.

2-The Bahraini Dinar-$1.00 US Dollar equals .38 Dinar.

3-Omani rial-$1.00 US Dollar equals .38 Dinar.

4-Jordania Dollar- $1.00 US equals .71 Jordan Dollar.

5-Bristish Pound-$1.00 US equals ..78 British Pound.

6-Gilbraltar Pound-$1.00 US equals .78 British Pound.

7-Cayman Island Dollar-$1.00 US equals .83 Cayman Dollar.

8-Swiss Franc-$1.00 US equals .87 Swiss Franc.

How and Why do Currencies Rise and Fall Against the Dollar?

The rule is simple: on the world stage the strongest currency with the strongest balance sheet is what the world, companies and individuals want to own. It is why smart investors in the US have coveted the Swiss Franc for decades although that is starting to change. As we note from above, the Swiss Franc, a coveted currency for over 75 years, is now falling below many of the Mid Eastern countries on the most valuable currency scale. To provide a better understanding of what happens when currencies change value we will compare the U.S. dollar to the Kuwaiti Dinar.

Kuwait has a total debt of $14 Billion which is only 3.12% of their GDP. This stat comes from the US Federal reserve in St. Louis.

"According to the World Bank, Kuwait's estimated gross national income (GNI) per capita in 2024 is $160.4 billion (nominal) and $264.3 billion (PPP). This makes Kuwait the fifth richest country in the world by GNI per capita." (Wikipedia.org, 2024).

"As of April 2024, the International Monetary Fund (IMF) estimated Kuwait's total government debt to be 3.12838% of GDP. This is down from 11.70408% of GDP in 2020. Trading Economics predicts that Kuwait's government debt to GDP will reach 4% by the end of 2024 and 6% in 2025." https://fred.stlouisfed.org/series/KWTGGDGDPGDPPT. 2024.

The US is on track for a GDP of 25.6 Trillion (we believe it will come in lower in 2024) and has total debt as of May, 2024 of $34.7 Trillion. Kuwait's has (160/14) 11.42 times revenue against their total debt. The U.S. currently has (34.7/25.6) 1.35 times revenue against total debt. Which debt would you prefer to own? I know I would sleep better putting a billion dollars into a country that makes over eleven times the revenue to cover debt versus one that can barely gross over one times.

The irony of this problem for the U.S. is if we just opened up our drilling for oil and gas (some of the largest reserves on the world) we could vastly increased our own GDP, dramatically cut our need to import oil at much higher costs, and we could slow the need to borrow money to cover our operating cost. Instead we are watching our dollar fall each year, while the Mideast gains purchasing power against our dollar. The reason Kuwait's PPP (Purchasing Power Parity) is over $263 Billion a year, is because when they buy something on the world stage against other currencies they convert at such high exchange rates against other currencies, they get a discount of (160/263) 64%, adding $103 Billion in purchasing power. Can you imagine spending $100B but only having to pay $39 Billion? This is why our country is in trouble. When a weak currency buys something against a strong currency, they always pay a premium to make the deal.

The Kuwaiti Dinar (KWD) is now the strongest currency in the world due to their oil reserves. Frankly, they are not worried about the decline of fossil fuels and future demand and neither are US energy companies that produce fossil fuels. If EV production increases from here the U.S. will need ***to vastly increase its imports and production of fossil fuels to supply the electricity needed*** to power more EV's.

"In 2023, about 4,178 billion kilowatt-hours (kWh) (or about 4.18 trillion kWh) of electricity were generated at utility-scale electricity generation facilities in the United States**. About 60% of this electricity generation was from fossil fuels—coal, natural gas, petroleum, and other gases". (U.S. Energy Information Administration, EIA, www.eia.gov. 2024).**

We saw Japanese electric rates vastly increase after their nuclear accident on March 11, 2011. We note the incident as reported by the Scientific Committee on the Effects of Radiation.

"The Fukushima Daiichi nuclear power plant in Japan experienced an accident on March 11, 2011, caused by the Great Tohoku earthquake and tsunami. The accident is the second worst in nuclear power history, after the Chernobyl disaster." (www.unscear.org.2011).

Japan was immediately forced to dramatically increase utility rates which began to rival rental and mortgage payments shortly after the incident. They also had to replace nuclear power with fossil fuels from Australia and Russia.

"After the Fukushima Daiichi nuclear power plant meltdown in 2011, Japan's electricity prices increased due to higher fossil fuel costs from increased imports. The country's electricity generation shifted to fossil fuels, with older oil-fired plants increasing their generation from 10% in 2010 to 14% and natural gas increasing to 35% of the power mix in 2011. Japan now generates 60% of its power from coal and liquid natural gas imported from Australia, Malaysia, and Russia." (Google, 2024).

If current policies on U.S. drilling and coal production remain in place we will need to increase our fossil fuel purchases from Venezuela, China, Russia, and the Mideast, further putting pressure on the dollar and supporting regimes plotting to ruin our country and our currency. (See our current and past reports for more details). Under any circumstances by enriching communist regimes and buying fossil fuels overseas we are creating inflation in the U.S. by keeping energy prices too high. We are also creating more pollution to import these fuels and in the process actually increasing global carbon emissions. Transporting oil to our shores from large Diesel Oil Tankers and from countries using far less efficient drilling practices to pull the oil out of the ground is more taxing on the environment than if we just pulled it out of the ground domestically. The world will use over 101 million barrels of oil per day in 2024, regardless of what country produces it. Oil consumption is a zero sum game when calculating the global pollution emissions released into the atmosphere. The only thing that changes from the U.S.

shutting down production of oil and gas is the price. We pay a huge premium on what it costs to fill our tanks so we can pretend we are saving the planet.

The 2024 RACE TO THE WHITE HOUSE-WHY BIDEN MAY HAVE TO RESIGN AFTER THE ELECTION

The United States economy is facing a future with a devalued dollar, projected negative real growth in the U.S., rising rates (again) likely sometime in 2026 and 2027, an extended frozen housing market out of equilibrium, over regulation to the tune of $1.7T in the last three years levied on businesses, and a stock market that is stalled outside of the “Elite Eight”-(See our 2024 Report). Small caps are struggling to get financing and soaring deficits are not going to help them or the U.S consumer already struggling with well over ***One Trillion*** in consumer debt for the first time ever.

Technically speaking we have had two consecutive down quarters of GDP at 3.40% revised in Q4 of 2023 and a huge downdraft of 1.60% revised for Q1 of 2024. This compares to 4.9% from Q3 of 2023. We can stop using the term healthy economy, goldilocks economy, and the pending soft landing that may occur. We are now in route to fasten your seatbelt, put your heads down and your seat in the upright position. The Press as usual is well behind what is setting up and will be throughout the election. When was the last time you heard someone mention that the BRIC transition is well underway and will be one of the main reasons interest rates will have to rise in the longer term? The financial media will not figure this out for the pending election but might be focused on this topic for the 2028 election when the carnage becomes more widespread.

As to the election we have studied the pending rumor mill, and made some well-placed phone inquiries, and are now predicting what we feel is going to be an outcome. Unfortunately, the Biden/Trump feud is going to get worse. The House Oversight Committee is nearing a two year investigation of what really happened with Biden and his family. They now have over three million emails, texts, documents and sworn testimonies that confirm over $24M was wired into accounts controlled by the Biden family as confirmed by James Comer, Chairperson of the 2024 House Oversight Committee. No one that testified seems to know what the money was for, even the family members who got the money. Does this make sense?

He recently confirmed these numbers in an interview with Maria Bartiromo on Fox News. Whether or not the Biden base wants to believe there is no evidence does not matter at this point. This issue is about to haunt Biden forever. Mr. Comer described the wall of evidence as “Possibly the worst public corruption scandal in U.S. history.” There is only one tangible way out for Biden at this point and that is to seek a Presidential pardon for all of his “alleged crimes.” This will not come from Trump if he wins. The House Oversight Committee will present one of longest and most in depth reports ever created for Congress against a sitting U.S. President sometime this summer.

While this report may not change many Biden voters, it will have an impact on the election results as some democratic voters either change sides or just refuse to vote at all. Who do we know that might enjoy becoming President if only for three months? We believe if Biden fails to notch up significantly in the polls after the debates, his only way out is to resign and wait for the inevitable Presidential pardon that will come from Kamala Harris as President from September of 2024 to January of 2025.

If Biden should retake the White House, he will be able to kick this problem down the road and deal with it later. If Trump should win in November, we put the odds of Biden resigning in December as President at about 90%. While we prefer to stay away from political issues, given the issues we have raised in this report, our 2025 U.S. Economic Report is entirely dependent on who wins the white house in November.

As to rumors that Gavin Newsome or Michelle Obama will be the new Democratic Nominee at the DNC convention, it is possible, but we see both as long shots to win the election. Gavin's recent fascination and visits with world leaders is fueling speculation he will be penciled in at the upcoming DNC convention. We are not sure given his state's $68B deficit and his relative lack of experience, that he will have the goods to win over voters in 2024. He looks more like a 2028 candidate to us, but his nomination, if he can clear the legal issues, would not surprise us. The formal "odds" of Newsome winning the White House in November are 3.9%. As Newsome might put it, "So you saying I have a chance"?

YES, IT REALLY IS THE ECONOMY-STUPID. One of our biggest challenges putting out the 2024 Report was we had to make our forecast in November of 2023 for our December release. We had just got the Q3 GDP report showing the economy posted a record high number of 4.9% for Q3 of 2023. Meanwhile, our pending Q4, 2023 and future predictions for 2024 was for negative growth in real terms for 2024 GDP. Were we wrong? I thought about what am I missing as we were releasing last year's report? Did we need to reevaluate our thesis? Biden never looked so smart after the Q3-2023 report came out. Eventually I made the call to go with our original forecast and cited in the report that the Q3 GDP was an "anomaly", it was not going to stick and in fact, GDP is going to get worse, a lot worse. Then came the numbers, Q4 of 2023 came in at 3.4%, down sharply from Q3, and Q1 of 2024 came in at a paltry 1.6%. It took time for the reasons we cited to see the trend fully develop. We expect that Q2 GDP will beat Q1 1.6%, technically pulling the US out of a recession. In reality, our headwinds are likely to put us right back into one.

We often get so far ahead of the curve, we might look a bit off in the short term, like right now with why the dollar is destined to devalue from here and why housing prices are in the process of a pending steep decline, albeit with last years 15.9% decline nationwide, and the recent April housing decline of 6.6% that just came in from Redfin, our trend forecast is on the mark.

These markets will see declines albeit many high end luxury markets and gated communities will see smaller declines when they do come. Given the root causes of what is happening with interest rates and the historical gap with median income versus median housing prices at all-time highs, the trend is already in motion and has now hit the home builders. Either wage earners need a significant rise in incomes of at least 25% from here or housing prices need to fall. One or the other is inevitable.

THE U.S. ECONOMY FOR THE SECOND HALF OF 2024-REPORT CONCLUSIONS.

Most commentators and analysts use as a practical definition of a recession, two consecutive quarters of decline in a country's real (inflation-adjusted) gross domestic product (GDP)—the value of all goods and services a country produces. (www.imf.org. 2023). Well, according to the traditional definition of a recession, which started in Q2 of this year. In fact the GDP growth was so low in Q1 of this year, it is possible for Q2 of 2024 to slightly beat the 1.6% figure, meaning we will by technical terms, be out of a recession. We do not think it matters much at all whether Q2 beats 1.6%. Over the course of this year, we maintain our forecast of negative real growth for the U.S. economy, which means even stretching the technical definition of a recession, the U.S. economy is headed for trouble given all of the issues we have highlighted in this report.

Many economists and technical analysts that watch M2, debt to GDP, and deficit growth have stated these indicators are outdated and by themselves do not mean much. They have a point; however, we prefer to expand our analysis and include the Inverted Yield curve, the housing markets, consumer confidence sentiment, business investment, core inflation along with food and gas, defense spending, real wage growth or lack thereof, and exploding Medicare and Medicaid cost, and by looking at them together, feel we can draw a fairly good picture of where things are headed.

Yes, the M2 money supply is currently shrinking the most since the Great Depression. The M2 money supply includes coins, physical currency, retail money market funds, and small time deposits.

"From April 2022 to May 2023, the M2 fell by 5.5%, which may also end up close to the rate of inflation when the final numbers come in, if you include gas and food, something we think matters a lot to the American public. This is the first time the U.S. money supply has shrunk since 1949 at this level, and is due to a number of factors, including: Rising interest rates, The Fed reducing its balance sheet holdings by around $800 billion, and Changes in Fed policy." (Ycharts.com).

What happens when M2 falls?

"For a fractional reserve, debt-driven economy, declines in M2 are akin to economic starvation." Declines in M2, as the US is seeing now, have been correlated with economic depressions and panics, Anastasiou said." (spglobal.com. May 31, 2023).

We note from Larry Kudlow on Fox news the price of regulation over the past three Presidents, Obama, Trump, and Biden. Kudlow reported the following numbers on his show on 5-21-24. The cost of new business regulations were as follows for companies in the United States, The Obama Administration added $303 Billion, Trump cut out $163 Billion, and Biden has now added a whopping $1.6 Trillion in new business regulations. This is all coming on the heels of higher inflation, higher taxes on the way, and what will be the staggering cost of paying for 10M immigrants in the United States.

We already spend $1.7 Trillion more that we take in revenue in the U.S. ***Total revenue for 2023 was $4.5T while we spent $6.2T***. According to the House Committee on Homeland Security, it is estimated the medical, education, housing, food, training, and shelter costs to support immigration will cost taxpayers over ***$450 billion per year*** added to the deficit. In other words we are going to spend ***just over 10% percent of all of the revenue collected by the U.S. government to pay for immigration*** and that figure will keep rising as long as the border remains open. We actually put the cost at a higher figure when crime, transportation, translators cost for schools and for processing immigrant paperwork from over thirty-five countries, and counseling cost are added into the calculation. Most Americans believe in responsible immigration to allow others to pursue the American dream. I am also willing to bet that 90% of Americans have no idea how expensive a wide open border policy is and the burden it will cost taxpayers for generations.

"The federal government collected $4.5 trillion in revenue in fiscal year 2023 (FY 2023). The federal government spent almost $6.2 trillion in FY 2023, including funds distributed to states. Federal revenue decreased 15.5% in FY 2023 but remained almost 8% higher than in FY 2019." (usafacts.org. State of the Union, 2024)."

"The spending "could cost as much as an astounding $451 billion," per year, the report stated, citing research from the Center for Immigration Studies in May 2023. "The population of the United States is roughly 330 million, plus perhaps 15 million illegal migrants.Nov 16, 2023." (homeland.house.gov. 2023).

Let Us Do The Math:

So we haul in $4.5 Trillion in Revenue and we spend $5.1 Trillion before actual operating expenses the government needs for millions of programs not listed below that we use to run the country.

1-We need $1.4 Trillion just for interest on the national debt.
2-We spend $900 Billion on Defense.
3-We need $1.3 Trillion for Social Security.
4-In 2024 Medicare will cost just under One Trillion Dollars.
5-We now spend $500 Billion each year to support Immigration.

So without factoring in the millions of line item expenses needed to run the country, we spend $4.9 Trillion per year and are around $600 billion in the hole **before** we spend one dime to actually run the government and fund all of the other social, infrastructure, clean energy, water, education, and other local projects we need to replace, repair, and maintain our infrastructure.

Last year we needed to borrow another $1.7 Trillion just to get by and pay the bills. It is time for Americans to start voting with their wallets and forget about ideologies for a while. A bankrupt country is not a country with a bright future. This is fundamentally why the current 7%

mortgage rates will seem like a bargain compared to what just might be coming over the next two to three years. If rates hit 10%, people will be saying remember when mortgage rates were 7%? One or two small quarter point rate reductions, if they come at all, will be just like the refs calling back one of Mahomes' six touchdown passes. In the long run it will not make any difference in the outcome. It is about what will follow into 2026 and 2027 that matters. What follows will be 100% dependent on the U.S. fiscal policy in 2025.
Afterall, the numbers do not lie. They are not the result of any one President; they are not at this level because of just Democrats or just Republicans. They do not have a political bias. They are here at current levels because we as a people have acted like fiscal prudence does not matter.

This is the time to remember the late great President, John F Kennedy.

"Ask not what your country can do for you, ask what you can do for our country."

It is time for all U.S. politicians to put the country first and their own fiscal interests behind the needs of the country.

Signing Off,

John C. Botdorf
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