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Your guide to understanding
today's economy and
financial markets

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Global ABCs

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This is the companion piece to *Domestic ABCs* of November 14

Anxiety—found in big doses around the globe, tied primarily to subprime mortgage securities bought by global investors and the still erratic performance of global financial markets

Bric Nations—you will hear more and more about these four growth nations of Brazil, Russia, India, and China...now conveniently packaged under one descriptor

China—powerful economic growth continues, with leaders still trying to slow the economy down. China could challenge Japan's position as "number one" in the Pacific Rim within a decade

Dollar—perhaps soon to approach a bottom after sizable declines against other major currencies in recent years. The good news? The weaker dollar has led to impressive U.S. export growth

Euro—strength of the European currency against the U.S. dollar is scaring European exporters to death, while providing European visitors to and investors in the U.S. with an early Christmas

France—new pro-American political leadership will help thaw the prior icy relationship with the U.S. Score one for pro-growth President Sarkozy in his first battle of wills with powerful unions about early retirements

Germany—the global community's third largest economy. By many measures, however, Europe's largest economy will soon give up its #3 ranking to China

Hunger—an estimated 40,000 people around the world starve to death every day...a major travesty. Can't we work together better to deal with this reality show?

India—solid economic growth is tied primarily to the providing of global services and internal demand, versus China's focus on goods production and exports. Still, nearly half of India's population remains illiterate, with 60% of all Indians scratching out a living on farms

Japan—the world's second largest economic power has slowed after stronger performance during the past couple of years. Concerns regarding sick investment portfolios, an enormous national debt, weak leadership, and a declining population remain

Korea (North)—massive starvation of its people and a failed economic system...Is their misguided leader finally moving in the right direction? Meanwhile, Korea (South) enjoys solid economic growth

Liquidity—Expect to see more global oil revenues invested into loss-heavy domestic and global commercial and investment banks. They gotta' put it somewhere

Mexico & **M**igration—the illegal migration problem promises to be a major issue in '08's U.S. elections. Our Southern neighbor's economy is stable, but needs to grow faster to meet the needs of a rising population.

Neighbor to the **N**orth—the Canadian unemployment rate of 5.8% in October was a 33-year low. The 2.1% annual job growth pace during 2007's first 10 months was the best in five years. However, Canadian dollar strength of recent years has hurt exports and tourism

Oil & OPEC—hasn't hit \$100 per barrel...yet. Don't be surprised if oil prices fall sharply at some point sooner rather than later

Poverty—the bad news? An estimated 640 million people in the Asia-Pacific region live on under \$1 per day. The good news? That total exceeded one billion in 1990. Progress...slow and steady

Quagmires—there never seems to be a shortage. Today's list still includes Afghanistan, the Middle East, Chechnya, Iraq, Sudan, and other parts of Africa. Who's next?

Russia—solid economic growth has occurred in this hotbed of political corruption, tied primarily to solid oil production and high oil prices. President Putin continues to strengthen his hand and punish his enemies. He will very likely "stay in control" even after stepping down as president in '08

Social Safety Net—we have anxiety in this country about the future affordability of Social Security, Medicare, and Medicaid. The challenges are much greater in Japan and "old" Europe, where birth rates are extremely low and many populations are in decline

Taxes—more and more nations adopt "the Reagan model" of lower tax rates as a way to provide stronger growth and investment incentives in their economies. Democrats talk of raising taxes...lucky us

U.N.—a largely ineffective institution that must step forward and assume more responsibility around the world. Wouldn't it be nice if the U.S. could just be one member of a more relevant and viable United Nations?

Volatility—pick any descriptor...political...economic...financial market

World Economic Growth—should be 4.0%-4.8% (after inflation) this year and next. An escalation of the credit crisis and major terrorist "successes" are the primary threats to global growth

Exports—one of the "keys" to success for global companies. U.S. exports grew at a 16.2% annual rate during the third quarter, largely offsetting the weakness in housing

Young People (around the world)—facing a rising tax burden in coming decades to finance the retirement years of Baby Boomers (and Boomers' parents) if minor changes are not soon made

Zero Sum Game (which global trade is not)—any trade restrictions (protectionism) we impose on another nation are soon matched or exceeded by that nation. Democrats must be very careful

"TEA"ser

When everything's coming your way, you're in the wrong lane.

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