Andy Killion: Bankers Investment Counseling Company

If you listen hard enough you can hear the birds chirping — or was that just another muskaboom?

By Andy Killion
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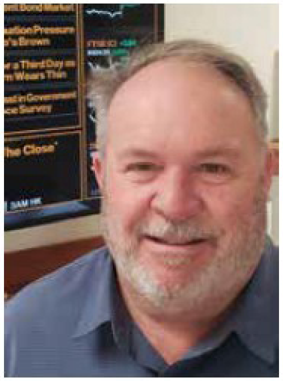
My previous column ended with a promise to explain how chirping birds in the spring relate to the economy. So here is my attempt to describe the financial birds and the bees.

Birds chirp in the spring while they busily build their nests, which is allegorical to how our personal consumption of goods and services tends to pick up pace in the spring.



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Just take a look around you and you will see what I mean. Delivery vans dropping packages, supermarket parking lots full of new vehicles and airports jammed with travelers. Around here we also get to experience house-shaking sonic "MuskaBOOMS," confirming our demand for continued technological progress.

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As we move closer toward the summer, money and news channels continue to chatter about the the FED's pending action on interest rates while Mr. Market reacts to every economic announcement. When asked what I think the FED's next action will be, I pretend to place a conical black hat adorned with crescent moon and star on my head before saying, "I have no idea and, if I did, would it really matter?"

I learned a long time ago that it's best to not fight the FED. More important to the "when" question is the "why" question. Why do we need to add more fuel to the inflation fire that our central bankers ignited way back in 2008? As of this column, the FED still has more than $7.4 trillion of purchased assets — Troubled Asset Relief Program (TARP), Quantitative Easing (QE), Quantitative Easing 2(QE2) and COVID — on the balance sheet, which means it has a lot of work to do before our nation's balance sheet is normalized.

A big part of how the FED perceives the health of our economy is about how we spend our money and what we spend it on. Unfortunately, this has become even more challenging with new digital "buy-now-pay-later" consumer applications. These products are leveraged with AI technology and custom-fit for each shopkeeper's customer base.

Consumers are in the process of adding this new layer of debt to personal balance sheets, which is not included in credit reporting.

Again, look outside and count the delivery vans or, better yet, drive to Oxnard and take a look at our new Amazon distribution center off Del Norte Boulevard in Oxnard. The building is so big we could write messages on its roof, which could most likely be read by the astronauts orbiting Earth in the International Space Station.

So with interest rates back to pre-GFC levels, our economy is fantastically resilient. For those of you too young to know and the rest of us who have tried hard to forget, GFC stands for the Global Financial Crisis that racked the world between 2008 and 2012. Sure, the things we need and want are too expensive ($12 burritos et al.), but we can blame ourselves, as the last time I checked, we live in a representative government and both sides of the political aisle are complicit.

In essence, our nation's budget is in the middle of the same buy-now-and-pay-later dilemma many households find themselves in. Who wants ice cream? Everybody. Prices for copper, gold and silver are moving higher, too.

In my previous column, I discussed the Magnificent 7 and how they contrast the other 493 companies that comprise the S&P 500.

As of this column, they have been reduced to six as one of them has fallen by the wayside for the moment, which gets me to another important point. Don't forget to ask your banker and/or financial advisor what the risk-free return is right now. I just checked and it is slightly north of 5% — not too shabby.

Of course, this, too, is a challenge as the rate will inevitably change, and the consensus is that it will be lower. Excuse me while I put my wizard hat back on…

I hope this was helpful and that you will return to me when I discuss Mr. Market and elections later this summer.

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