BURFORD BROTHERS

Investment Letter
August 3, 2022

Debt

Debt plays an important role in our free market economy. With most things, moderation is key to happy outcomes over the long run and debt is no exception. But through history, debt levels have fluctuated significantly and can cause economic disruption when rising (inflation) or when falling (recession).

Productivity

Productivity is the magic ingredient that can offset the inflation *and* recession effects of debt. The more efficiently we can produce goods and services (productivity), the more likely our economy is to achieve growth with low inflation (goals of monetary and fiscal policy).

Productivity has always trended up but not always fast enough to match the effects of quicker moving debt levels. This in large part explains the cyclicality of our economy and the related impact on our financial markets.

Forecast

We think it is likely that our economy continues its long-term trends in growth and productivity and the financial markets follow.

In the near-term, our forecasting is less accurate. Over the next twelve months, we expect similar stock market volatility as seen the previous twelve months (beginning 7/31/21, the S&P 500 has ranged from +10% to –13% and finished at -3%).

Some of the most important work we do is preparing our clients financial lives to better endure expected market swings – understanding that the timing of these swings is unknown.

As always, please contact us with any questions or thoughts.

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