

US recovery - entering a new phase

Ronald Temple | Lazard Asset Management | 29 April 2016

In the two months [since I spoke on the outlook for the US] at [Markets Summit 2016](#), investors seem to have moved from worrying that the world economy was on the brink of another recession. to a more balanced view of the risks and opportunities facing the economy.

In my presentation, I highlighted a positive view of the US economy and projected that the recovery could last another five years, if not longer. The data points we've seen since mid-February have strengthened our confidence that the US is at a transition point in which the economic recovery is moving into a new phase as the middle class becomes a bigger driver of growth.

The underlying basis for our optimism is:

1. Labour market strength – New private sector job creation remains very strong and job openings continue to be near 15 year highs. As of February 2016, the US had 5.4 million vacant jobs, even after creating 5.5 million positions over the last two years.
2. Energy savings – The average American household saved \$731 over the last year on gasoline. Even with the recent rebound in oil prices, we expect Americans to save an additional \$220 by the end of 2016.
3. Sustained low interest rates – If there is a bright side to the early 2016 drawdown, it is that the Fed realised that it needs to be more careful than it had been already about normalising monetary policy. While we worry that the interest rate markets are too dovish about rate expectations, we do believe that US short-term rates are likely to remain near record lows for the next three to five years and that the 10-year yield is likely to stay below 3%. If our view is correct, the benefits of labour market strength and gasoline savings should filter through even more forcefully into the housing market (not to mention a number of other segments of the US economy).

Our second quarter 2016 outlook for the US economy expounds on our views of the quarter ahead and our optimism around the growth we are seeing in the US.

[Read "Outlook on the United States"](#)



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