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$1 Trillion Dollars!

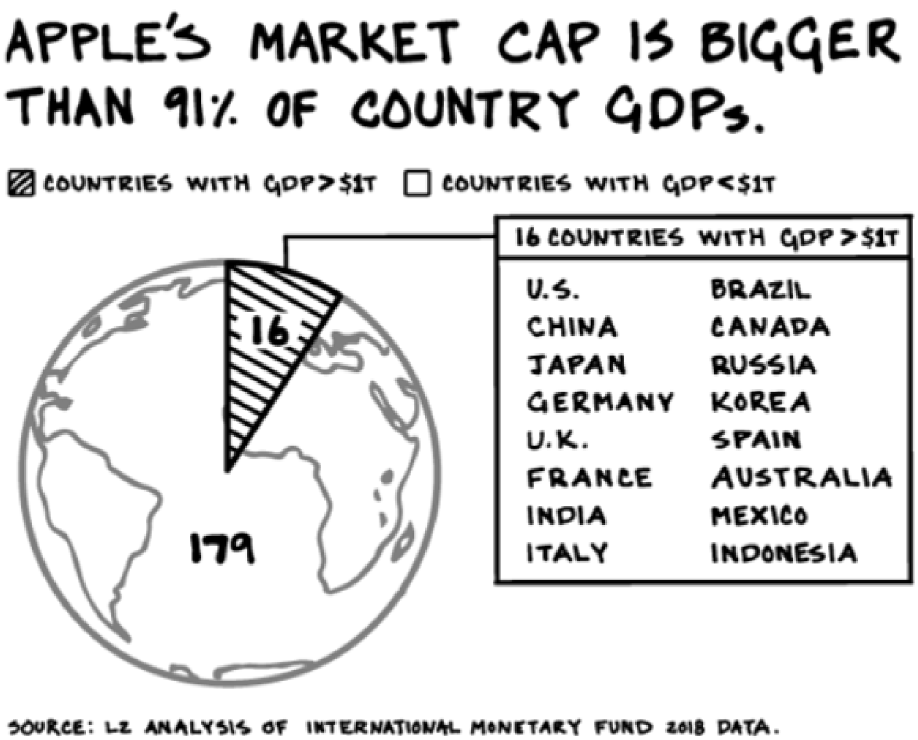
In the two days following Apple Inc.'s earnings announcement, shares of its stock increased 9%, making it the first company in history to be worth more than ONE TRILLION DOLLARS.

Sometimes it seems that the average American bandies the words "billion" and "trillion" about just a little too casually, not truly understanding the magnitude of what those numbers represent. ("I've told you a billion times to clean up your room!")

How big is a trillion? Well, a trillion iPhone X's laid end to end would reach to the moon and back 178 times.

The entire Gross Domestic Product of the largest economy in the world (the U.S. of A.) is only $19 trillion (2017).

Of the nearly 200 countries in the world, all except sixteen have a GDP less than $1 trillion. That's right, the economies of 91% of the countries on the planet are smaller than Apple.



https://www.l2inc.com/daily-insights/no-mercy-no-malice/yay-capitalism

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We are embarrassed to tell you we had to stop and think, What is the next "illion" that comes after billion and trillion? And no, it is not gazillion or kajillion. It is quadrillion, which we can't imagine becoming part of our daily vernacular any time soon. (We actually like gazillion better.)

Meanwhile, one week earlier, Facebook announced disappointing earnings, and its shares plummeted 20% the following day, which, it turns out, was a drop of $119 billion.

A DROP OF ALMOST ONE HUNDRED AND TWENTY BILLION DOLLARS IN ONE DAY!!

Again, there are legitimate (and illegitimate) countries whose economies are smaller than $120 billion. Facebook lost that much value in one trading day. Chump change for Mark Zuckerberg, though.

Which leads us to a discussion about the merits of using the S&P 500 Index as some sort of reliable barometer of all U.S. stocks. Every day, every week, every year you can know the performance of the Standard & Poor's 500 Index. It is supposed to be an index of the 500 most relevant companies in America.

But all companies are not treated equally in the S&P 500. It is a "market cap-weighted" index, which is our shop-talk way of saying the larger companies in it have a greater influence on the performance of the index.

Just seven companies are responsible for almost 17% of the index, even though they only represent just over 1% of the stocks in it. If you don't own Facebook, Apple, Amazon, Microsoft, Berkshire Hathaway, JP Morgan, and Google, you probably haven't performed as well as the S&P 500 in this recent rally (and probably won't perform as badly when investors take profits in those seven stocks).

Wedged between Facebook's disastrous drop and Apple's $1 trillion milestone, it was announced that U.S. GDP grew 4.1% in the second quarter . . . the fastest rate of economic growth in four years! And the stock market promptly sold off 1%.

Why did the stock market drop after such good news? For starters, the reported growth rate of 4.1% needs to be put into context. The economy actually grew about 1% in the second quarter, but it is reported as an "annual" rate, hence 4.1%.

Also, even with that good quarter, GDP growth for the past twelve months was a mere 2.8% — nothing to get excited about. And apparently a lot of investor anticipation of a good quarter was already built into the market.

The strong performance was driven by a healthy consumer demand, that is, people spent more money on "stuff" than usual. This was probably a result of tax cuts taking hold, as people began spending those extra dollars that accumulated in their bank accounts.

If that is the case, possible outcomes are:

- Economic growth will slow down next year. The tax cuts provided a one-time bump in consumer spending that cannot be repeated every year. Or….

- The effects of the extra consumer spending will reverberate throughout the economy in a type of waterfall effect spurring continued growth.

We place a higher probability on the former outcome. Massive debt, an aging demographic, and lingering fears of a trade war stand in the way of sustained high growth. The length of the economic recovery since 2008 has been extended by tax cuts, but we are skeptical that a 4% annual growth rate can continue.

At Boyer Corporon Wealth Management, we currently favor old, stodgy, "value" stocks that pay nice dividends over the trendy names of the digital world.

In addition, we continue to feel long-term interest rates will stay low and possibly go lower. Two weeks ago, the 10-year US Treasury interest rate poked its head above 3% and immediately turned down and is about 2.88% as we write this.