

CHART OF THE MONTH

FEBRUARY 2024

“History doesn't repeat itself, but it does rhyme.”
— Mark Twain

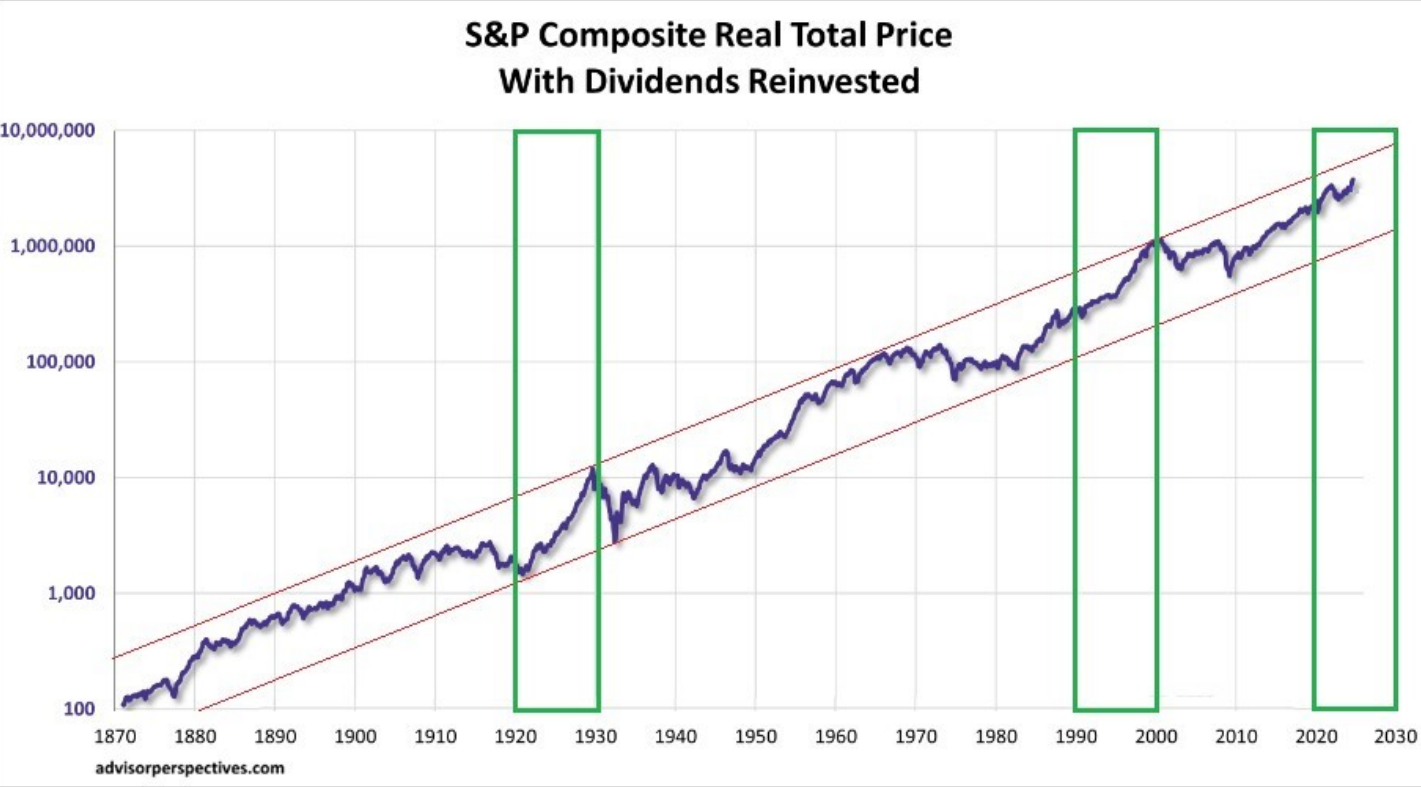
The Roaring Twenties redux? The 1920s and 2020s started off with pandemics, followed by heightened political tensions, social change, economic growth, and a rising stock market.

Both decades benefited from innovation and productivity growth. Electronics shaped the 1920s (automobiles, radios, phonographs, refrigerators, washing machines, and vacuum cleaners) and the 2020s (automation, robotics, blockchain, and artificial intelligence).

Ed Yardeni, President & Chief Investment Strategist of Yardeni Research, believes the Roaring 2020s started in the stock market on November 30, 2022 when OpenAI launched ChatGPT, an AI-powered language model that organizes, summarizes, and writes text. While AI has been around as an academic discipline since the 1950s, technology companies involved in generative artificial intelligence (such as NVIDIA, Microsoft, Alphabet, Amazon, and Meta Platforms, among others) have powered the stock market over the past 15 months.

Goldman Sachs recently estimated that AI could increase productivity growth by 1.5 percentage points annually over the next decade. As a result, GDP growth should accelerate and the rate of inflation should continue to decline as AI is adopted more widely in the years to come. That combination should aid prosperity and consumer spending, not unlike the 1920s.

Yardeni also sees parallels between the 2020s and the 1990s when tech stocks catapulted higher and higher. While the AI stocks have not approached the valuations of the dot-com bubble, we have trimmed them from time to time and will continue to monitor such holdings closely. Without predicting the future, it is important to recognize that neither the 1920s nor the 1990s ended up well. Nonetheless, we are cautiously optimistic in the period ahead.



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