



# MILL CREEK

## 2024 Second Quarter Investment Update

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**Q2 2024 Outlook**

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**01 April 2024**  
**Megatrends for the Decade Ahead**  
 By Michael Cook, Chief Investment Officer

...set months ~~ago~~ hypothesized that we might be on the cusp of a historical period of elevated US economic growth and discussed many of the investment implications of a higher-growth economic environment. This quarterly publication takes a step back and focuses on four potential catalysts that could drive higher real economic growth:

- 1) baby boomer consumption,
- 2) retirement living middle age,
- 3) immigration, and
- 4) artificial intelligence.

Real GDP growth averaged just under 2.5% between 2000 and 2023 (Fig. 1). However, due to factors like an aging population, low birth rates, generic productivity and many real-world economic factors, the US can only realize a 1.8% trend real gross domestic product (GDP) growth from now on. While such a view is very reasonable based on the 2020-2029 economic climate, in our opinion, it grants significant changes in the US economy that will sustain higher economic growth through the balance of the decade.

**Fig. 1 US GDP growth, year-over-year (%)**

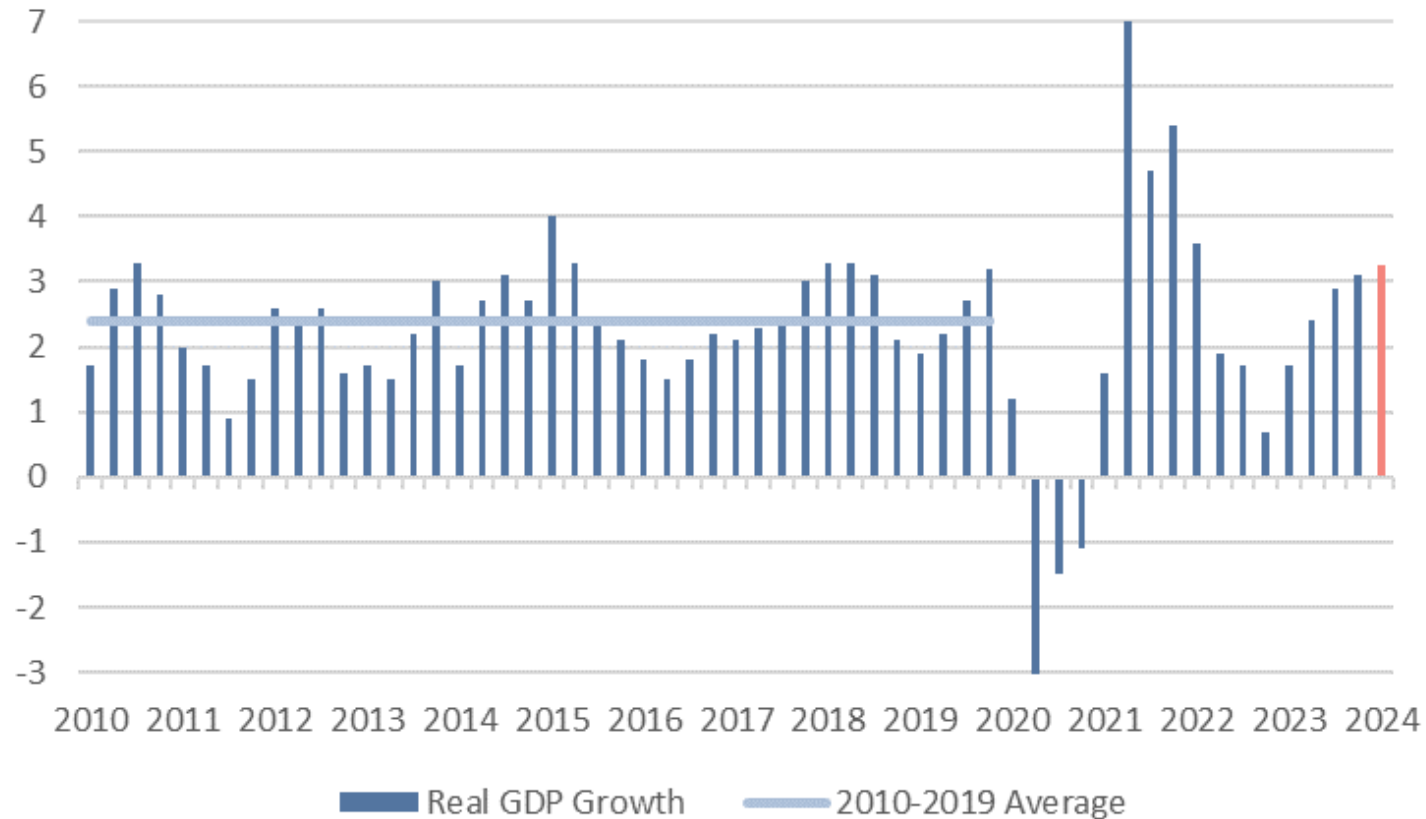
Source: Washington, DC: US Commerce Dept. Real Gross Domestic Product (GDP) Annual % Change, 2000-2024. Data as of 03/29/2024.

# Megatrends for the Decade Ahead



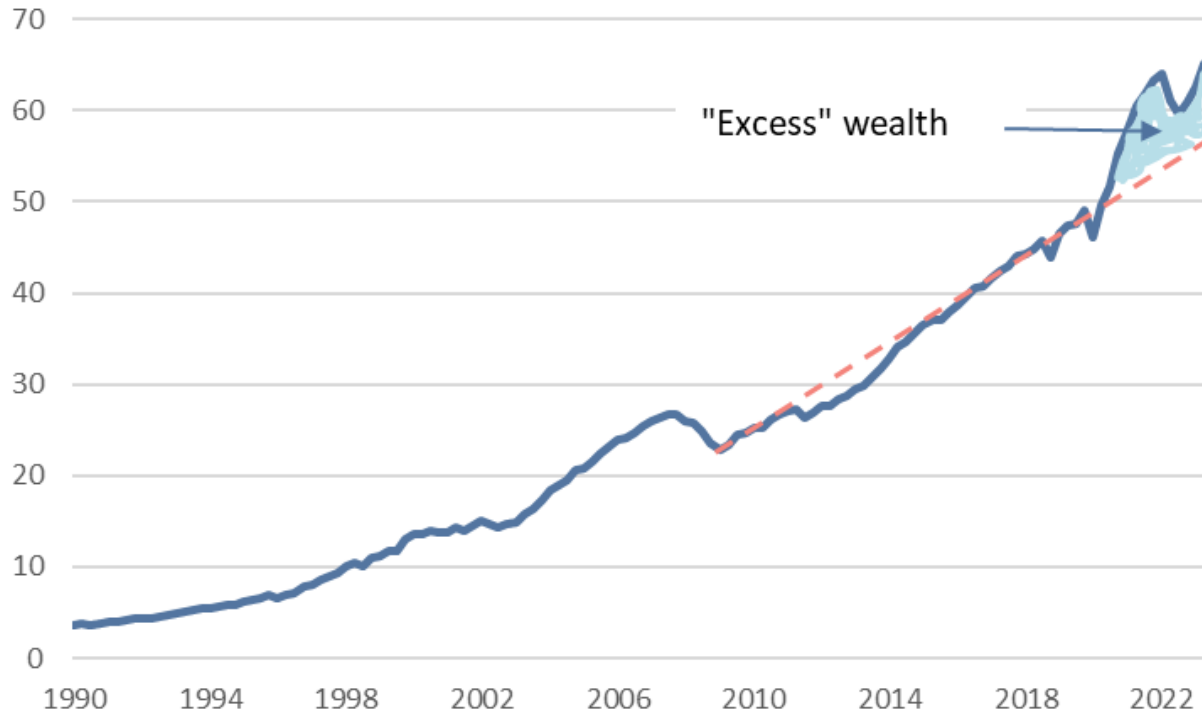
Source: Dall-E, Mill Creek. Prompt: “create a picture that illustrates four potential catalysts that could drive higher real economic growth: 1) baby boomer consumption, 2) millennials hitting middle age, 3) immigration, and 4) artificial intelligence.”

# US GDP Growth, Year-over-year (%)



Source: Bloomberg, Mill Creek. Red column represents Atlanta FedNow forecast for Q1 2024.

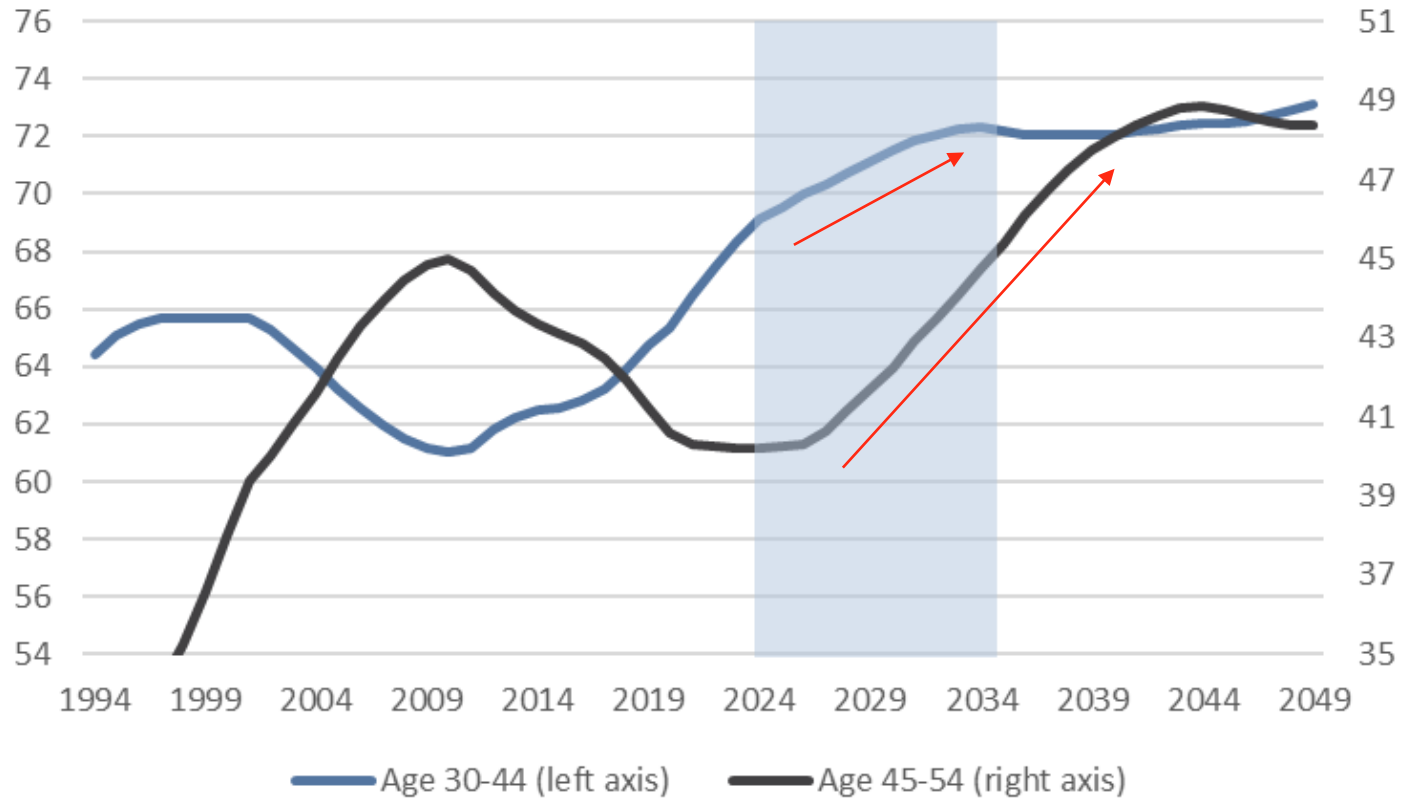
# Megatrend #1: Baby boomer net worth (trillions)



Source: Federal Reserve Board, Mill Creek. Salmon line represents 2009-2019 trend.

# Megatrend #2: The "middle-aged" US population will grow rapidly

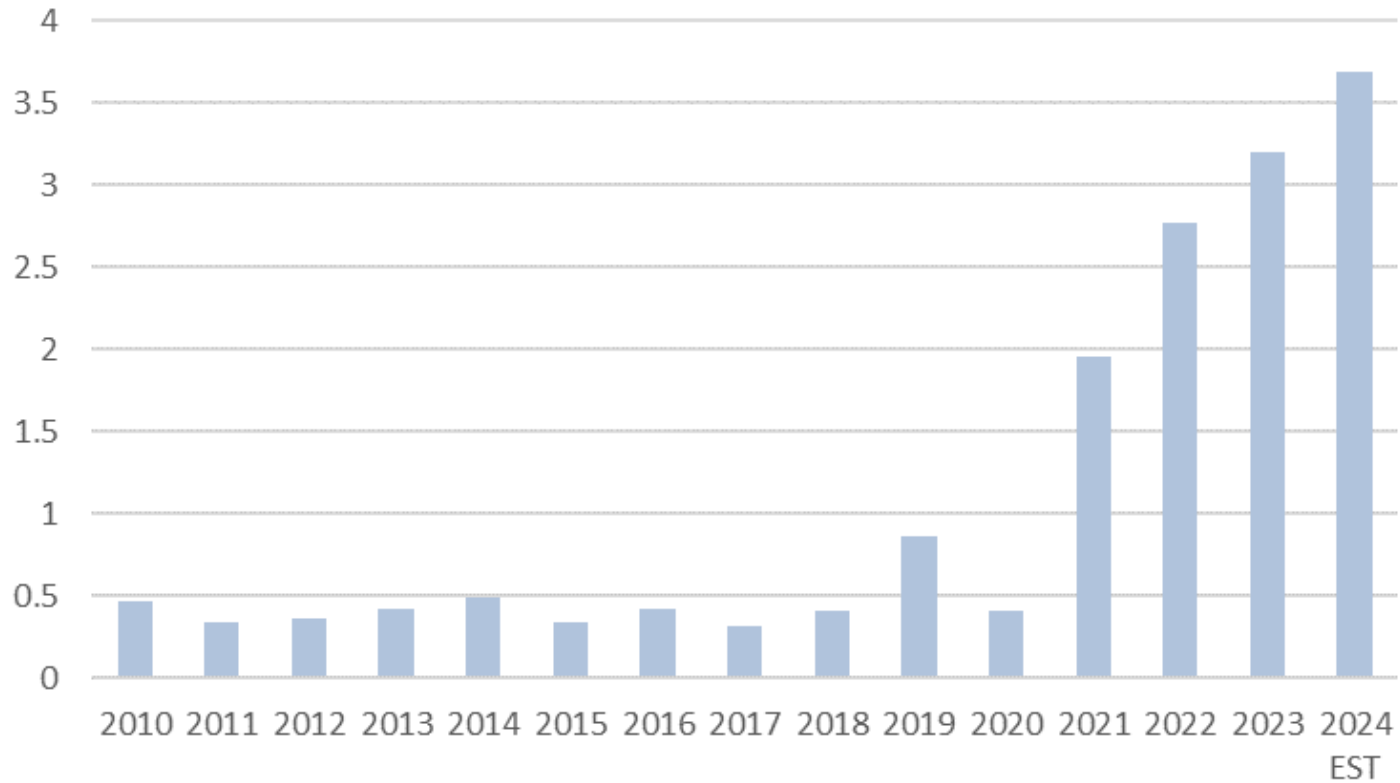
## Population by age cohort (millions)



Source: US Census Bureau, Mill Creek.

# Megatrend #3: Immigration and population growth

## US Border Control Encounters by year (millions)



Source: US Border Control, Mill Creek.

# Megatrend #4: Productivity growth from AI and LLMs

## US Productivity Growth



Source: Bloomberg, Mill Creek. 5-year rolling average.

## Strategic investment implications

- 1) Persistently higher interest rates than 2010-2020 experience
- 2) Tailwind for equities due to higher growth/ higher earnings
- 3) Housing demand / residential investment
- 4) Increased energy demand, particularly around electrification, necessity of stable base energy, and storage/transmission.



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