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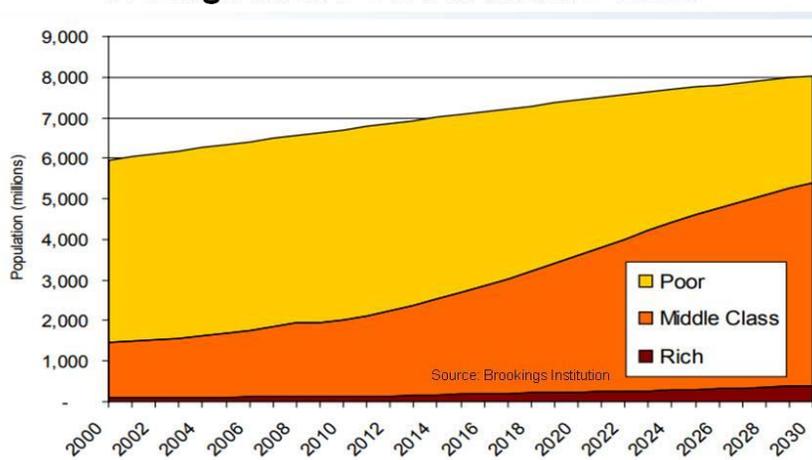
The Rise of the Global Middle Class

The S&P 500 is at new highs. 25% earnings growth this year is a significant driver of the bullish price action. Although earnings are expected to continue to grow in 2019, the rate of growth is expected to slow. Is the economic growth cycle approaching its natural end or are there underlying changes occurring in the global economy which could extend cycle longevity?

The Brookings Institution, a non-profit research group, has been measuring the size of the global middle class for the past decade. The reason the middle class is important is it is the primary source of demand in the global economy. Historically, the 157 million middle class consumers in the United States have disproportionately driven consumption buying roughly 21% of the world's output in 2009. We are reaching a tipping point. Over the next several years, the global middle class is expected to expand dramatically. This will significantly alter the global economic landscape.

As of 2017, the Brookings Institution estimated that 3.2 billion people or 42% of the total world population were in the "middle class." The majority of the world's population is classified as poor. By 2030, the middle class is expected to be 60% of the total population with the poor becoming a minority.

A Surge in the Global Middle Class



Not only is the global middle class expected to increase by over 50% in the next decade, it is expected to shift East. In 2009, the five biggest spending groups of middle class consumers came from the United States, Japan, Germany, France and the United Kingdom. In 2030, the list in order of largest to smallest is expected to be China, India, United States, Indonesia and Japan. In the 1960s and 1970s, middle-class spending in North America and Europe grew in excess of 5% a year. The expected slowdown in developed economy middle class spending should be more than made up by growth rates of 6% or more in emerging economies.

Middle Class Consumption

Top 10 Countries Global % Share

2009		2015		2020		2030	
U.S.	21%	U.S.	13%	China	16%	China	22%
Japan	8%	China	12%	U.S.	11%	India	17%
Germany	6%	Japan	6%	India	9%	U.S.	7%
France	4%	India	5%	Japan	5%	Indonesia	4%
U.K.	4%	Russia	4%	Russia	4%	Japan	3%
Russia	4%	Germany	4%	Germany	4%	Russia	3%
China	4%	Brazil	3%	Indonesia	3%	Germany	2%
Italy	3%	U.K.	3%	Brazil	3%	Mexico	2%
Mexico	3%	France	3%	U.K.	3%	Brazil	2%
Brazil	3%	Italy	3%	France	3%	U.K.	2%

Source: Brookings Institution

At a very high level, the addition of 2 billion new global middle class consumers over the next ten years is a significant tailwind for the economy and stock market. From the time the Brookings Institution began looking at this data about ten years ago, the global middle class actual growth rates have exceeded their estimates and the middle class consumers are spending more than previously expected.

The Brookings Institution is not the only organization seeing this trend. This week, Toyota Motor Corporation announced it will triple its car production capabilities in China by the year 2030. Last year, Toyota sold about 2.4 million vehicles in the U.S., about twice as many as in China. Toyota is planning on selling 3.5 million vehicles in China in 2030, substantially more than what it plans to sell in the U.S.

The U.S. stock market is dominated by giant, multi-national corporations. About half of the revenues of the S&P 500 are derived abroad. It is likely the U.S. stock market will

benefit from global middle class expansion. It would also not be surprising to see an improvement in performance in international stock markets as well.

Is Your Investment Portfolio Positioned to Take Advantage of These Trends?

Give us a call at **(415) 249-6337** or email us at info@deltaim.com to set up a time to talk if you have questions about how we can assist you in managing your investment accounts. Our disciplined approach to invest in the strongest areas of the market and a focus on capital preservation is how we help clients.

Have a wonderful Labor Day weekend.



Delta Stock Market Dashboard

MARKET SENTIMENT IS

BULLISH

THIS WEEK'S NUMBER IS

63.2

Our technical indicator increased
this week from 61.4 to 63.2

INDICATOR STATISTICS

Consecutive Bullish Weeks:	17
Cycle Inception Date:	5/10/2018
Range:	51.2 – 69.9
Mean:	62.4
Bullish Weeks YTD:	29
Bearish Weeks YTD:	6
*S&P 500	6.7%
*DJIA	5.2%
*NASDAQ	9.4%

* Percentage change during current cycle

Delta Market Sentiment Indicator Over the Past Year



(Delta MSI is published in *Barron's*)

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