SOLUTIONS
Economic & Market Watch

February 3, 2025

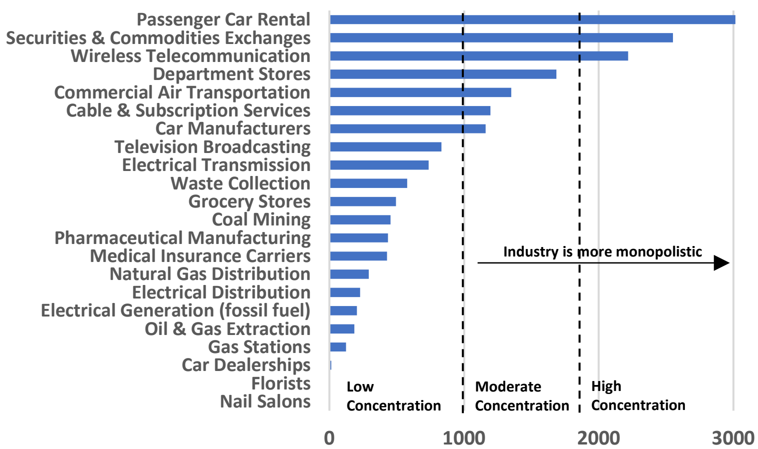
Economic & Market Watch Intelligence Brief

Briefing

- Starting in the late 1980s, industries across the globe became more competitive (Figure 1). More competition means better quality, lower prices and more variety as numerous companies look for ways to attract customers. Worldwide competition increased because of reduced barriers to entry due to technological advancements that made it less expensive to conduct business over long distances, expanded market opportunities due to trade-friendly policies and increased consumer demand due to improved standards of living.
- The surge in world trade was a major factor in increased competition (Figure 2). Trade opens markets to more sellers and expands the size of markets relative to the sizes of the companies selling in them.
- Sears delivered a wide selection of products to customers' homes. Liking them better than what mom-and-pop shops offered, customers shifted their purchases to Sears, making it the dominant U.S. retailer from the 1920s through the 1980s. Starting in the 1980s, consumers found they preferred Walmart's "everyday low prices" model and shifted their purchases, making Walmart the dominant U.S. retailer. Then, preferring online shopping and home delivery, consumers shifted to Amazon (Figure 3).

Chart of the Week

Concentration of Selected US Industries (HHI)



Commentary

One measure of the degree of competition in an industry is the Herfindahl-Hirschman Index (HHI). A more competitive industry will have many equally sized companies and a lower HHI. A more monopolistic industry will have a few large companies and a higher HHI (Chart of the Week). The Department of Justice considers an industry with an HHI above 1,800 to be "highly concentrated." Proposed mergers in such an industry will likely draw regulatory scrutiny due to potential anti-competitive effects. Any merger that increases the HHI by more than 100 points in an industry that has an HHI that is already above 1,800 is likely to be prohibited.

Economists are more concerned about why a company is dominant rather than that it is dominant (Figure 3 and accompanying brief). Companies that attain dominance because they co-opt regulators to shut out competition are a problem because they will evolve to serve the needs of regulators rather than consumers. Companies that attain dominance because they provide the best value to consumers are not a problem because consumers have granted them their dominance, and consumers can revoke that dominance when a newcomer offers even more value.

Snapshots

Figure 1. Median Industry Concentration Worldwide

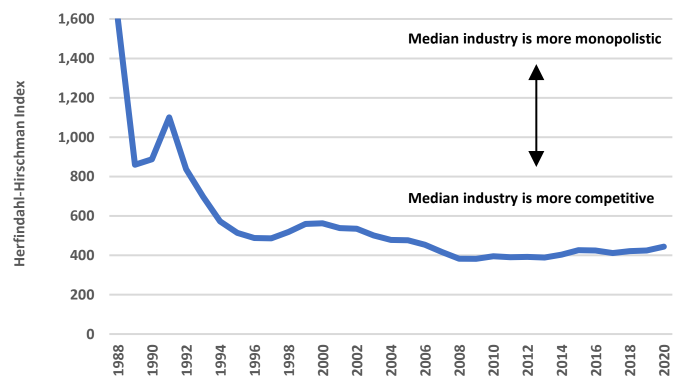


Figure 2. World Trade as Fraction of World GDP

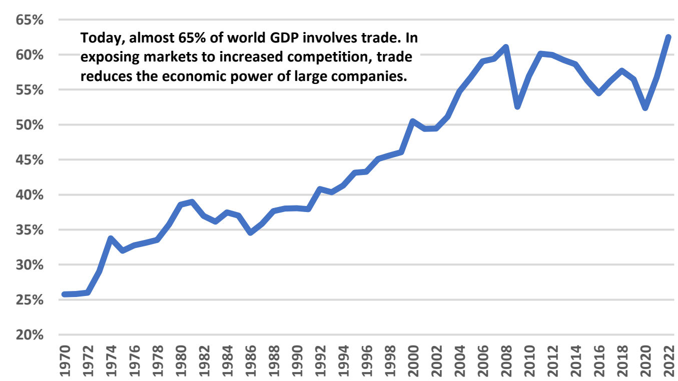
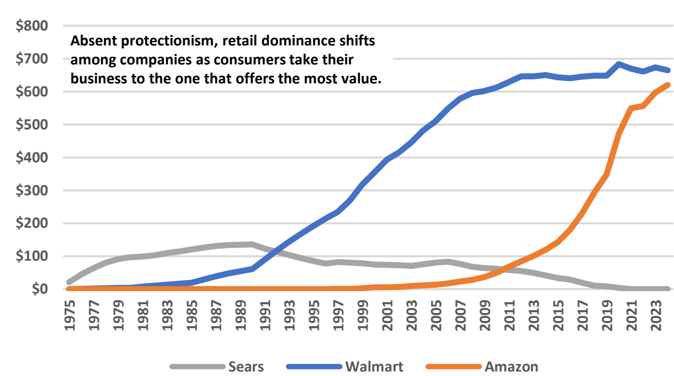


Figure 3. Annual Sales (billions, 2024$)



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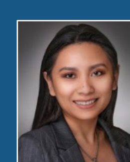
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Economic & Market Watch Dashboard

Key Indicators

INTEREST RATES[1]

	Current	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
Fed Funds Target[2] (%)	4.50	4.50	4.50	4.25	4.25	4.00
SOFR (%)	4.38	4.20	4.00	3.90	3.80	3.75
2Y UST (%)	4.24	4.15	3.95	3.90	3.90	3.75
5Y UST (%)	4.32	4.25	4.15	4.10	4.05	4.00
10Y UST (%)	4.51	4.45	4.40	4.40	4.35	4.25
30Y UST (%)	4.74	4.70	4.70	4.70	4.65	4.55

ECONOMY

	Current	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
PCE Inflation (%)	2.6	2.4	2.5	2.4	2.5	2.5
CPI Inflation (%)	2.9	2.8	2.7	2.6	2.6	2.8
Real GDP (%)	2.3	2.1	1.9	1.9	1.9	2.0
Unemployment (%)	4.1	4.3	4.3	4.3	4.3	4.3
Consumer Spending (%)	4.2	2.2	2.1	2.1	1.9	2.0
Industrial Production (%)	(0.2)	0.7	0.7	1.0	1.6	1.5

Equities & Currency

	Current	Year ago
DJIA	44,545	38,380
Nasdaq	19,627	15,598
S&P 500	6,041	4,943
US Dollar Index	$1,317	$1,241

Commodities

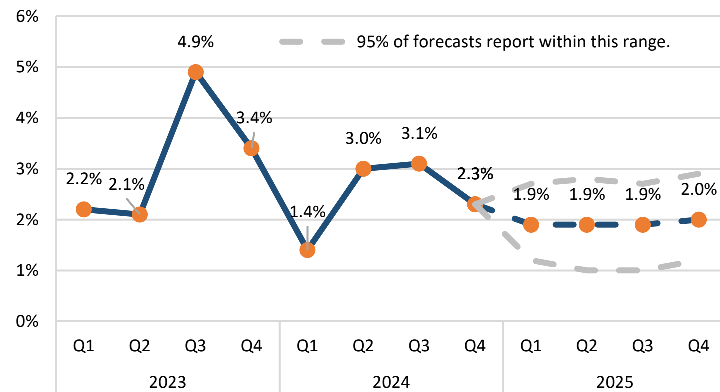
	Current	Year ago
Crude Oil (Per Barrel)	$74.40	$72.40
Natural Gas (Per MMBtu)	$3.31	$1.98
Coal (Per Short Ton)	$11.85	$11.85
Gold (Per Ounce)	$2,804	$2,016
Corn (Per Bushel)	$475	$453
Soybean (Per Bushel)	$1,037	$1,028

Industry

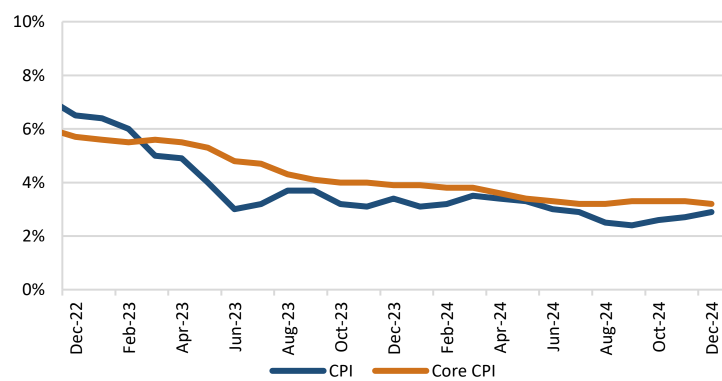
	Current	Year ago
Natural Gas Storage (Billion Cubic Feet)	2,571	2,715
U.S. Daily Power Consumption (MWh)	10,852,867	11,040,222
World Container Index (Per 40ft)	$3,364	$3,777

Forecasts

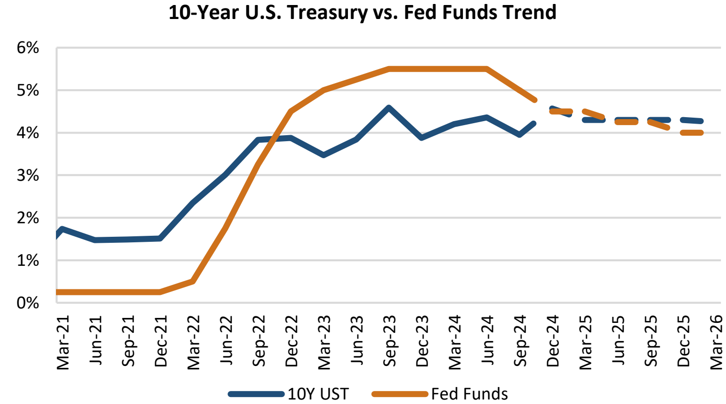
Real GDP Growth Trend



Headline vs. Core Inflation



10-Year U.S. Treasury vs. Fed Funds Trend



[1] Unless otherwise indicated, forecasts are from the Blue Chip Professional Forecasters
[2] Target rate forecast is based on futures market contracts

Source: Blue Chip Financial Forecasts, Trading Economics, Moody's Analytics, Statista, Trading Economics, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, U.S. Energy Information Administration, U.S. Treasury Department, Federal Reserve Bank of Atlanta, Federal Reserve Bank of New York, Federal Reserve Bank of St. Louis, International Monetary Fund, World Bank, University of Michigan, The Conference Board.