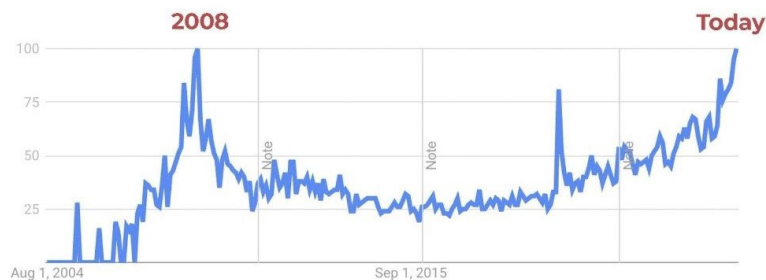


J. Michael Locke Musings

#272: Musing December 27, 2025

Numbers are not always right. While they may be factually accurate, depending on the specific measurement, they can provide a misleading read. That is how I view the 4.3% growth in GDP for Q3 which was just reported. I am not questioning its accuracy but I don't think it provides the right interpretation of where we are going. It was driven mostly by growth in consumption (which is 70% of the measurement). The upper end consumer (top part of our K situation) is spending well due to rising asset prices but the regular consumer is challenged. The lower end consumer will also face significant headwinds in 2026 as student loan repayment restarts (they have still been delayed since Covid). Car loan delinquencies are rising and look at this chart of search volumes for "help with mortgage":



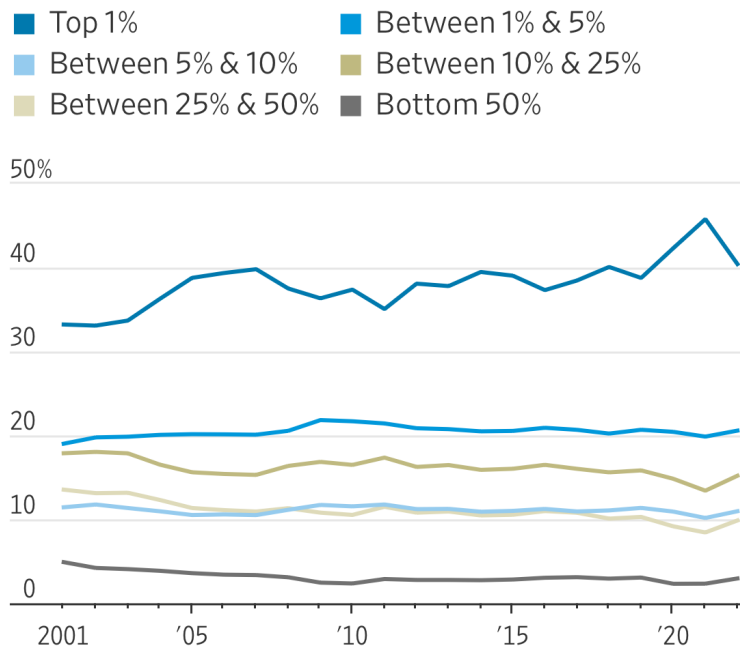
There are prominent economists who disagree with me. Larry Kudlow and crowd believe we are about to enter a great phase of economic prosperity with growth over 5% in 2026. Musk has talked about double digit growth. Their argument is inflation is coming down, interest rates are coming down, tax cuts are coming from BBB and you have an AI investment super-cycle which will add 200 basis points (2%) to growth.

I would also be careful about last month's CPI reading which did not include housing due to the government shutdown. Housing makes up 1/3 of the CPI and prices are stubbornly high. The supply/demand balance driving those prices is the challenge on supply. The majority of mortgages are under 4% so potential sellers can not afford to buy something else and take out a new mortgage. Market is locked up.

Add healthcare to the rising expenses (whether you have Obamacare expiring subsidies or just normal corporate provided insurance) and you have the trifecta of challenges for the majority of Americans. The All In podcast crew feels that the healthcare/housing/education trifecta must be solved or AI development becomes dystopian as jobs are lost. Some prominent conservatives are buying gold and ammo. Not good.

It doesn't work to have the economy only work for the wealthy even if you tax them. Here is an interesting chart on tax collections:

Shares of Federal Income Taxes Paid by Income Group, 2001-2022



Source: Tax Foundation based on IRS statistics

Be glad you aren't in the food business. GLPs are being mainstreamed. Astra Zeneca just got approval for an oral (pill) version of their obesity drug and prices are coming down. Lilly version coming soon. I think GLPs are going to become like statins with a tremendous amount of people on them. Is that good? Certainly, it is a positive to have a healthier population and obesity drives all kinds of other diseases. I just don't like the idea of everyone getting there through pharma rather than diet and exercise.

It will certainly be a positive for the mass adoption of GLPs to reduce other addictive behaviors like gambling. It is not healthy that you can bet on anything all of the time. Especially bad for young men. Are we surprised that many games (like NFL) appear to be fixed when there is so much money on the line?

Don't fall for the common mistake of assumed knowledge superiority. "Experts" in a given field (technology, healthcare, finance) can express an opinion as fact and too often, the counterparty who is not in the field, simply accepts it. Push back. Ask questions. Too many of us turned our families lives over to Anthony Fauci.

Put me in the Pete Golding fan club. The new coach of Ole Miss chose not to do the famous pre-game walk through the Grove (the massive tailgating area). He wanted the focus to be on the players and not on him (unlike his predecessor whose name won't be mentioned like Harry Potter). That is leadership. I think I need to send Trump a servant leadership book (no reserved parking spaces let alone renaming buildings after yourself).

Don't be a "leave it empty" person. Be a "restock it" person. Holidays provide lots of moments where things run out – coffee, toilet paper etc. Want to be the person who replenishes for the next person.

Don't be a ghoster as well. Our conflict avoiding society has led to the bad habit of just "pulling the plug" and walking off the field. Potential dating partners stop returning texts and ghosting. I even had a new employee once go out to lunch on their second day and simply never return. Have the guts and courtesy to say you don't like something and communicate your exit.

As we celebrate this holiday season, made me curious how many people celebrate what holiday. Should businesses be open on Christmas (my local Starbucks was)? Here is the US population broken down by religion (according to ChatGPT):

Christian 62% (Protestant at 40%, Catholic at 19% and 3% other), no affiliation 29%, 2% Jewish, and 1% Muslim.

Happy New Year

jml