US economic growth hits the highest level of the past decade

Wall Street sets a new historical record and the GDP reaches its highest level of the past 10 years. US growth accelerates to 5% – beating all odds – and the Dow Jones index has risen for the first time over 18,000 points, marking the strongest rise of gross domestic product (GDP) in over a decade, from 2003, even as the winds of crisis and difficulty continue to blow over the international stage. Certainly, the Wall Street record has come during a traditionally favorable period, but it does stem from a decided improvement in the economy, which was very evident in the third quarter. However, it was the Federal Reserve that triggered the record rally after deciding to maintain a "patient" outlook, postponing against any increase in interest rates until the end of April at the very earliest, reassuring markets about the continued support that it intends to provide in order to ensure economic expansion. Yet, despite the growth, in fact, income and employment are still uneven at fault. The surprise GDP and the Fed's prudence have allowed Wall Street to shine in the eyes of both American and international investors; the latter, seeking relief from the ongoing difficulties in Europe and lower growth expectations in China and Asia. Nevertheless, inasmuch as the extent of US economic growth took many by surprise, Wall Street's reaction, as favorable as it was, is also warning, given that the next stock market phase could certainly set even more favorable records.

The market remains very volatile as investors are increasingly seeking long term and more reliable (predictable) stocks looking for what level is sustainable on the market. The next set of economic indicators will have to be as good or better in order to confirm the sustainability if long term economic growth. The US's GDP figures have surprised market analysts, exceeding their 4.3% growth rate with consumption increasing at 3.2% and the economic adviser to the White House had no hesitation in defining 2014 "a turning point for the United States." The US Dollar rallied in response to the data and, doubtless, this shows that Americans focus on investment and growth works. That is why Europe must change in 2015. Accordingly, the lower oil price might. The oil drop will have two effects: reducing the cost of living for the middle classes. Given that the European Central Bank aims to bring inflation close to 2% general. Ideally, the low price of oil should enable Europe should to stimulate the kind of inflation prompted by growth and recovery in consumption, not as a side effect of higher oil prices. The latter will have at least three positive consequences in Europe: a relief to consumers and energy intensive businesses.

The decline of oil (which is bought in dollars) mitigates the side effects of its weakening value, rendering the European Central Bank more likely to engage in "quantitative easing". The low oil prices will have the even more important effect of supporting European economic growth. European (and Chinese) growth is needed in order to reduce the US Dollar's climb. A lower US Dollar value has generally translated to better market prospects for precious metals such as gold or silver. As for the raw materials, the 'financialization' of commodity markets (that is the large inflow of investment capital to commodity futures markets) has changed distorted the short-term price of industrial commodities away from the fundamentals actual supply and demand.

The forces of a purely financial nature are increasingly prominent, especially when these are linked to sudden changes in the expectations of traders and investors. However, the medium and long term trends still reflect real conditions of supply and demand. Accordingly, while some metals prices have not increased in the past year, non-ferrous metals such as rare earths should increase in value in light of the IMF’s long term trend predictions that demand will steadily increase. Essentially, the IMF has faith that the long cycle of rising metal prices, which began in the late nineties and only temporarily interrupted by the recession of 2008-09, is likely to continue in the coming years, bringing prices to levels significantly higher than to the current ones even if these may continue to remain weak over the first months of the year.