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Two updates ago, we looked at the impact of stagnation on economies around the world. This weeks economic data coming out of America my not confirm stagnation theory but it does however point to how fragile the world's largest economy is. Although unusual climate events did play a large part in the poor GDP growth number in the first quarter of 2015, a slower than accepted recovery is really the underlying factor. As much I would like to believe that the American Federal Reserve Chair Janet Yellen will raise interest rates, due to the fragility of the American economy and global economies in general, such an action could throw America in further weakening.

The main drivers of world market such as America, the EU, China and Japan are all undergoing fiscal and monetary reform. America has gone through heavy reform and is waiting to see signs of full recovery before removing all economic stimuli. The EU is just applying monetary and fiscal reform with member states like Greece resisting out right. Japan is about midway through their necessary reforms with signs of economic progress. However, no end is in sight to the full extent of stimulus spending required to return Japan's economy to proper health. China is the big unknown as the dragon nation is embarking on remodeling their entire economic engine from an exporting nation to a consumption society. China may have the total population required to convert to a consumption driven economy though it takes the strong middle class spending for which it lacks.

For people to want to spend, first a strong and reliable income stream must be present along with job security. Second, strong public and social safety nets must be accessible in the event of illness, disability of tragedy. Lastly, confidence in long term investing must be present.

Here in Canada, we have been spoiled for the last 6 years, as our stable economy avoided a recession completely, which has offered not just job stability but also wage inflation and sound public service safety nets has given confidence to investing and borrowing for the future. Such numbers are evident in the sales of real estate. More and more Canadians own second homes and rental properties. Investing and not saving is on the rise in Canada. All of which are a function of a strong and stable economic engine.

If we look across the border, some of the same signs are present in America but not all. So savings rate remain at all time highs in America due to a stronger than usual feelings of uncertainty. Investing is on the rise as equity markets start to show year over year returns. America is just at the early stage of coming out of economic recession. So don't be surprised if the Federal Reserve decides to introduce a surprise QE which would help bring the value of the American dollar down. Weather was a big factor in the first quarter result of GDP in America. A stronger than desired dollar is the other underlying deflator of economic growth. A strong currency is at first wonderful. Corporations and individuals go on buying sprees as their purchasing power has risen. However is does not take long for a strong domestic currency to hurt the ability to export goods abroad and remain competitive with product and services. The sudden surge in the American dollar is the true culprit of poorer than expected GDP. The negative effects of weather on GDP we will see and smooth out over 2015 as corporations recover lost production days.

A stronger than desired currency has plagued Canada for 5 year bringing manufacturing in Ontario to a near grid. Our new found 80-ish cent Loonie will take time to trickle out into general economic growth. America for the most part has returned to most of its former glory as the most sought after and desired currency along with a growing influx of investment capital. Those dollars don't necessary translate to economic growth unless invested. It can have the exact opposite effect by pushing up the value of the greenback held purely for safety and not investment purposes. The fall out of gold as a safe haven for capital and the return of the USD is the undercurrent which has seen the dollar appreciate and gold prices tumble. Confidence in the world's largest economy is back on a global leave however it has not translated into jobs and economic growth that America's Federal Reserve needs to see before it can press on up the interest rate latter.