



WEEKLY ECONOMIC UPDATE DEC. 2, 2024

Stocks posted solid gains over a short and busy holiday on technology companies.

The Standard & Poor's 500 Index gained 1.06 percent, while the Nasdaq Composite Index advanced 1.13 percent. The Dow Jones Industrial Average rose 1.39 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, added 2.02 percent.^{1,2}

Rally Extends

Stocks staged a broad-based rally to start the week as investors reacted to the nominee for Secretary of the Treasury. Small-cap stocks continued their month-to-date surge as the Russell 2000 Index rose to an all-time high. News that consumer confidence rose in November appeared to contribute to gains.^{3,4}

Then stocks took a pre-Thanksgiving pause as investors digested economic data. Also, disappointing Q3 updates from two computer hardware manufacturers weighed on the tech sector in pre-Thanksgiving trading.⁵

Semiconductor stocks rallied on Friday, pushing all three averages higher for a second straight week. The Dow cracked 45,000 for the first time, and the S&P 500 hit a new record high—with each index closing out its best month of 2024.⁶

MARKET INSIGHTS



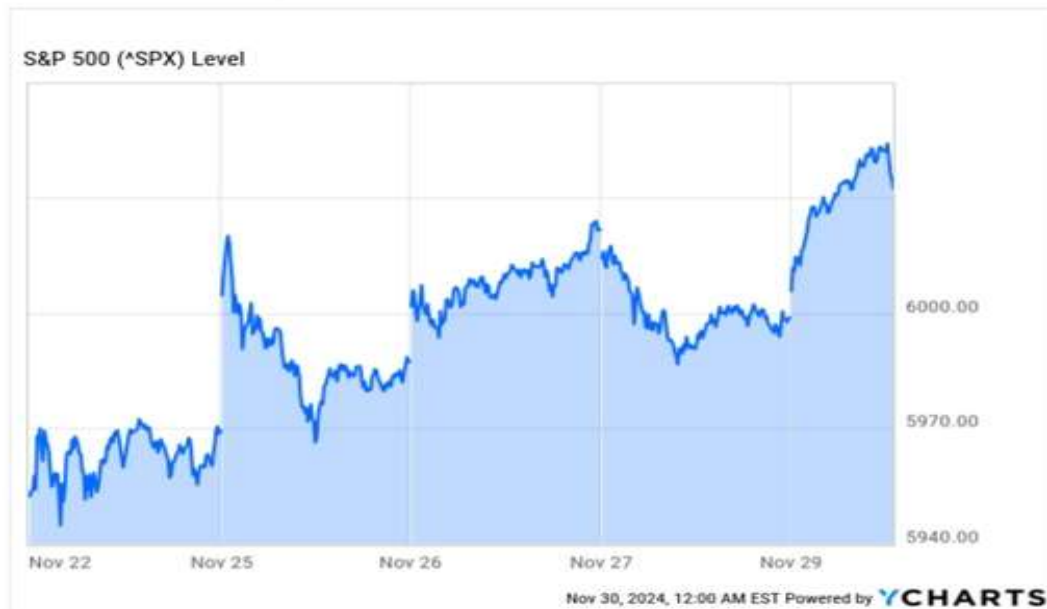
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Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
<u>Dow Jones Industrial Average</u>	6.39%	20.69%	29.04%	75.98%
<u>MSCI EAFE</u>	-2.61%	6.13%	12.07%	35.02%
<u>Nasdaq Composite</u>	3.01%	27.80%	34.82%	127.8%
<u>S&P 500</u>	3.42%	27.35%	33.70%	106.0%

S&P 500 Daily Close



10-Year Note Review

Indicator Name	Latest Value	1M Ago	1M Change
Date		3M Ago	3M Change
		1Y Ago	1Y Change
<u>10 Year Treasury Rate</u>	4.18%	4.28%	-2.34% ▼
11/29/24		3.87%	8.01% ▲
		4.27%	-2.11% ▼

Tariff Talk

Some of the post-election rally has been driven by investor expectations for less regulation and lower corporate taxes proposed by the incoming administration. One area of concern has been the economic impact of proposed tariffs.

Some market observers believe that the markets have already priced in the impact of these tariffs. In contrast, others see a new Treasury Secretary as a potential buffer in the tariff talks.⁷

This Week: Key Economic Data

Monday: ISM Manufacturing Index. Construction Spending. Fed Official John Williams speaks.

Tuesday: Motor Vehicle Sales. Fed Official Austan Goolsbee speaks.

Wednesday: ADP Employment Report. Fed Official Alberto Musalem speaks. Factory Orders. EIA Petroleum Status Report.

Thursday: Jobless Claims. International Trade in Goods and Services. Fed Official Thomas Barkin speaks. Fed Balance Sheet.

Friday: Employment Situation. Consumer Sentiment. Fed Officials Mary Daly, Beth Hammack and Austan Goolsbee speak.

Quote of the Week



"Diplomacy is the art of telling people to go to hell in such a way that they ask for directions."

– Winston Churchill

Of Note



The U.S. dollar's reserve currency status is one of America's greatest strengths, but the current domestic and foreign policy agendas will topple the dollar from its throne.

Americans need to pay attention because we've seen this movie before, and it doesn't end well.

In the late third and early fourth centuries, the Roman Emperor Diocletian debased Roman coinage to finance profligate government spending far in excess of collected taxes. The result was rampant inflation, a hidden tax by which the Empire collected the additional revenue it needed, while also destroying the economy and leading to the abandonment of Roman coinage.

On inflation, administrations have followed in Diocletian's footsteps. As the government spent, borrowed, and printed trillions of dollars, inflation returned to levels not seen in 40 years with the currency becoming devalued. Again out of Diocletian's playbook, everyone else is blamed for causing inflation: greedy businessmen, wars overseas, speculators at home, etc.

As in Roman times, foreigners today are reevaluating if the dollar is actually a good store of wealth after seeing the currency lose about 16 percent of its value over the past four

years. The debasement of Roman coinage under Diocletian ultimately led to its abandonment for use in trade. No foreigner would accept, let alone save, the worthless currency.

The U.S. is compounding inflationary domestic policy failures with foreign policy disasters. A key ingredient for a reserve currency is its apolitical nature. An international currency shouldn't lose its value as geopolitical winds change direction.

That was a tremendous advantage for gold in the past because a precious metal coin wouldn't lose value when the nation that struck the coin faced instability. It wasn't the image on the coin or the issuing authority that gave the currency value—it was the physical content of the coin which people wanted.

The U.S. dollar has no such value today, but people have continued using it as the reserve currency of the world under the impression that it would continue having an apolitical nature. That's coming to an end.

Recently, the dollar has repeatedly been wielded like a weapon in foreign policy. We have imposed and threatened sanctions against nations who disagree with a political agenda, and we've had seized dollars owed not by the U.S. but by other governments. Even during the height of the Cold War, U.S. presidents did not play such games which put the dollar's sanctity at risk.

In short, foreigners around the world are now reevaluating the safety of the dollar because of our policies. The dollar has not only lost purchasing power but reliability. What was once considered a dependable asset is increasingly seen as a gamble.

That's leading more nations to drop the dollar as a reserve currency. Many countries, including America's biggest adversary, China, are moving to replace the dollar entirely on the world stage. The dollar's reserve currency status is one of America's greatest strengths and losing it would deal a tremendous blow to our power and prestige, like what happened to Rome.

But this decline is reversible. We merely need to return the dollar to its sacred status of the guarantor of property rights and a stable unit of measure – something Rome failed to do with its coinage.

The administration's analogies to Diocletian are striking and scary, enough so to make people wonder about parallels between the fall of Rome and the decline of America. But that's not a fair comparison—Rome had good roads that lasted more than a millennium.⁸

Footnotes and Sources

1. The Wall Street Journal, November 29, 2024

2. Investing.com, November 29, 2024

3. The Wall Street Journal, November 25, 2024

4. CNBC.com, November 26, 2024

5. The Wall Street Journal, November 27, 2024

6. The Wall Street Journal, November 29, 2024

7. CNBC.com, November 26, 2024

8. heritage.org/monetary-policy/commentary/the-decline-and-fall-the-us-dollar

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