WEEKLY ECONOMIC UPDATE NOV. 11, 2024

Stocks surged higher last week, fueled by the Fed's rate cut decision and post-election enthusiasm as investors looked to future policy impacts of a Republican-controlled Senate and executive branch. (The House of Representatives remains undecided.)

The Standard & Poor's 500 Index spiked 4.65 percent, while the Nasdaq Composite Index gained 5.74 percent. The Dow Jones Industrial Average rose 4.61 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, was flat (-0.02 percent).[1,2]

Stocks Extend Rally on Election News

It was a shaky start to the week for stocks as investors anxiously awaited election results and the Fed's interest-rate decision.[3]

On Election Day, stocks rallied broadly before polling places closed. After the election was called early the next morning, stocks opened higher and climbed throughout the trading session. The yield on the 10-year Treasury fell to 4.307 percent.[4,5]

Stocks opened higher Thursday, and the rally picked up momentum after the Federal Reserve approved its second consecutive interest rate cut. Economic news that showed a 2.2 percent rise in third-quarter productivity helped support the move.[6,7]

Stocks finished the week with a number of records: the S&P 500 crossed the 6,000 mark, and the Dow breached 44,000 for the first time on Friday. While the S&P and Dow closed slightly below those record levels, each had their best week in a year.[8]

MARKET INSIGHTS

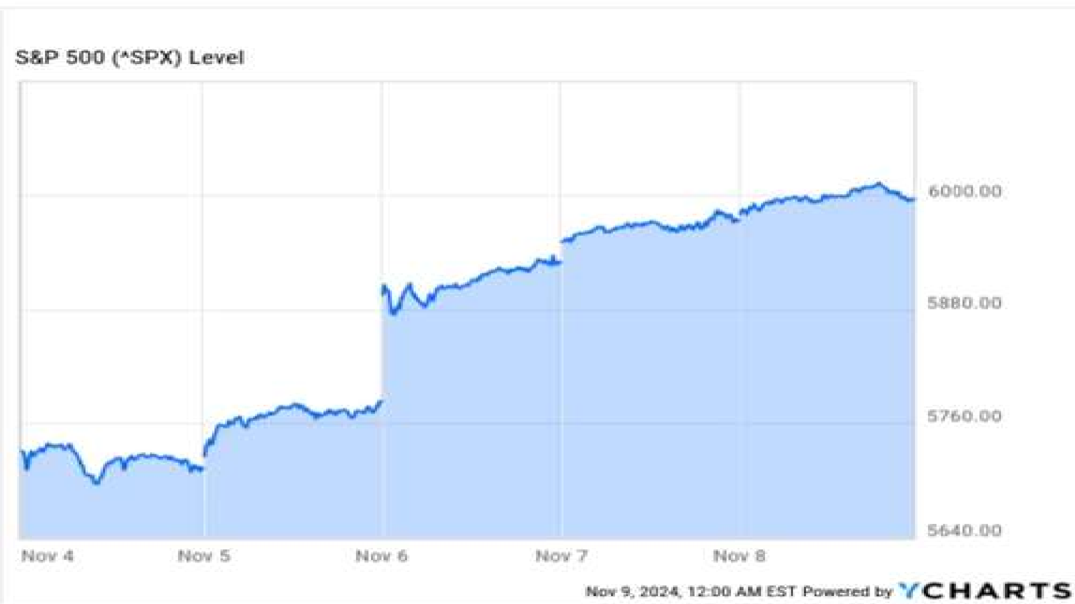
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	4.28%	17.80%	30.57%	75.10%
MSCI EAFE	-2.96%	8.37%	20.37%	38.12%
Nasdaq Composite	7.53%	29.11%	42.33%	137.7%
S&P 500	4.93%	26.66%	38.40%	109.7%

S&P 500 Daily Close



10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 11/08/24	4.30%	4.04% 3.99% 4.49%	6.44% ▲ 7.77% ▲ -4.23% ▼

Fed Cuts Rates

As expected, the Federal Reserve cut interest rates by a quarter percentage point at its November meeting.

However, Fed Chair Jerome Powell signaled some uncertainty about the pace of future rate cuts, which slightly unsettled the markets.

Citing a desire to "steer between the risk of moving too quickly and perhaps undermining our progress on inflation, or moving too slowly and allowing the labor market to weaken too much," Powell said the Fed will continue to monitor the economy's progress.[9]

This Week: Key Economic Data

Tuesday: Fed Officials Neel Kashkari and Patrick Harker speak.

Wednesday: Consumer Price Index. Fed Officials Lorie Logan, Alberto Musalem, and Jeffrey Schmid speak. Treasury Buyback Announcement.

Thursday: Producer Price Index. Fed Chair Jerome Powell speaks. Weekly Jobless Claims.

Friday: Retail Sales. Industrial Production. Import and Export Prices. Business Inventories.

Quote of the Week

"Many men go fishing all of their lives without knowing that it is not fish they are after."

– Henry David Thoreau

Of Note

2024 was the year when the runaway US budget deficit was supposed to gradually normalize, and after two crisis-years, the US was supposed to end its drunken sailor spending ways. And for a while there, it seemed touch and go, with the cumulative US deficit initially overtaking 2023 - forget 2021 and 2022 when the deficit hit a mindboggling 18% of GDP, before slowly easing back for a few months, only to sprint ahead of 2023 once more in August.

And then this happened: an August budget deficit of a staggering $380 billion, up more than 50% from the $243 billion in July, and up more than 55% from July, and up 66% from last August… oh, and almost $100 billion more than the median estimate of $292.5 billion, which may be why the Treasury quietly snuck the number out by leaking it after

5am ET when everyone was sleeping, not at its regular time of 2pm ET.

That's right, in a year when the monthly budget deficit was meandering along "not great, not terrible", someone in the administration had the brilliant idea to spend a ton of money to reboot the economy in August so we wouldn't get a recession just in time for the elections. And sure enough, government spending went into absolutely epic overdrive as outlays hit a mind-blowing $686 billion, the highest since March 2023. Only a handful of crisis months during the covid crash saw greater government spending in any given month.

Yet looking at the dire big picture, it is unfortunately all downhill from here for one simple reason: we have now crossed the Minsky Moment in terms of how much the US spends on interest on its debt, which everyone knows is hitting a new record high every day - it just closed above $35.9 trillion - and is growing by about $1 trillion every 100 days. That means that with interest rates at 40-year highs, interest on the debt just hit an all-time high of $1.049 trillion, the first time in history when interest on US debt has surpassed $1 trillion. And what's worse, this number is not even annualized (it's for 11 months of the year): annualized, US debt comes out to $1.158 trillion, or $1.2 trillion rounded up as the Treasury Department itself admits.

The stunning punchline is that as of today, gross interest on US debt has surpassed not just Defense spending, but also Income Security, Health, Veterans Benefits and Medicare, and is now the second biggest outlay of the US government, second only to Social Security, which is roughly $1.5 trillion annualized.

But wait, there's more: the latest numbers confirm that we are well on our way to hitting our other forecast from April 1, of the US hitting an insane $1.6 trillion in interest expense by the year-end, which means interest expense will soon surpass Social Security spending and become the single largest outlay of the US government, sometime in late 2024 or early 2025 at the earliest. In other words, game over.[10]

Footnotes and Sources

1. The Wall Street Journal, November 8, 2024
2. Investing.com, November 8, 2024
3. CNBC.com, November 4, 2024
4. CNBC.com, November 5, 2024
5. The Wall Street Journal, November 6, 2024
6. The Wall Street Journal, November 7, 2024
7. MarketWatch.com, November 7, 2024
8. The Wall Street Journal, November 8, 2024
9. The Wall Street Journal, November 7, 2024
10. zerohedge.com/markets/endgame-interest-us-debt-surpasses-1-trillion-first-time-ever-exploding-august-budget