WEEKLY ECONOMIC UPDATE OCT. 7, 2024

Stocks were essentially unchanged last week as geopolitical tensions added some volatility to an otherwise quiet trading week.

The Dow Jones Industrial Average was flat (+0.09 percent), while the Standard & Poor's 500 Index ticked up 0.22 percent. The Nasdaq Composite also was flat (+0.10 percent). The MSCI EAFE Index, which tracks developed overseas stock markets, was a bit more unsettled by the geopolitical events, dropping 3.74 percent.[1,2]

Stocks Flat, Oil Spikes

Stocks posted modest gains on Monday, encouraged by upbeat comments in a speech by Fed Chair Jerome Powell. However, the modest gains pushed the S&P 500 and Dow to fresh records.[3]

As Middle East tensions escalated on the first day of October, stocks fell, bond yields rose, and oil prices rose as the news unfolded.[4]

On Wednesday, all three averages were flat. An ADP report showed higher-than-expected private sector job growth—a metric investors focus on. Oil prices continued to rise as investors watched the developments in the Middle East.[5,6]

Then, on Friday, stocks rallied after the Labor Department's September jobs report topped expectations.[7]

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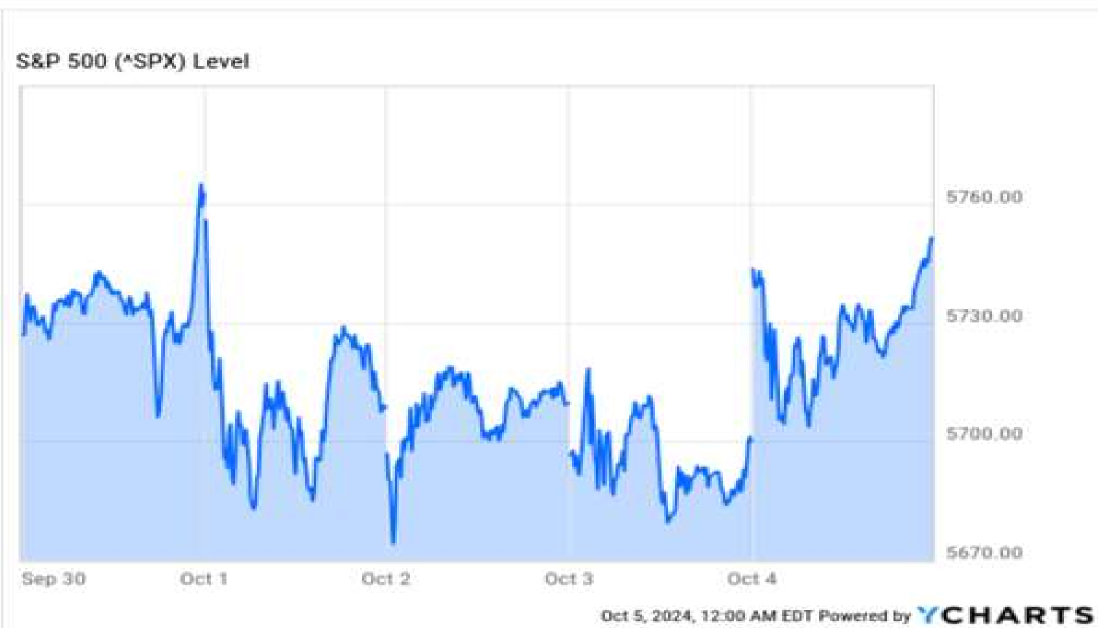
Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	2.71%	13.08%	29.83%	77.87%
MSCI EAFE	-0.28%	11.28%	26.42%	52.37%
Nasdaq Composite	4.65%	20.04%	38.25%	137.0%
S&P 500	3.21%	20.76%	36.74%	112.2%

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 10/04/24	3.98%	3.77% 4.36% 4.73%	5.57% ▲ -8.72% ▼ -15.86% ▼

Jobs Out Front

The Labor Department's jobs report gave investors some much-welcomed insights into the jobs market. At its September meeting, the Fed indicated it was watching the jobs market as closely as inflation, so updates on the jobs market are now considered as important as inflation reports.[8]

The report showed employers added 254,000 jobs, about 100,000 more than economists expected. It also showed that unemployment ticked down to 4.1 percent last month.[9]

This Week: Key Economic Data

Monday: Fed Officials Neel Kashkari, Raphael Bostic, and Alberto Musalem speak. Consumer Credit.
Tuesday: International Trade in Goods & Services. Fed Officials Raphael Bostic and Susan Collins speak.
Wednesday: FOMC Minutes. EIA Petroleum Status Report. Fed Officials Raphael Bostic, Lori Logan, Austan Goolsbee, Thomas Barkin, Susan Collins and Mary Daly speak.
Thursday: Consumer Price Index. Weekly Jobless Claims. Fed Balance Sheet. Fed Official John Williams speaks.
Friday: Producer Price Index. Consumer Sentiment. Fed Officials Austan Goolsbee, Lori Logan, and Michelle Bowman speak.

Quote of the Week

“The only shame is to have none.”

– Blaise Pascal

Of Note

Global liquidity is expanding. In the past three months, the global money supply has soared by $4.7 trillion. This rapid increase started when the Federal Reserve panicked the first time and delayed the normalization of the balance sheet in June.

Since then, we have seen a chain of fresh stimulus policies implemented by developed economies, adding to the large fiscal packages already in place. Multi-trillion-dollar investment packages like the EU Next Generation Fund now include massive deficit spending plans. However, money velocity is not rising. All these programs only lead to secular stagnation. Government projects and current expenditures are consuming money at an unprecedented rate.

Developed economies cannot live without new and larger spending plans. The result is more debt, weaker productivity growth, and declining real wages.

In a recent report, Bank of America showed that the rise of unproductive debt has created a significant problem for the United States economy. For every dollar of new government debt, the gross domestic product impact has slumped to less than fifty cents. The United States is drowning in unproductive debt. However, at least the United States has some productivity growth. If we look at the euro area, the negative multiplier effect of new government debt is extremely evident. Despite enormous stimulus plans and negative nominal rates, the euro area has been stagnating for years.

There exists a slow process of nationalizing the economy. Slowly depleting the middle class's savings due to consistently declining real wages, the government expands its influence in the economy, garnering support from a substantial portion of the populace.

Market participants love this. A new stimulus plan means more money printing, which will bring more liquidity to markets and fuel multiple expansions regardless of weak economic figures. However, my esteemed colleagues should be wiser when hailing the next stage of financial repression. Discontent is rising among citizens, and one way or another, this will end badly.
Debt crises may not appear the same way as they used to. It

is not a cataclysmic event but a slow boiling that leads to the same impoverishment.

Neo-Keynesians look at the past four years of the United States economy and claim victory. However, for many in the United States middle class, their impoverishment over the past four years has been like that of Greek citizens in 2009.

When central banks think of a soft landing, they are looking at a gradual erosion of the purchasing power of salaries and deposits. This is precisely what we are experiencing, compounded by the additional burden of higher taxes. There is no such thing as a soft landing. Only government bureaucrats and those who can conceal their wealth from money destruction can benefit from a soft landing.

This new increase in money supply may not bring a fresh burst of inflation because money velocity is not rising as well. However, that means lower investment, lower growth, and lower productivity. Market prices, multiple expansions, and bubbles may appear again, while families and small businesses find themselves in a tougher spot.

The back-to-back chain of stimulus plans shows the failure of Keynesian policies. We used to witness the introduction of a new spending and rate-cutting program a few years after the previous one. Now, governments simply add new programs on top of each other and claim that the economy is about to turn the corner.

Government spending consumes the majority of newly created money, leaving the productive economy with decreasing access to credit, declining currency purchasing power, and wealth confiscation through taxes and currency printing.

According to the most recent OECD report, inflation will be 3.5% with a global growth rate of 3.3% in 2025. The introduction of massive new spending and financial repression programs has resulted in 80% of OECD countries experiencing annual inflation that exceeds their central banks' target. There is a global policy of absorbing productive and private sector wealth. A few years ago, someone dared to say, "You will not have anything, but you will be happy," and most people understood the dangers of that promise. Nowadays, no one says it anymore. They're just implementing it slowly. You will be poorer. Protect yourself from inflation and financial repression, or you will be a dependent subclass. [10]

Footnotes and Sources

1. The Wall Street Journal, October 4, 2024
2. Investing.com, October 4, 2024
3. CNBC.com, September 30, 2024
4. The Wall Street Journal, October 1, 2024
5. The Wall Street Journal, October 2, 2024
6. The Financial Times, October 3, 2024
7. The Wall Street Journal, October 4, 2024
8. The Wall Street Journal, October 2, 2024
9. The Wall Street Journal, October 4, 2024
10. mises.org/mises-wire/slow-motion-nationalization-economy