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WEEKLY ECONOMIC UPDATE SEPT. 23, 2024

Stocks moved higher last week after the Federal Reserve's half-point rate cut, bolstered by multiple data points supporting a cooling but still strong economy and decelerating inflation.

The Standard & Poor's 500 Index gained 1.36 percent, while the Nasdaq Composite rose 1.49 percent. The Dow Jones Industrial Average moved ahead by 1.62 percent. The MSCI EAFE Index, which tracks developed overseas stock markets, inched up 0.42 percent.[1,2]

Fed Cuts Rate 0.5 Percent

Stocks traded in a narrow range for the first half of the week as anxious investors awaited the outcome of the Federal Open Market Committee's (FOMC) September meeting.[3,4] Shortly after 2 pm ET Wednesday, the Fed announced it was cutting rates by a half percentage point—a more significant cut than some investors anticipated. Stocks initially rose in response and then fell. Some market watchers attributed the decline to concern that the Fed might be concerned about economic growth.[5,6]

But after sleeping on it, stocks rallied Thursday, with the Nasdaq, S&P, and Dow climbing 2.5 percent, 1.7 percent, and 1.3 percent, respectively. The Dow topped 42,000 for the first time, while the S&P crossed the 5,700 mark.[7,8]

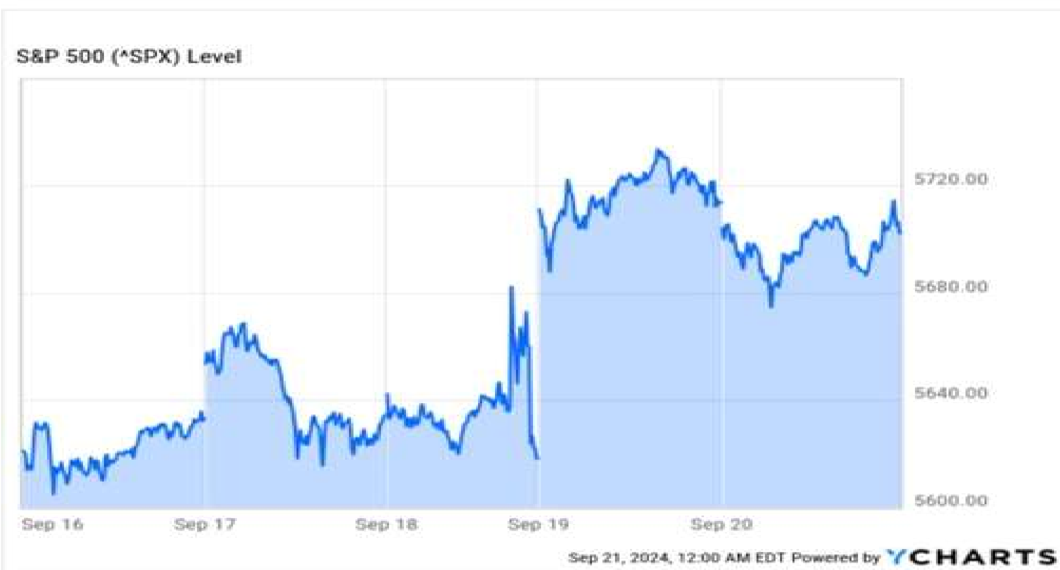
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	1M TR	YTD TR	1Y TR	5Yr TR
Dow Jones Industrial Average	3.00%	13.11%	24.18%	72.13%
MSCI EAFE	2.03%	11.94%	20.22%	48.32%
Nasdaq Composite	0.85%	20.65%	32.72%	129.2%
S&P 500	2.01%	21.02%	30.48%	106.0%

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 09/20/24	3.73%	3.82% 4.25% 4.35%	-2.36% -12.24% -14.25%

Fed's Move

The half-point cut was the first change in the Fed Funds Rate in 14 months and the first reduction in 4½ years, bringing its target range to 4.75-5.0 percent. Fed Chair Powell said the decision reflected the Committee's "greater confidence that inflation is moving sustainably toward 2 percent" and that the "risks to achieving its employment and inflation goals are roughly in balance."[9]

This Week: Key Economic Data

Monday: Fed Officials Raphael Bostic, Austan Goolsbee and Neel Kashkari speak.

Tuesday: Case-Shiller Home Price Index. Consumer Confidence.

Wednesday: New Home Sales. EIA Petroleum Status Report.

Thursday: Gross Domestic Product. Durable Goods. Fed Chair Powell speaks. Pending Home Sales. Fed Officials Michael Barr, John Williams and Neel Kashkari speak. 7-Year Treasury Note Auction.

Friday: Personal Income & Outlays. International Trade in Goods. Consumer Sentiment.

“No government or other statistical agency can be relied upon to resist the temptation to stretch figures to its own account if it feels it can get away with it.”

– G. Warren Nutter

Of Note

Since the response to Covid-19, the preeminent economic concern of the American public has been, simply put, price inflation. Politicians have recently declared support for price controls to combat high prices, which is attributed to supply chain issues and corporate greed.

Today, it often seems that our country’s scope and knowledge of history is reduced to a few platitudes concerning markets that date back no further than the mid-1930’s, or perhaps the 1920’s. Inflation and currency debasement, however, go much further back. Furthermore, they are often accompanied by attempts to correct them with price controls. This has especially been the case with empires.

In the past year, there was a meme of sorts, where women would be perplexed to find out just how often their husbands, when asked, reflected on the Roman Empire during the course of a week. The men might even mention the Colosseum, the aqueducts, or Caesar's conquest of Gaul to state what in particular they thought about when thinking upon Rome. If we want to learn about currency debasement and price controls, we should be looking to the Third-Century Crisis.

The Crisis of the Third Century was an approximately 50-year period during the Roman Empire, which lasted from 235-284 AD. Among the many problems that Rome would face during this period was a currency debasement. This devaluation of their currency was achieved through reducing the amount of silver in the Roman denarius.

The Romans spent more than they could afford, as is often the case with empires. Wars against the Goths, Allamani, and Sassanids increased military spending dramatically. Public works and social aid also grew. The Völkerwanderung, or Migration of the peoples, saw Rome flooded with Germanic tribes settling within its borders, which also impacted their spending. The military expanded and, in the span of around 200 years, the Roman denarius had gone from being minted with 95-98% silver to around 2-5% silver. The silver, which gave the denarius recognized value, was reduced by over 90%.

The dollar is, of course, not a coin, nor is it backed any longer by any commodity. It is a fiat currency. Instead of reducing the silver or gold in the minting process, our currency devaluation is done through the inflationary printing of more dollars. In just a little over one hundred years since the

Federal Reserve was founded in 1913, the US dollar has depreciated by 97%. For example, in 1913, a pound of bread's average price was a nickel, while a pound of bread today, averages around $2.05.

In both the Roman and our contemporary instances, price controls have either been used or proposed as a solution to increased prices. In either case, the so-called "culprit" of higher prices was not the policies of the emperors or the Federal Reserve, but the greed of the merchants. To combat these immoral actors, price controls take center stage.
At the beginning of the 4th century AD, the emperor Diocletian enacted the Edictum de pretiis rerum venalium (Edict Concerning the Prices of Goods for Sale)—a large edict that set price maximums on over 1,200 products. These price controls applied to products that ranged from foods, clothing, textiles, precious metals and even slaves. Punishment for going against this edict could include death. Still, the price controls did not work, and instead created shortages, black markets, and higher prices.

Today's politicians instincts calling for price controls are similar to Diocletian's, aside from punishments as steep as capital punishment, naturally.

The plans for to pass the first-ever federal ban on price gouging on food, including new penalties for opportunistic companies that exploit crises and "break the rules," Like Diocletian, and others who enacted price controls, the truth about the weakening of the currency is not addressed, acknowledged, or suffered in any way. Instead, it is a newlystruck "greed" of the merchants, the corporations, or anyone that can be declared as "bad actors."

When a government, modern or ancient, tries to address high prices by setting price controls, it will inevitably only lead to more economic hardships. The proper course of action would be to address the fact that the currency is being debased, and the causes that have led the government to debase the currency. Unfortunately, neither Roman emperors, nor Keynesian economists, nor opportunistic politicians tend to see the issue this clearly.[10]

Footnotes and Sources

1. The Wall Street Journal, September 20, 2024
2. Investing.com, September 20, 2024
3. CNBC.com, September 16, 2024
4. The Wall Street Journal, September 18, 2024
5. CNBC.com, September 18, 2024
6. The Wall Street Journal, September 18, 2024
7. The Wall Street Journal, September 19, 2024
8. The Wall Street Journal, September 20, 2024
9. The Wall Street Journal, September 18, 2024
10. mises.org/mises-wire/denarius-and-dollar-price-controls-then-and-now