

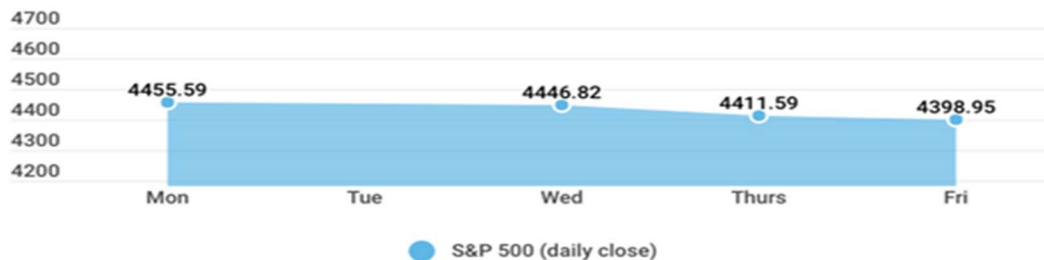
## WEEKLY ECONOMIC UPDATE JULY 10, 2023

Rising concerns about further rate hikes sent stocks lower to kick off the second half of trading.

The Dow Jones Industrial Average lost 1.96%, while the Standard & Poor's 500 retreated 1.16%. The Nasdaq Composite index surrendered 0.92% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, tumbled 2.57%.<sup>1,2,3</sup>



Market Index	Close	Week	Y-T-D
DJIA	33,734.88	-1.96%	+1.77%
NASDAQ	13,660.72	-0.92%	+30.52%
MSCI-EAFE	2,076.87	-2.57%	+6.84%
S&P 500	4,398.95	-1.16%	+14.57%



	Treasury	Close	Week	Y-T-D
	10-Year Note	4.06%	+0.25%	+0.18%

Sources: The Wall Street Journal, July 7, 2023; Treasury.gov, July 7, 2023

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, June 30, to Friday, July 7 close. Weekly performance for the MSCI-EAFE is measured from Friday, June 30, open to Thursday, July 6 close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## Stocks Slide

Stocks were dragged lower last week by news reigniting fears of additional rate interest rate increases. It started with the minutes from June's Federal Open Market Committee meeting, which revealed a majority of voting members supported at least two more rate hikes. But a strong employment report from Automated Data Processing (ADP), a payroll processor, unnerved investors, sending stocks lower and bond yields higher.

Markets stabilized after Friday morning's federal government's monthly employment release showed a less-than-expected increase in nonfarm payrolls. But stock prices turned down in the afternoon, adding to the week's losses.

## Mixed Labor Market Signals

Wall Street was rattled by an unexpected surge in new private-sector jobs last Thursday. ADP reported private sector employers had added 497,000 jobs in June, blowing away the consensus estimate of 220,000. Leisure and hospitality led the gains with 232,000 new hires, followed by construction (97,000).<sup>4</sup>

Friday's release of monthly employment data painted a more moderate picture, with 209,000 new jobs added in June, well below the estimate of 240,000 and May's downwardly revised total of 306,000. Friday's report added to data released earlier in the week (a decline in job openings and a rise in jobless claims) that suggested that the labor market may be cooling.<sup>5</sup>

## This Week: Key Economic Data

**Wednesday:** Consumer Price Index (CPI).

**Thursday:** Producer Price Index (PPI). Jobless Claims.

**Friday:** Consumer Sentiment.



*"It is hard to imagine a more stupid or more dangerous way of making decisions than by putting those decisions in the hands of people who pay*

*no price for being wrong"*

– Thomas Sowell



In January, the US government ran up against the debt ceiling, kicking off another fake debt ceiling fight. Peter Schiff talked about it in his podcast, saying the lack of a higher debt ceiling isn't the problem; the ever-increasing spending and the debt are the problems. Refusing to raise the ceiling would actually provide the solution.

In just the first six months of fiscal 2023, the Biden administration ran a \$1.1 trillion budget deficit. Excessive spending is pushing the government toward a crisis point when it will no longer be able to finance spending through extraordinary measures. Republicans in Congress wanted to attach strings to the new debt ceiling. Democrats wanted a "clean" bill to raise the spending limit.

Peter zeroed in on a key point in this "fight" - everybody wants to raise the debt ceiling. It's not like the Republicans were saying, 'We're not going to raise the debt ceiling.'" Peter ran for the Senate in 2010 and a key part of his platform was to stop raising the debt ceiling. "I didn't want to come up with some gimmick to allow the ceiling to be raised. I wanted it to stop. I wanted to create a permanent ceiling that could never be raised."

But Democrats and most Republicans claim, "We must raise the debt ceiling because we pay our bills!" Peter said it's the exact opposite. "We never pay our bills. If you pay your bills, you don't have any debt. Where does the debt come from? It's unpaid bills. We have \$31.7 trillion in debt. That's \$31.7 trillion of bills that we have not paid. We didn't pay them. We borrowed the money. And we want to keep on borrowing the money. Nobody wants to pay any of these bills. This exacerbates the government spending problem. Uncle Sam never has to rein it in as long as he can keep borrowing. We can keep putting all the spending on a credit card. As long as they raise the debt ceiling, we can continue to not pay our bills. Of course, eventually, the borrowing and the accompanying money printing will precipitate a currency crisis. It's not about America not wanting to borrow. It's about the rest of the world not wanting to lend because they know we're not going to pay them back. And one of the reasons they know that is because we've already told them. We are

telling them that repeatedly in the debt ceiling battle. Meanwhile, the mainstream media spins the debt ceiling as a problem.” Peter said the debt ceiling is actually the solution to the problem. “The problem is the debt. The problem is that Congress and the president keep running up more and more debt and every time we get to the ceiling, we either raise it or suspend it. The problem is that we keep raising the ceiling, not that we won’t raise it. In fact, the threat is that we raise it again.”

The mainstream also claim that if Congress doesn’t raise the debt ceiling, the US will default. Peter said that’s the dumbest thing you can say when you’re running a Ponzi scheme, which is what this is. We are admitting that every time we tell our creditors that if we can’t borrow more money, “You’re out of luck, you’re not getting paid.”

Peter pointed out that the interest on the debt is around \$600 billion. “The US government collects about \$4.6 trillion in tax receipts. We’ve got plenty of revenue to pay the interest on the national debt if we want to prioritize paying interest on the national debt. But clearly, we don’t want to do that. Not only are we not prioritizing it; we’re telling our bondholders that they’re the low man on the totem pole. We don’t talk about anything else that’s going to not get paid. Nobody is saying, ‘Well if we don’t raise the debt ceiling, we’re going to have to cut back on congressional salaries,’ or, ‘We’re going to have to fire some of our staffers.’ They don’t say, ‘Well if we don’t raise the debt ceiling, we might have to cut Social Security, and we’re going to have to cut defense.’ No! The only thing they talk about cutting is paying interest on the national debt. That tells you where you are as a creditor. Ponzi scheme 101 is don’t tell anybody that you’re running a Ponzi scheme. We’re so dumb; we’re running the world’s biggest Ponzi scheme and we’re telling everybody that it’s a Ponzi scheme.”

And Peter said he thinks the world is starting to wake up. “That’s why you’re seeing a move to get out of the dollar. It’s only a question of time. It’s not a question of if. It’s just a question of when. We will default on our debt. All the bad stuff that they’re saying is going to happen if we don’t raise the debt ceiling is guaranteed to happen because we do raise the debt ceiling.”

Peter said default could take two forms. “We could have an honest default where the government just doesn’t pay back bondholders. Or we could have a dishonest default where we pay with inflation. In that case, they just print money and pay people back with worthless or near-worthless paper. Those are the only two choices and everybody knows that.”<sup>6</sup>

## Footnotes and Sources

1. The Wall Street Journal, July 7, 2023.
2. The Wall Street Journal, July 7, 2023.

3. The Wall Street Journal, July 7, 2023.
4. CNBC, July 6, 2023.
5. CNBC, July 7, 2023.
6. [zerohedge.com/markets/peter-schiff-higher-debt-ceiling-wont-solve-problem-it-will-make-problem-worse](https://www.zerohedge.com/markets/peter-schiff-higher-debt-ceiling-wont-solve-problem-it-will-make-problem-worse)

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