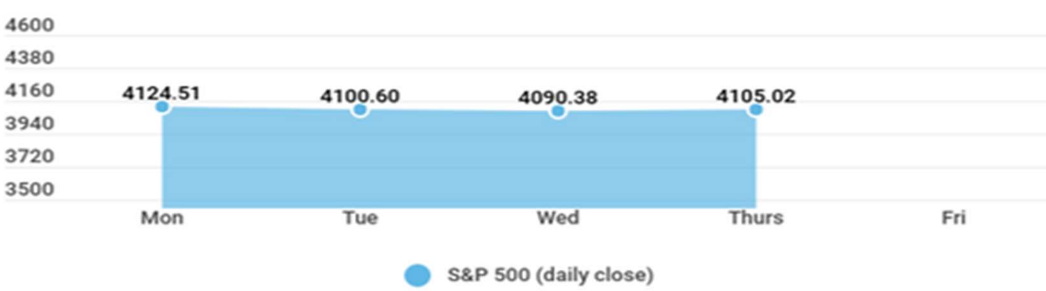
Stocks ended a shortened week of trading mixed amid revived recession fears on Wall Street triggered by weak economic data.

The Dow Jones Industrial Average gained 0.63%, while the Standard & Poor's 500 slipped 0.10%. The Nasdaq Composite index lost 1.10% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, advanced +0.37%.[1,2,3]

Market Index	Close	Week	Y-T-D
DJIA	33,485.29	+0.63%	+1.02%
NASDAQ	12,087.96	-1.10%	+15.49%
MSCI-EAFE	2,100.33	+0.37%	+8.05%
S&P 500	4,105.02	-0.10%	+6.92%



	Treasury	Close	Week	Y-T-D
🇺🇸	10-Year Note	3.30%	-0.18%	-0.58%

Sources: The Wall Street Journal, April 6, 2023; Treasury.gov, April 6, 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, March 31, to Thursday, April 6 close. Weekly performance for the MSCI-EAFE is measured from Friday, March 31, open to Thursday, April 6 close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

Recession Fears Resurface

Renewed recession worries dented investor sentiment, and the week kicked off with a weekend announcement by OPEC+ nations of their intention to cut oil production.

The prospect of higher oil prices not only revived inflation fears, possibly hurting the chances of a rate-hike pause by the Fed, but it raised concerns over future consumer spending. Stocks weathered the news well but buckled on weak manufacturing and services data in subsequent days. Stocks trended lower again after a lower-than-expected open-jobs number and a slowdown in private-sector hiring.

Stocks stabilized to close on Thursday, despite an increase in jobless claims and a pick up in March layoffs.

Cooling Labor Market

A string of labor reports last week reflected signs of a cooling labor market, beginning with an unexpectedly significant decline in the number of open jobs (falling below 10 million for the first time in nearly two years). The JOLTs report preceded payroll processor ADP's employment report that saw a rise in private sector hiring of 145,000 (short of the consensus forecast of 210,000) and smaller wage gains.[4, 5]

After reports of a jump in initial jobless claims on Thursday and a 15% rise in layoffs in March, Friday's March employment report showed the smallest increase in nonfarm payrolls (+236,000) since December 2020.[6]

This Week: Key Economic Data

Wednesday: Consumer Price Index (CPI). FOMC Minutes.

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

Friday: Retail Sales. Industrial Production. Consumer Sentiment.

"The banality of evil starts with a failure to think"

– Hannah Arendt

Of Note

For decades, the U.S. dollar was the undisputed king of global currencies, but now changes are happening to that status. China, Russia, India, Brazil, Saudi Arabia and other nations are making moves which will enable them to become much less dependent on the U.S. dollar in the years ahead. This is bad news for the US because having the primary reserve currency of the world has enabled us to enjoy a massively inflated standard of living. Once we lose that status, our lifestyles will be much different than they are today. Regrettably, dew Americans are aware of the potential changes. Even though our leaders have treated the stability of our currency with utter contempt in recent years, most Americans just assume that the dollar will always reign supreme. Meanwhile, much of the planet is preparing for a future in which the U.S. dollar will be far less important than it is right now.

The following are 7 signs that global de-dollarization has just shifted into overdrive:

1: The BRICS nations account for over 40 percent of the total global population and close to one-fourth of global GDP. So the fact that they are working to develop a "new currency" should greatly concern all of us. The Deputy Chairman of Russia's State Duma, Alexander Babakov, said on 30 March that the BRICS bloc of emerging economies – Brazil, Russia, India, China, and South Africa – is working on developing a "new currency" that will be presented at the organization's upcoming summit in Durban. Babakov also stated that a single currency could likely emerge within BRICS, and this would be pegged not just to the value of gold but also to "other groups of products, rare-earth elements, or soil."

2: Two of the BRICS nations, China and Brazil, have just "reached a deal to trade in their own currencies". The Chinese renminbi is speeding up in expanding its global use, a trend that will help build a more resilient international monetary system, one that is less dependent on the US dollar and more conducive to trade growth, experts said on Thursday. They commented after China and Brazil — two major emerging economies and BRICS members — reportedly reached a deal to trade in their own currencies, ditching the US dollar as an intermediary. The deal will enable China and Brazil to conduct their massive trade and financial transactions directly, exchanging the RMB for reais and vice versa, instead of going through the dollar, Agence France-Presse reported on Wednesday, citing the Brazilian government.

3: During a meeting last week in Indonesia, finance ministers from the ASEAN nations discussed ways "to reduce dependence on the US Dollar, Euro, Yen, and British Pound". An official meeting of all ASEAN Finance Ministers and Central Bank Governors kicked off on March 28 in Indonesia. Top of the agenda were discussions to reduce dependence on the US Dollar, Euro, Yen, and British Pound from financial transactions and move to settlements in local currencies.

4: In a move that has enormous implications for the "petrodollar", Saudi Arabia just agreed to become a "dialogue partner in the Shanghai Cooperation Organization". The state-owned Saudi Press Agency said that, in a session presided by King Salman bin Abdulaziz, the Saudi cabinet on Tuesday approved a memorandum awarding Riyadh the status of dialogue partner in the Shanghai Cooperation Organization — a political, security and trade alliance that lists China, Russia, India, Pakistan and four other central Asian nations as full members.

5: The Chinese just completed their very first trade of liquefied natural gas that was settled in Chinese currency instead of U.S. dollars. China has just completed its first trade of liquefied natural gas (LNG) settled in yuan, the Shanghai Petroleum and Natural Gas Exchange recently announced. Chinese state oil and gas giant CNOOC and Total Energies completed the first LNG trade on the exchange with settlement in the Chinese currency, the exchange said in a statement carried by Reuters. The trade involved around 65,000 tons of LNG imported from the United Arab Emirates (UAE), the Shanghai Petroleum and Natural Gas Exchange added.

6: The government of India is offering their currency as an "alternative" to the U.S. dollar in international trade. India will offer its currency as an alternative for trade to countries that are facing a shortage of dollars in the wake of the sharpest tightening in monetary policy by the US Federal Reserve in decades. Facilitating the rupee trade for countries facing currency risk will help "disaster proof" them, Commerce Secretary Sunil Barthwal said during an announcement on India's foreign trade policy Friday in New Delhi.

7: Saudi Arabia has actually agreed to accept Kenyan shillings as payment for oil shipments to Kenya instead of U.S. dollars. Kenyan President William Ruto signed an agreement with Saudi Arabia to buy oil for Kenyan shillings instead of US dollars. As the US currency exchange rate hit 145.5 shillings due to increased demand by importers, President Ruto accused oil cartels of stockpiling American dollars in response to the crisis, sparking fuel shortages throughout Kenya.

Ten years ago, none of these things would have happened. But now change is happening at a pace that is absolutely breathtaking. John

Carney recently commented that a fracturing of global currency reserves is “inevitable”.

“[It’s] not only a serious threat, I think it is inevitable. We went through three stages, as you said, after World War II. The U.S. was the biggest economy in the world. In the 1970s, global banking became basically dollar central. With the fall of the Soviet Union, the entire world, more or less, came under the domination of the U.S dollar…” “That is now drifting away. China and Russia are starting to build an alternative block of currency,” John Carney further explained.[7]

Of course, moving away from the dollar brings substantial barriers to exit as well as network effects to overcome, owing to historical, technological, financial, and habitual obstacles. The US dollar is the *de facto* currency of East Timor, Ecuador, El Salvador, the Federated States of Micronesia, the Marshall Islands, Palau, Panama, and Zimbabwe. Further, the (comparatively, relatively) transparent conduct of monetary policy in the US has led no less than 22 foreign central banks and currency boards to peg their currencies to it. And dollars are the cheapest means of access to acquire nominally risk-free US Treasury instruments.

Some of the “twists” being discussed to provide alluring dollar replacements are cryptocurrencies, central bank digital currencies, or baskets of commodities representative of a given nation or region’s competitive advantage. The latter scenario, in which (for example) certain African nations would trade in currencies backed by titles to rare earth metals, some South American nations in currencies backed by copper deposits, and so on, is interesting but faces substantial hurdles. Nevertheless, a conference in New Delhi last week focusing on increased cooperation between Brazil, Russia, India, China, and South Africa touched on just such a plan. Variations of such a currency order have been dubbed “Bretton Woods III”.

Owing to the role that dollar pervasiveness plays in the international appetite for US Treasuries, a side effect of the long-term attempt to establish alternative reserve currencies may be decreasing interest in tradable US debt. Over shorter time frames, that would likely result in higher yields and higher levels of debt service on securities issued by the US Treasury. Over generational time frames, that shift could force a reduction in US government spending. Should that scenario play out, the long-term effect of using access to dollars as a bludgeon of American foreign policy could well be higher average inflation and/or higher taxes on American citizens.

The dollar, in some shape or form, will likely be around for a long time. Perhaps very long. But by weaponizing dollar dominance and permitting expanding mandates to disorient US monetary policy, the dollar’s fate as the lingua franca of world commerce over the long haul may already be sealed. So long as the political will to moor US fiscal and monetary policies to those consistent with the constitution of sound money remain an inconversable matter, de-dollarization will proceed. And slower or more quickly, the dollar will lose ground abroad.[8]

Footnotes and Sources

1. The Wall Street Journal, April 6, 2023
2. The Wall Street Journal, April 6, 2023
3. The Wall Street Journal, April 6, 2023
4. CNBC, April 4, 2023
5. CNBC, April 5, 2023
6. CNBC, April 7, 2023
7. zerohedge.com/geopolitical/here-are-7-signs-global-de-dollarization-has-just-shifted-overdrive
8. zerohedge.com/geopolitical/de-dollarization-has-begun

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