WEEKLY ECONOMIC UPDATE APRIL 1, 2024

Stocks were narrowly higher for the week as investors digested mixed economic news about consumer confidence. All three of the major averages posted gains for Q1 2024.

Stocks Finish Strong

Markets slipped for the first half of the four-day week as investors took a breather after the prior week's gain. Conflicting economic news on Monday and Tuesday contributed to the slide. New home sales in February slipped 0.3 percent over the prior month but increased by 5.9 percent from the prior year. Durable goods orders—everything from washing machines to helicopters—rebounded 1.4 percent in February, beating expectations and recouping some of January's 6.9 percent drop.[1,2,3] Stocks rallied on Wednesday, including a fresh record close for the Standard & Poor's 500. An upward revision to consumer sentiment on Thursday helped the rally along. The markets are closed on Friday when the much-anticipated inflation report called the Personal Consumption and Expenditures (PCE) is released, which could set up a volatile Monday.[4]

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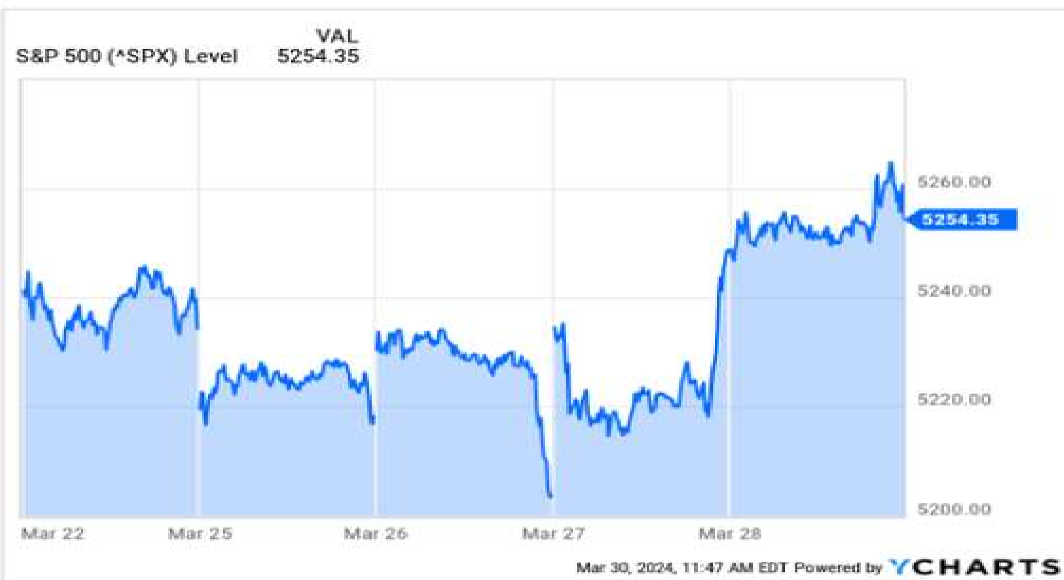
Weekly Market Insights (WMI)

Major Index Return Summary

Name	5D TR	1M TR	YTD TR	1Y TR
Dow Jones Industrial Average	0.07%	2.38%	6.14%	25.49%
MSCI EAFE	-0.09%	3.40%	5.93%	17.97%
Nasdaq Composite	-0.14%	2.78%	9.31%	40.93%
S&P 500	0.24%	3.78%	10.56%	34.42%

S&P 500 Daily Close



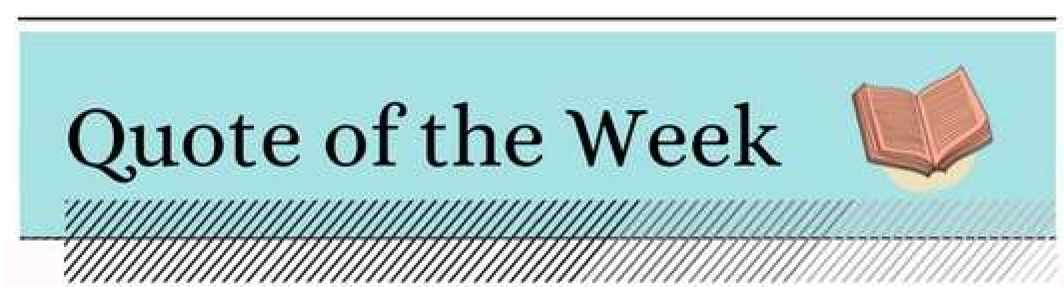
10-Year Note Review

Indicator Name Date	Latest Value	1M Ago 3M Ago 1Y Ago	1M Change 3M Change 1Y Change
10 Year Treasury Rate 03/28/24	4.20%	4.27% 3.84% 3.55%	-1.64% ▼ 9.38% ▲ 18.31% ▲

Doubters & Believers

Getting a straightforward read on consumers this week was challenging. The Conference Board reported on Tuesday that its Consumer Confidence Index remained essentially unchanged—as it has for the past six months—showing consumers were generally pessimistic about the future.
But on Thursday, the University of Michigan's consumer-sentiment survey showed consumer confidence hit a 2½-year high in March. It suggested that consumers had gained more confidence that inflation would drop and alleviate some pressure on household finances. Friday's PCE report may give some additional insights into consumer confidence.[5,6]

This Week: Key Economic Data
Monday: ISM Manufacturing Index. PMI Manufacturing Final. Construction Spending.
Tuesday: Motor Vehicle Sales. Factory Orders. JOLTS.
Wednesday: ADP Employment Report. EIA Petroleum Status Report. ISM Services Index.
Thursday: Jobless Claims. International Trade in Goods & Services. Fed Balance Sheet. Natural Gas Report.
Friday: Employment Situation. Consumer Credit.



“A censor is a man who knows more than he thinks you ought to”

– Laurence J. Peters

Of Note

In a recent interview the Dutch central bank (DNB) shared it has equalized its gold reserves, relative to GDP, to other countries in the eurozone and outside of Europe. This has been a political decision. If there is a financial crisis the price of gold will skyrocket, and official gold reserves can be used to underpin a new gold standard, according to DNB. These statements confirm central banks are preparing for a new international gold standard.

Wouldn’t a central bank that has one primary objective—maintaining price stability—serve its mandate best by communicating the currency it issues can be relied upon in all circumstances? By saying gold will be the safe haven of choice during a financial collapse, DNB confesses its own currency (the euro) does not weather all storms. Indirectly, DNB encourages people to own gold to be protected from financial shocks, making the transition towards a gold based monetary system more likely.

Central banks of medium and large economies in the eurozone have balanced their official gold reserves, proportionally to GDP, to prepare for a gold standard. Several medium-size economies in Europe (the Netherlands, Belgium, Austria, and Portugal) sold large amounts of gold from the early 1990s to 2008 to come on par with France, Germany, and Italy. Seemingly there are guidelines in the eurozone for national central banks to hold an appropriate amount of gold relative to GDP.

In the early 1990s the People's Bank of China (PBoC) was buying the gold DNB was selling. By selling gold Europe was allowing developing countries to buy gold and come on par with the West. China too has expressed its desire to bring its gold holdings more in line with the size of its economy, just like the Europeans, and thus to international averages.

The above, and DNB's most recent confirmation of leveling reserves, implies there are international agreements on the distribution of gold holdings. Evenly spread gold reserves internationally are a prerequisite for a smooth transition to a gold standard. If some countries own too much and others too little, as was the case in the 1970s, a newly implemented gold standard would prove to be deflationary because the ones with too little gold would have to buy in, pushing up the real price of gold. As long as official gold reserves are evenly spread the nominal gold price can be increased to what is suited for all countries, before introducing a new system.

Another sign of Europe having prepared for a new gold arrangement are the repatriation by several countries. In the eurozone Germany, the Netherlands, France, and Austria repatriated (and redistributed) bullion for security reasons, while keeping a substantial share of their assets in liquid markets such as London. Additionally, Germany, France, and Sweden, that we know of, have upgraded gold bars that didn't adhere to current wholesale industry standards so now all their metal can be traded instantly.

Last but not least, European central banks' communication about gold has become unequivocally clear and candid. Stating "gold is the bedrock of stability for the international monetary system" (Germany), "gold is an excellent hedge against adversity" (Italy), "gold is ... considered to be the ultimate store of value" (France), and gold "may play a stabilizing role ... in times of structural changes in the international financial system or deep geopolitical crises" (Hungary). Remarkable statements from entities tasked with guaranteeing financial stability.

When European central banks were asked about a legal requirement to equalize their gold reserves, two of them replied there is no such obligation. Which is strange given the obvious aligning of reserves over the past decades.

DNB provides an explanation in the aforementioned interview by revealing that their gold policy is set in consultation with its shareholder, the Ministry of Finance of the Netherlands. The idea of balancing gold reserves was first conceived in the 1970s and then executed from the early 1990s until 2008. With no legal requirements for European central banks to balance reserves, the seeds of their actions could be found at their respective governments.[7]

Footnotes And Sources

1. The Wall Street Journal, March 28, 2024
2. CNBC.com, March 25, 2024
3. Reuters, March 26, 2024
4. CNBC.com, March 26, 2024
5. MarketWatch.com, March 28, 2024
6. The Conference Board, March 26, 2024
7. zerohedge.com/markets/dutch-central-bank-admits-it-has-prepared-new-gold-standard

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