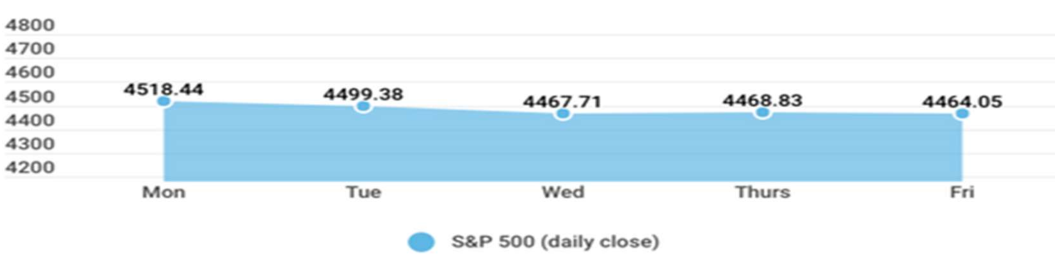
WEEKLY ECONOMIC UPDATE AUG. 14, 2023

Positive inflation data failed to lift stocks from their August doldrums last week as economic data and a ratings downgrade soured investor sentiment.

The Dow Jones Industrial Average added 0.62%, while the Standard & Poor's 500 slipped 0.31%. The Nasdaq Composite index fell 1.90% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, rose 0.50%.[1,2,3]

Market Index	Close	Week	Y-T-D
DJIA	35,281.40	+0.62%	+6.44%
NASDAQ	13644.85	-1.90%	+30.37%
MSCI-EAFE	2,153.95	+0.50%	+10.80%
S&P 500	4,464.05	-0.31%	+16.27%



	Treasury	Close	Week	Y-T-D
	10-Year Note	4.16%	+0.11%	+0.28%

Sources: The Wall Street Journal, August 11, 2023; Treasury.gov, August 11, 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, August 4, to Friday, August 11 close. Weekly performance for the MSCI-EAFE is measured from Friday, August 4, open to Thursday, August 10 close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

Tech Weighs on Stocks

Stocks struggled last week, beginning on a strong note ahead of key inflation data and selling off mid-week in response to a downgrade of the banking sector by credit rating agency Moody’s and news of a steep drop in China’s exports. Emblematic of the week, stocks jumped to big gains following Thursday’s better-than-expected inflation report, only to evaporate as bond yields rose amid an auction of 30-year Treasury bonds.

Stocks have had difficulty sustaining traction with the loss of the technology’s leadership, which has propelled gains this year. The combination of higher yields and earnings that failed to validate tech's elevated valuations has dragged the sector and the larger market.

Subdued Inflation

July’s inflation data reflected only moderate price pressures. Consumer prices increased by a modest 0.2%, which aligned with market expectations. In comparison, the annual inflation rate came in at 3.2%, slightly below consensus estimates–though higher than June’s annual increase of 3.0%. Core CPI (excludes food and energy) was particularly encouraging, rising at the slowest rate since October 2021.[4]

Producer prices painted a more mixed picture, coming in a bit higher than expected, rising 0.3% versus the expected 0.2% increase, though the year-over-year increase was just 0.8%. Core producer prices’ 12-month increase of 2.4% tied for the lowest since January 2021.[5]

This Week: Key Economic Data

Tuesday: Retail Sales.

Wednesday: Housing Starts. Industrial Production. FOMC Minutes.

Thursday: Index of Leading Economic Indicators. Jobless Claims.

“Tyranny is defined as that which is legal for the government but illegal for the citizenry.”

– Thomas Jefferson

Of Note

The economic policy of the bipartisan “uniparty” has been an abysmal failure. In fact, Bidenomics and Trump-O-Nomics are just two sides of the same deficient coin. They amount to the inflationary accommodation of powerful constituencies which have captured control of policy—-Wall Street for the GOP, domestic spending constituencies for the Democrats and the military, industrial, intelligence complex for both.

The bottom line doesn’t lie, however. Real economic growth during the uniparty regime of Trump/Biden has averaged barely 2.0% per annum—notwithstanding an outpouring of monetary and fiscal stimulus that had never before even been imagined. Still, the economic growth rate since 2016 is just a fraction of the 5.0% average during the Kennedy-Johnson era and 3.5% under Ronald Reagan.

And, yes, these figures are more than fair comparisons because the results for the Trump/Biden era of borrow, borrow and borrow some more are currently overstated. That’s owing to the fact that there is still another recessionary shoe to fall.

So average in the impending six quarters ahead of negative GDP growth and/or stagflation and the uniparty will have achieved eight years of the weakest economic growth since WWII. And by a long shot at that when compared to the average growth of 3.2% for all presidents—good, bad and indifferent—during the seven decades between 1947 and 2016.

The cause of the problem is not mysterious. The Washington uniparty has become addicted to borrowing and printing. Between them, Trump and Biden have raised the national debt by nearly $13 trillion. That’s 40% of all the money that’s ever been borrowed by presidents since George Washington.

Likewise, the money-printing story at the Fed is actually worse, and neither POTUS has uttered so much as a cross word about the tsunami of fiat credit tumbling off the digital printing presses in the Eccles Building. Accordingly, during the last six and one-half years of uniparty rule the Fed's balance sheet has swollen by $4 trillion. That's 48% of all the money that's ever been printed by the Fed since it opened its doors for business in the fall of 1914.

Needless to say, all of this egregious borrowing and money-printing has hit middle class America right in the economic solar plexus. Since December 2016 the CPI is up by 24%. But where it really hurts main street is at the grocery store, with prices up by 27%, and at the gas pump and utility meter, with energy prices higher by 37%.

In everyday family budget terms, in fact, food and energy prices have risen more in the last 6 years than they did during the prior 12 years. Owing to all this cumulative inflation therefore, real average hourly wages have risen by barely 3.5% since December 2016.

The above depicted stagnation of US worker incomes did not apply to the wealth of the top 0.1% of households. During the same six and one-half year period, the inflation-adjusted net worth of the 130,000 households at the tippy-top of the economic ladder has gained 30% or nearly ten-times more than average real wage gains.

That is to say, the unhinged stimulus bacchanalia conducted by the Washington uniparty has showered the already rich with unearned asset inflation, buried future generations in unspeakable public debts and left the vast bulk of the electorate scrambling to maintain their standard of living in the face of the most virulent inflation in forty years.

Self-evidently, the time to abandon the inflationary and inequitable economics of the uniparty has long passed. Yet these baleful policies are rooted in the fact that both parties have been captured by powerful interest groups that are not about to part with the spending, borrowing and unpaid for tax cuts that have fostered the current economic mess. Nor is the Fed's capture by the Wall Street gamblers and Washington spenders alike going to give way to sound money on the watch of the uniparty, either.

Is there any conceivable economic platform that could plausibly put forth that would make a decisive break with the status quo, but also have even a remote chance of being embraced by the uniparty?
Well, that's a tall order.

Perhaps the only way to thread that needle is with a set of sound planks on core economic policy matters that have present day political resonance owing to affiliation with historic verities of the two parties and/or association with man-on-the-street common sense. Candidates for such exacting requirements are summarized in the article in footnote six.[6]

Footnotes and Sources

1. The Wall Street Journal, August 11, 2023
2. The Wall Street Journal, August 11, 2023
3. The Wall Street Journal, August 11, 2023
4. CNBC, August 10, 2023
5. CNBC, August 11, 2023
6. zerohedge.com/political/david-stockman-why-rfk-jr-only-candidate-who-can-oppose-uniparty-system

Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost.

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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