WEEKLY ECONOMIC UPDATE FEB. 12, 2024

The stock market experienced solid gains last week, concluding the trading week on a positive note, thanks to robust corporate reports and favorable inflation news; this propelled the S&P 500 Index to achieve a new record high at the end of the week.

S&P Tops 5,000

At the start of last week's trading, stocks faced downward pressure due to comments by Fed Chair Powell over the weekend, signaling that the Federal Reserve had no immediate plans to initiate interest rate cuts. Consequently, the yield on the two-year U.S. Treasury note, highly influenced by monetary policy, increased to its highest level in two months.[1]

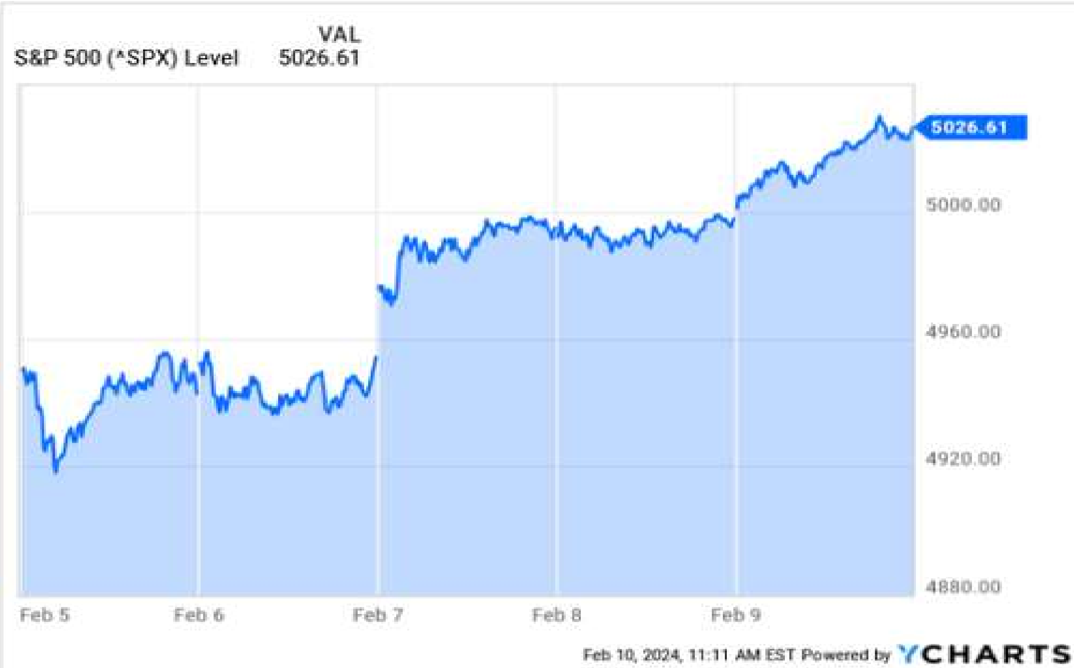
By the end of trading on Monday, stocks had regained a significant portion of their previous losses. Influencing this market rally were positive corporate earnings reports. This trend continued throughout the week, contributing to the overall market momentum. By Friday, 67% of the companies listed in the S&P 500 had released their Q4 results, and an impressive 77% of those companies exceeded earnings expectations.[2]

Investors expressed enthusiasm on Friday after a report indicating that December's inflation was lower than initially anticipated. This positive news revitalized buying activity, resulting in the S&P 500 surpassing 5,000 for the first time.[3]

Major Index Return Summary

Name	ROC 5	1M TR	YTD TR	1Y TR
Dow Jones Industrial Average	0.04%	3.14%	2.74%	17.24%
MSCI EAFE	0.09%	1.03%	-0.41%	8.84%
Nasdaq Composite	2.31%	7.67%	6.58%	36.77%
S&P 500	1.37%	5.77%	5.52%	25.18%

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 02/09/24	4.17%	4.02% 4.62% 3.67%	3.73% ▲ -9.74% ▼ 13.62% ▲

Source: YCharts.com, February 10, 2024. Weekly performance is measured from Monday, February 5, to Friday, February 9.

ROC 5 = the rate of change in the index for the previous 5 trading days.

TR = total return for the index, which includes any dividends as well as any other cash distributions during the period.

Treasury note yield is expressed in basis points.

Economic Strength
The strength of the U.S. economy has come into the spotlight. An analysis conducted by The Wall Street Journal recently proposed that the economy's resilience could be attributed, at least in part, to the productivity driven by the technology sector.[4]

What might rein in that productivity? One possible influence could be the increase in oil prices witnessed last week. Additionally, shipping companies have been imposing surcharges for several months to mitigate recent conflict, and these charges may contribute to global inflation this year, potentially dampening investor enthusiasm.[5]

This Week: Key Economic Data
Tuesday: Consumer Price Index (CPI).
Wednesday: EIA Petroleum Report.
Thursday: Industrial Production. Retail Sales. Jobless Claims.
Friday: Housing Starts. Producer Price Index (PPI). Consumer Sentiment.

Quote of the Week

"The truth often evades being recognized due to its utter incredibility."

– Heraclitus, Greek philosopher (late 6th/early 5th-century BC)

Of Note

For a few days, ever since the supposedly amazing GDP report from the fourth quarter of 2023, we've been blasted by the media about how great the economy is doing. It's exasperating because these claims don't fit with human experience. Last we heard from the Census Bureau, real income is down, and no one doubts it. Everyone has felt strong downgrades in living standards over these past four years.

And yet, no recession has been declared. This is for technical reasons. A recession is supposed to show up in the technical reading of the GDP plus unemployment. We've known for years that the unemployment data are broken. They don't account for labor dropouts or adjust for multiple job holders or otherwise reveal anything about labor participation or remuneration. Unemployment is technically low, but so what?

As for gross domestic product (GDP), it isn't a measure of the standard of living or even economic growth. It is a measure of output—stuff going on as measured in dollar terms, whether necessary, productive, society-serving, efficient, or not at all. The aggregate was concocted at a time when economists believed that spending was itself productive, whether it flowed from a sustainable capital base or government itself. Anything moving and churning was regarded as good. An alternative view from Peter St. Onge is noteworthy: "Fresh GDP numbers came in and it was a blowout. The kind of blowout that only a $2.7 trillion government deficit can buy while the private economy crumbles around it. Another couple blowout GDP reports like this and Americans will be living under an overpass."

The essential ruse comes down to unfathomable amounts of government spending that is being recorded as productivity and output and interpreted by the media as growth.

"In the past 12 months, the federal deficit increased by $1.3 trillion. Yet we only got half that in GDP—about $600 billion. In other words, everything else shrank. It's even worse for that brave and stunning Q4—there we got just $300 billion in extra GDP for—wait for it—$834 billion of new federal debt."

To put a fine point on it: "Essentially, [GDP is measuring] the pace at which we're going Soviet, replacing private wealth with government waste." In his interpretation of the data, he says we are destroying wealth at the fastest rate since 2008.

Another analysis echoes the same thought: "While Q4 GDP rose by $329 billion to $27.939 trillion, a respectable if made up number, what is much more disturbing is that over the same time period, the US budget deficit rose by more than 50 percent, or $510 billion. And the cherry on top: the increase in public US debt in the same three-month period was a stunning $834 billion, or 154 percent more than the increase in GDP. In other words, it now takes $1.55 in budget deficit to generate $1 of growth … and it takes over $2.50 in new debt to generate $1 of GDP growth!"

To say this is unsustainable is more than obvious. It is a disaster, and this is dragging American prosperity into the pits, if by prosperity, you mean quality of life. No matter how many gizmos to which you have access, the resources for living a good life are depleting very fast. The idea of a one-income family is nearly extinct, whereas it was the norm three-quarters of a century ago. Even the gizmos are falling apart and not serving us well.

Household appliances don't work unless you somehow get your hands on the most high-priced models. They are trying to shove everyone into urban commuter cars so that you cannot drive on those big vacations that used to be the American norm. College is out of reach, and the degree is increasingly worthless anyway. People are despairing for the future ever more and thinking that this is just the new normal.

Even looking at output data over the long term, you can see the trend, even given all the manipulation and fakery. It's still very obvious where things are headed.
Everyone underestimates the wild effect of 2020 and the following chaos caused by lockdowns. Those sent the workplace into upheaval, wrecked data collection, made property rights and liberties far less secure, and entrenched a professional managerial class in government and industry that conspires against the public.

On another side, we are seeing the evaporation of trust in media, medicine, academia, and government. Large media organizations are laying off workers in droves just to survive, and the "woke" (think World Economic Forum) agenda generally seems on the ropes.

Dramatic reforms are possible, but are they likely? We will see. There needs to be wholesale reform in government and much more besides, to save what's left of the great American prosperity machine. As it is, the more likely outcome is to go the way of empires past, a long slog through the miasma of corruption and stagnation until generations hence will speak of the United States in the past tense the way we talk about the Portuguese empire.

That's a big departure from the way this article opened, so let's go back to the point. The GDP data are not reflective of anything real except government profligacy and stagnation in every sector that counts. You can read the headlines or look at the underlying realities. One perpetuates existing myth-making and the other reveals that the myth is not long for this world.[6]

Footnotes And Sources

1. The Wall Street Journal,February 4, 2024

2. FactSet.com, February 9, 2024

3. CNBC.com, February 9, 2024

4. WSJ.com, February 8, 2024

5. CNBC, February 9, 2024

6. theepochtimes.com/opinion/the-great-growth-hoax-5574854

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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