Amadeus Wealth Alternatives
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WEEKLY ECONOMIC UPDATE MARCH 25, 2024

Stocks posted their best week of the year, sparked by news that the dovish Fed decided to keep rates steady and signaled three rate cuts were still possible this year.

Stocks Bounce Back

As widely expected, the Fed left rates unchanged at the conclusion of its two-day meeting. But somewhat less expected, the Fed signaled its inclination to cut interest rates three times this year—each time by a quarter percentage point. That was a positive surprise for some, who worried that recent hot inflation reports would cause the Fed to reconsider its stance.[1]

Markets pushed higher Wednesday following the news, with all three averages closing at record highs. The rally continued through Thursday, boosted further by news that existing home sales rose 9.5 percent in February.[2,3]

The week's rally was broad-based overall, with 10 of the 11 S&P 500 sectors posting gains (health care dropped slightly). At one point late in the week, nearly one in four S&P 500 stocks were trading at 52-week highs. That was the highest proportion in three years, which supports the idea that the rally was broadening out from mega-cap tech stocks.[4]

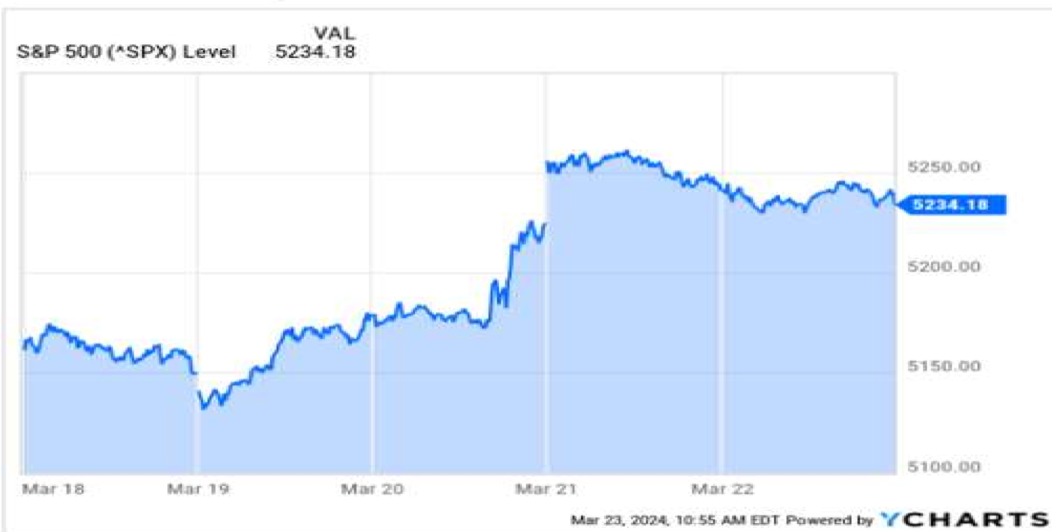
YCHARTS

Weekly Market Insights (WMI)

Major Index Return Summary

Name	5D TR	1M TR	YTD TR	1Y TR
Dow Jones Industrial Average	1.97%	1.27%	5.25%	25.86%
MSCI EAFE	1.14%	3.55%	5.74%	19.25%
Nasdaq Composite	2.85%	2.49%	9.63%	41.90%
S&P 500	2.29%	3.03%	10.12%	35.06%

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 03/22/24	4.22%	4.33% 3.90% 3.48%	-2.54% ▼ 8.21% ▲ 21.26% ▲

Source: YCharts.com, March 23, 2024. Weekly performance is measured from Monday, March 18, to Friday, March 22.

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.

Turning Point

The Federal Open Market Committee's decision marks a turning point as the Fed signaled that its target range of 5.25 to 5.50 percent has topped out. That target range, in place since late last year, is the highest level in 23 years.

"We believe that our policy rate is likely at its peak for this type of cycle," said Fed Chair Powell at the post-meeting press conference. He added that if the economy keeps on its current course, that the FOMC would likely "begin dialing back policy restraint at some point this year." If the FOMC votes to ease it at its June meeting, it would be the first cut in four years.[4,5]

This Week: Key Economic Data

Monday: New Home Sales.

Tuesday: Durable Goods Orders. Case-Shiller Home Price Index.

Wednesday: EIA Petroleum Status Report. Survey of Business Uncertainty.

Thursday: Gross Domestic Product. Jobless Claims. Consumer Sentiment. Pending Home Sales.

Friday: Personal Income and Outlays. International Trade in Goods. Retail Inventories.

Quote of the Week

"Based on the valuation measures we find best-correlated with actual subsequent S&P 500 total returns across a century of market cycles, the stock market presently stands at valuation extremes matched only twice in U.S. financial history: the week ended December 31, 2021 (the 2022 peak occurred the next trading day) and the bubble peak in the week ended August 26, 1929. While our investment discipline is to align our outlook with prevailing, observable market conditions, my impression is that investors are presently enjoying the double-top of the most extreme speculative bubble in U.S. financial history."

– John Hussman

Of Note

In a recent interview with talk show host Seth Meyers, President Joe Biden mentioned that the United States has the strongest economy in decades. However, the reality shows that the 2023 GDP growth adjusted for the accumulation of public debt was the worst since 1930. The U.S. national debt hit $32 trillion in June 2023 and surpassed $33 trillion in September. The U.S. national debt now stands above $34 trillion and is rising by $1 trillion every 100 days. The trend is exceedingly worrying because the next trillion dollars comes faster every time—and all this is happening in an alleged recovery with strong employment growth and rising earnings.

Debt matters, and there is a reason why U.S. citizens do not see such a positive picture. Negative real wage growth, diminishing purchasing power of salaries and savings, and make it a much tougher position for families to make ends meet.

Proponents of Modern Monetary Theory (MMT) defend that the government can run massive deficits if it needs to, and its only constraint is inflation. Reality shows that the government continues to spend regardless of an official accumulated inflation of 20 percent in four years and that it only uses any excuse to spend more than it collects despite rising tax receipts. The government does not reduce the deficit when inflation kicks in and continues to pass on the burden of debt and rising prices to families. MMT is simply an ideological ruse to allow the government to do what it wants with fiscal policy—only to find that there is no turning back when the disastrous results become apparent.

Inflation is evidence of monetary mismanagement, and persistent inflation is proof that the last economic agent that we should trust to defend the currency is the government. No government truly defends the status of its currency as a reserve of value and generalized means of payment because it will always blame anyone except itself for the loss of confidence in the currency. And by the time that citizens all over the world lose confidence in the U.S. dollar as a reserve currency, the damage will already be done and, more important, its consequences will be paid by the average citizen of the United States, not by the incompetent administrators that made debt soar and deficits become permanent.

That is why MMT is such a dangerous idea to experiment with. When it fails—and it always does—it is you who pays the entire cost.

The U.S. dollar has not lost its position as a reserve currency yet, but that does not mean it will not happen. Risks build slowly but happen fast. When it does, it will be too late. Monetary sovereignty is not a given and even less a blank check to allow the government to increase deficits and debt forever. Monetary sovereignty is lost faster than the blink of an eye when the world realizes that faith in the public accounts of the administration is gone.

Public deficits are money-printing. This is not “reserves for the private sector” but debt with the nation’s global creditors. When confidence in the ability to repay debt is eroded, it manifests through a higher cost of borrowing and higher inflation. Governments always think that inflation is not their fault and ignore the consequences.

It is no surprise to see Bitcoin surpass $62,000 when public debt soars to $34 trillion. With inflation, higher rates, the loss of purchasing power of wages and rising interest expenses, another alarm bell shows us that the fiscal situation of the United States is unsustainable. The only thing that has kept the U.S. dollar afloat as a reserve currency is that the fiscal and monetary imbalances of its competitors are worse. But that is only a battle between fiat currencies, in which all of them are eroding the value of printed money. The destruction of the U.S. dollar is also evident in the high level of gold relative to most fiat currencies and the gradual loss of confidence of citizens who understand that this insane accumulation of debt is going to end with much weaker growth, less productivity, and a massive destruction of the real value of wages and savings.

Bitcoin is yet another alarm bell that the statism crowd ignores. The statisticians maintain that deficits do not matter because nothing has happened yet. It is like saying that driving at 200 mph is not a problem because you haven't killed anyone yet. Furthermore, the signs that indicate that fiscal imbalances should be eliminated rapidly are plain to see. Americans are suffering a loss of real wages, a loss of access to essential goods and services, higher taxes, and the prospect of a stagnant economy bloated with debt that may soon be worthless, driving the currency with it.
To say that nothing has happened is an insult to the families that have to go through two and three jobs to make ends

meet, that find it increasingly difficult to purchase their essential goods or buy a home and to the businesses riddled with taxes.

No, Bitcoin may not kill the U.S. dollar—but the U.S. government may if it continues down this path.[6]

Footnotes And Sources

1. The Wall Street Journal, March 22, 2024
2. CNBC.com, March 20, 2024
3. Sectorspdrs.com, March 22, 2024
4. MarketWatch.com, March 22, 2024
5. The Wall Street Journal, March 21, 2024
6. theepochtimes.com/business/bitcoin-will-not-kill-the-us-dollar-the-government-will-5600148

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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