Amadeus Wealth Alternatives 1345 Ave. of the Americas 2nd Fl., New York, NY 10105 www.amadeuswealth.com

212-697-3930

Edward Papier, CIMA®, CFF

ep@amadeuswealth.com

In this week's recap: Markets react to growing COVID-19 infections and potential successor to Powell.

Weekly Economic Update

Presented by Ed Papier, November 22, 2021

THE WEEK ON WALL STREET

Stocks were mixed last week in choppy trading as investors battled the crosscurrents of good economic data and a troubling rise in COVID-19 infections globally.

The Dow Jones Industrial Average slid 1.38%, while the Standard & Poor's 500 added 0.32%. The Nasdaq Composite index gained 1.24% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, dropped 0.59%. [1,2,3]

TRADING UNCERTAINTY

A healthy retail sales report, falling jobless claims, positive earnings surprises, and strong manufacturing data lent support to stock prices, but investor sentiment was dampened by several concerns.

Chief among these worries are a resurgence of COVID-19 infections this winter and the impact inflation may have on consumer confidence and corporate profit margins. The uncertainty surrounding the renomination of Fed Chair Powell exacerbated this unease; a decision from President Biden may come soon. Technology and other high-growth companies led the market, while some of the reopening stocks, such as travel and energy, lagged.

RETAIL SALES JUMP

October retail sales increased 1.7%, indicating that consumers may be more confident than recent surveys have suggested. Sales of electronics, appliances, and autos were particularly strong last month. [4]

The market cheered the report, interpreting the results as a sign that inflation has not discouraged Americans from buying the products and services they want or need. This retail sales number, however, may be overstated for two reasons. First, higher prices increase the level of sales even if consumer demand is flat. Second, spending may have been pulled forward by consumer worries over higher future prices and concerns that goods may not be available during the holiday shopping season.

FINAL THOUGHT

We want to take this opportunity to wish you and your family a wonderful Thanksgiving, full of family, fun, and joy.

On this special day of gratitude, we would also like to express our appreciation to you for extending us the privilege of serving you this year and helping you pursue your important financial goals.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Existing Home Sales.

Tuesday: Composite PMI (Purchasing Managers' Index) Flash.

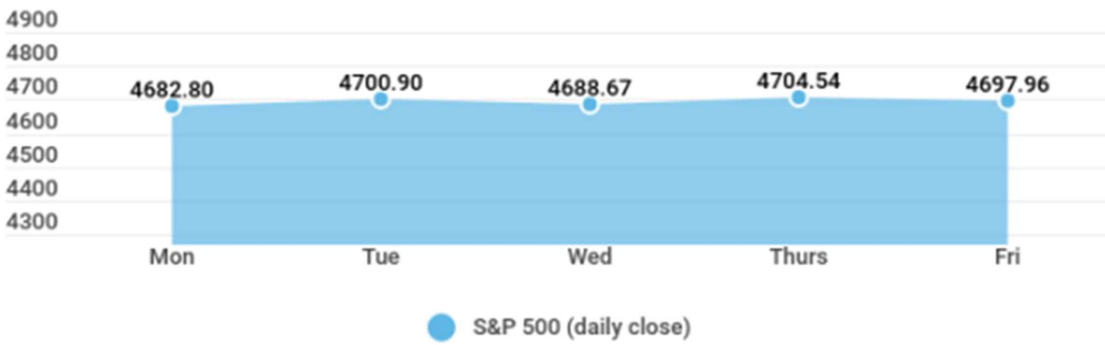
Wednesday: Jobless Claims. Durable Goods Orders. Gross Domestic Product (GDP). New Home Sales. Consumer Sentiment. Federal Open Market Committee (FOMC) Minutes.

QUOTE OF THE WEEK

""I was never ruined but twice: once when I lost a lawsuit, and once when I won one"

VOLTAIRE

Market Index	Close	Week	Y-T-D
DJIA	35,601.98	-1.38%	+16.32%
NASDAQ	16,057.44	+1.24%	+24.59%
MSCI-EAFE	2,350.30	-0.59%	+9.44%
S&P 500	4,697.96	+0.32%	+25.08%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.54%	-0.04%	+0.61%

Sources: The Wall Street Journal, November 19, 2021; Treasury.gov, November 19, 2021
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, November 12, to Friday, November 19, close. Weekly performance for the MSCI-EAFE is measured from Friday, November 12, open to Thursday, November 18, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE

The facts of broken and increasingly controlled and desperate financial markets are becoming harder to deny and ignore. It's becoming harder to keep up with the increasingly downgraded GDP growth estimations from the Atlanta Fed. As recently as August, its GDPNow 3q21 estimates for the quarterly percentage change was as high as 6%. But within a matter of weeks, this otherwise optimistic figure was cut embarrassingly in half. Last month their GDP forecast sank much further to 0.5%, and as of this writing, it has been downgraded yet again to 0.2%.

Needless to say, 6% estimated growth falling to effectively 0% growth is hardly a bullish indicator for the kind of strengthening economic conditions which one might otherwise associate with risk asset prices reaching all-time highs for the same period. The current ratio of corporate equities to GDP in the U.S. (>200%) is the highest in history.

This growing yet shameful disconnect between market highs and economic lows is getting harder to explain, ignore or deny by the architects of the most artificial, rigged and dishonest market cycle in modern history. In short, it is no longer even worth pretending that stock markets are correlated to such natural measurements as natural supply & demand or a nation's economic productivity. After all, who needs GDP in the new abnormal? By now, even Fed doublespeak can't hide the fact that the only market force which the post-08 markets require is an accommodative central bank—i.e., a firehose of multi-trillion liquidity on demand.

In the meantime, the much-anticipated taper has been announced. As predicted, it's as bogus as a 42nd Street Rolex. Taking $15B off a $120B/month QE rate and sending the Fed's balance sheet to over $9T by year end while keeping rates at zero is hardly the kind of "tightening" that signifies a "healthy" market. Add to that the liquidity provided by a Standing Repo Facility and the FIMA (Foreign and International Monetary Authorities) swap lines and you quickly see that the bond market will see more, not less, "support." In short: This was a bogus taper, and nothing has changed. Even if central banks allow rates to rise one day, it will only be when inflation is rising faster.

The only and time-tested trick left up the sleeves of debt-soaked policy makers to dig their way out of a nightmarish and historically unprecedented debt hole (which they alone created) is by pursuing policies of deeply negative real rates. This twisted inflationary playbook, so familiar to insiders yet unknown to the vast majority of retail investors, boils down to a policy play by which our so-called experts solve debt with more debt and hide truth behind more complex policy adjectives, sometimes known as lies.

Specifically, this means the "experts" will: 1) deliberately seek *more* inflation while 2) lying about *true* inflation levels and then 3) repress interest rates in order to partially inflate their way out of debt with 4) increasingly debased currencies.

Needless to say, more inflation is a direct tax on the increasingly poorer middleclass. Sadly, too many are too busy trying to make sense of months of lockdowns, vaccine mandates, movement restrictions, crime waves and inflating rent payments to notice that they have been made into serfs in a Brave New World where greater than 80% of the stock market wealth is held by the top 10% of the population.

Let's be clear, a world in which Bezos, Musk and other billionaire wealth has increased by 70% while 89 million Americans have lost their jobs is NOT capitalism, but a symptom of a rigged system in which the anti-trust rules taught in law school and the social and economic principles learned in economics classes are simply gone. Then again, back in the day, we were once taught *how* to think, not *what* to think. With each passing day, we see increased evidence of grotesquely distorted notions of truth, reporting, data, natural market forces and political/financial accountability.

Ed Papier may be reached at 2126973930 or ep@amadeuswealth.com
www.amadeuswealth.com

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Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.
The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.
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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CITATIONS:
1. The Wall Street Journal, November 19, 2021
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3. The Wall Street Journal, November 19, 2021
4. CNBC, November 16, 2021
5. zerohedge.com/markets/how-long-can-lies-control-supplant-reality-free-markets