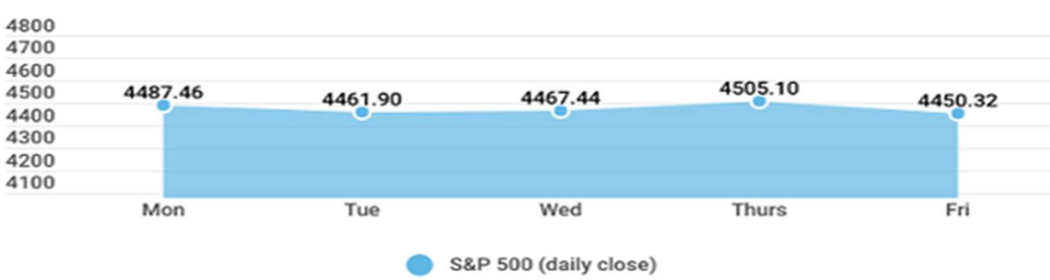
WEEKLY ECONOMIC UPDATE SEPT. 18, 2023

Stocks ended the week roughly where they began as investors digested a mixed set of new economic data.

The Dow Jones Industrial Average gained 0.12%, while the Standard & Poor's 500 slipped 0.16%. The Nasdaq Composite index fell 0.39% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, added 1.23%.[1,2,3]

Market Index	Close	Week	Y-T-D
DJIA	34,618.24	+0.12%	+4.44%
NASDAQ	13,708.33	-0.39%	+30.97%
MSCI-EAFE	2,099.61	+1.23%	+8.01%
S&P 500	4,450.32	-0.16%	+15.91%



	Treasury	Close	Week	Y-T-D
🇺🇸	10-Year Note	4.33%	+0.07%	+0.45%

Sources: The Wall Street Journal, September 15, 2023; Treasury.gov, September 15, 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, September 8, to Friday, September 15 close. Weekly performance for the MSCI-EAFE is measured from Friday, September 8 open to Thursday, September 14 close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

Stocks Struggle for Direction

Stocks traded around the flatline without any catalyst in either direction. On Thursday, investors welcomed the European Central Bank, signaling its rate-hiking campaign may be nearing its conclusion and a successful IPO that revived optimism in the capital markets. Investors also cheered a stronger-than-forecast retail sales report and a modest increase in core producer prices, overlooking a higher-than-expected headline number.

But sentiment quickly reversed on Friday as a drop in consumer confidence, troubling news in the semiconductor space, and a labor strike at the nation's major automakers dented Thursday's optimism, sending major averages to a mixed close for the week.

Inflation Progress Stalls

Surging gasoline prices drove August's inflation rate to its highest monthly rate this year, rising 0.6%, while the year-over-year Consumer Price Index posted a 3.7% increase, up from July's 3.2% annual rate. Core inflation (excludes energy and food) was more encouraging, rising 4.3%-- down from July's reading of 4.7%.[4]

Producer prices also came in higher than expected, rising 0.7% in August, above the estimate of a 0.4% increase and the biggest monthly gain since June 2022. The year-over-year increase was a more modest 1.6%. Gasoline prices significantly contributed to the month's jump; excluding food and energy, prices aligned with forecasts, ticking up 0.2% in August.[5]

This Week: Key Economic Data

Tuesday: Housing Starts.

Wednesday: FOMC Announcement.

Thursday: Jobless Claims. Existing Home Sales. Index of Leading Economic Indicators.

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

Quote of the Week

"People will come to love their oppression, to adore the technologies that undo their capacities to think."

– Aldous Huxley

Of Note

Renowned US investor Jim Rogers recently commented the US is the largest debtor nation in the history of the world, warning the money-printing bonanza cannot last forever.

The US president recently declared in a Chicago speech that "Bidenomics is working." Per Joe Biden, his economic policies have prevented the nation from sliding into recession, driven the strongest recovery among the developed economies, and managed to tame inflation. Nonetheless, just 34% of Americans believe that the country's economy is in good shape according to NORC Center for Public Affairs Research.

"I would concur that the worst is yet to come," Rogers said. "It always comes later after normal fluctuations and corrections. I do not agree with the White House that everything is okay now, and I certainly don't agree that they should take credit for it. To look back at previous inflation anywhere in the world, you will see it goes up, down, up, down. This is the way markets work."

The crux of the matter is that the US is the largest debtor nation in the history of the world, said the investor. Indeed, the US national debt has reached over $32.3 trillion, or $96,702 for every single person in the country.

"Every nation in history that has gotten into that kind of situation has wound up having problems," Rogers explained. "We have printed a lot of money, we have borrowed and spent a lot of money, which is wonderful for the short term, but eventually we have to pay the price. Inflation is going to get worse. The debt problems are going to get worse, and the US is going to suffer. This is not a good time to be a young American. I'm an old American. It's a good time to be an old American because I don't have to pay the debt. But my kids are going to have to pay the debt and they will have a lot of problems."

Even though DC policymakers are insisting that the US economy is too big and too important to default, and so technologically advanced that it could keep growing despite soaring debt, the reality could be harsher than they dare imagine, according to Rogers.

To illustrate his point, Rogers referred to the 1980s, when inflation was similarly bad. Then Federal Reserve Chair Paul A. Volcker resorted to sharp interest rate hikes that exceeded 19% by January 1981. It worked at the time. However, in 1983, the United States was still a creditor nation, Rogers pointed out.

"The inflation now is worse," the investor said. "Now the United States is the largest debtor nation in the history of the world. So, sure, things are okay at the moment, but 'at the moment' is not going to last forever. Somebody has got to pay this debt. Somebody has to print more money. Somebody has to borrow more money. And when you borrow huge amounts of money, interest rates will go higher and higher, inflation will go higher because so much money has been printed."

Meanwhile, the epitome of "Bidenomics" has been increased spending, both in terms of infrastructure, healthcare, and the military budget. One might wonder how sustainable these increased spending plans are.

"They have spent a lot of money buying votes," Rogers responded. "That's what people in Washington have done very well over the past few decades. They've learned how to do it. Is it sustainable? Of course not. I mean, unless you or somebody else is going to lend them huge amounts of money at ever lower interest rates, which has never happened, of course it's not sustainable."

The US will not run out of money because they can always print as much as they want, the economist explained. The US will bail itself out or the International Monetary Fund (IMF) will come in and lend them some more money. However, as a result of these financial maneuvers, "the value of the money will deteriorate and decline as they print and borrow more and more money."

"The value of the US dollar will lose more and more value as it prints more. It always happens this way," the investor stressed. Rogers referred to the British Empire's history, citing the fact that in the 1920s, it was the richest, most powerful country in the world, second to none. Still, 50 years later Britain was literally bankrupt so that the IMF had to fly to London and bail them out.

"That will happen to the US," warned Rogers. "Not this year. Don't worry. It won't happen this year, but it will happen. One shouldn't shrug off the unfolding de-dollarization trend as something inconsistent given the US skyrocketing debt and recession risks”.

Treasury Secretary Janet Yellen suggested that currently, there isn't a viable replacement for the dollar when it comes to trade, investments, or reserve currency. "There is a very good reason why the dollar is used widely in trade, and that's because we have deep, liquid, open capital markets, rule of law and long and deep financial instruments," she told the press earlier this week while commenting on BRICs questioning the greenback's dominance.

"Everything [Yellen] said is true, and that's the reason the US got to this position," Rogers said. "But now, what she left out, the US is the largest debtor in history and the debt is skyrocketing and the money printing is skyrocketing. Eventually we have to pay the price. Every country in history has had to pay the price. Yes, she will print huge amounts of money. She will borrow and spend huge amounts of money, and they will think they are okay for a while, just as they have for other countries in the past. But, unless something has changed in world history and in world economics, this will not go on forever."

BRICS – an acronym for the major developing economies Brazil, Russia, India, China, and South Africa – has been considering an alternative to the US dollar and the BRICs countries discussed the matter at the 15th summit which took place from August 22 to 24 in Johannesburg, South Africa.

As of yet, however, there is no currency that could completely replace the greenback, according to Rogers, who sees some potential in the Chinese yuan. "I don't see anything on the horizon yet…and that may cause a big problem if and when things really go wrong with the US and with the US dollar, the world will have a serious financial crisis for a while anyway, unless we can bond something else." BRICS has overtaken the G7 as "the dominant economic bloc in the world," a new contest has begun which will end in "the decline of the dollar and the rise of whatever alternative the BRICS settle on, either the Chinese currency or a composite that they're producing."

Rogers does not rule out that the US is about to find itself in a heap of trouble while the nation's government does not have effective tools to fix the economy. "In 2008, we had a big problem because of too much debt. Since 2009, the debt everywhere has skyrocketed. So the next financial problem has to be very, very serious because the debt is so much bigger," he warned.[6]

Footnotes and Sources

1. The Wall Street Journal, September 15, 2023.
2. The Wall Street Journal, September 15, 2023.
3. The Wall Street Journal, September 15, 2023.
4. The Wall Street Journal, September 13, 2023.
5. CNBC, September 14, 2023.
6. sputnikglobe.com/20230702/jim-rogers-de-dollarization-fuelled-by-soaring-us-debt-1111626237.html

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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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