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Weekly Economic Update

Presented by Ed Papier, September 12, 2022

THE WEEK ON WALL STREET

In a holiday-shortened week of trading, stocks posted healthy gains despite more tough talk on monetary policy from Fed officials.

The Dow Jones Industrial Average rose 2.66%, while the Standard & Poor's 500 gained 3.65%. The Nasdaq Composite index picked up 4.14% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, lost 1.26%. ^{1,2,3}

STOCKS RISE

Stocks fell coming off the Labor Day weekend, dragged down by news that Russia was cutting off natural gas supplies to its European customers. Stocks also were under pressure due to a surprisingly strong report on business conditions, which heightened fears of continued Fed hawkishness.

Sentiment quickly improved as bond yields turned lower and oil prices fell. Investors reacted positively to comments by Fed Vice Chair Lael Brainard, who reiterated the Fed's commitment to quashing inflation while acknowledging the risks of going too far. Stocks added to their gains on Thursday as the market digested another speech from Fed Chair Powell and a 0.75% hike by the European Central Bank. The markets surged on Friday amid little news, ending a positive week on an upbeat note.

NO INFLATION WALK BACK

In his first public comments since his speech at Jackson Hole that sent markets into a tailspin, Fed Chair Powell did not seek to soften the edges of the Fed's commitment to fighting inflation. In an interview

on Thursday, Powell reaffirmed the need for sustained and robust actions to bring down inflation. He emphasized that it was critical that "the longer inflation remains well above target, the greater the risk the public does begin to see higher inflation as the norm, and that has the capacity to really raise the costs of getting inflation down." ⁴

With the Federal Open Market Committee (FOMC) set to meet on September 20-21, these comments may indicate that market expectations of a rate hike of 0.75% this month align with the Fed's plans.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Consumer Price Index (CPI).

Wednesday: Producer Price Index (PPI).

Thursday: Retail Sales. Industrial Production. Jobless Claims.

Friday: Consumer Sentiment.

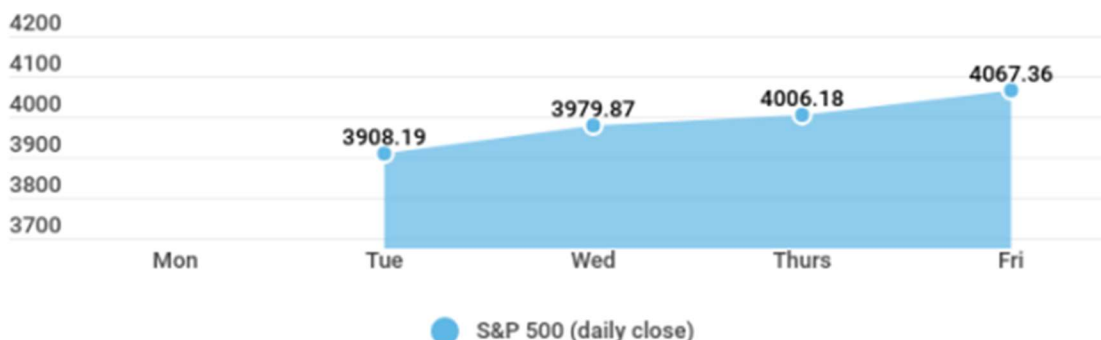
QUOTE OF THE WEEK




"It is striking how easily intellectuals and regimes can migrate from and to different ideological forms while retaining the philosophical orientation of that which they allegedly oppose."

JEFFREY A. TUCKER

Market Index	Close	Week	Y-T-D
DJIA	32,151.71	+2.66%	-11.52%
NASDAQ	12,112.31	+4.14%	-22.58%
MSCI-EAFE	1,800.52	-1.26%	-22.93%
S&P 500	4,067.36	+3.65%	-14.66%



	Treasury	Close	Week	Y-T-D
	10-Year Note	3.33%	+0.13%	+1.81%

Sources: The Wall Street Journal, September 9, 2022; Treasury.gov, September 9, 2022

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 2, to Friday, September 9, close. Weekly performance for the MSCI-EAFE is measured from Friday, September 2, open to Thursday, September 8, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE

Over 1,600 of the brightest scientific minds in technology have signed a letter calling both crypt and blockchain a sham. The letter is a punch in the gut to the Wall Street underwriters who have brought billions of dollars of crypto related companies to the public markets, most of which have now collapsed in price. It makes the billionaire venture capitalists who have invested billions in crypto startups look like fools. And it renders the big-name celebrities who have promoted these structures in TV commercials look like the shills that they are.

The letter was sent to key members of Congress and to the Chairs of the Senate Banking and House Financial Services Committees. It is signed by more than 1,600 computer scientists, software engineers and technologists from around the world. There are 45 signatories who currently work at Google; 19

who work at Microsoft; 11 employed at Apple. (Those three companies currently have a collective market capitalization of more than \$5.75 *trillion* ; they can afford to hire the best and the brightest.) There are signatories that are Ph.Ds from the most prestigious universities in the world, including the University of Oxford and MIT. And all 1,600 have signed a letter that says this about crypto and blockchain:

"We strongly disagree with the narrative—peddled by those with a financial stake in the crypto-asset industry—that these technologies represent a positive financial innovation and are in any way suited to solving the financial problems facing ordinary Americans...As software engineers and technologists with deep expertise in our fields, we dispute the claims made in recent years about the novelty and potential of blockchain technology. Blockchain technology cannot, and will not, have transaction reversal or data privacy mechanisms because they are antithetical to its base design. Financial technologies that serve the public must always have mechanisms for fraud mitigation and allow a human-in-the-loop to reverse transactions; blockchain permits neither."

The letter links to an article from Bruce Schneier, a Security Technologist who teaches at the Harvard Kennedy School. The article appeared at *Wired* on February 6, 2019 under the headline: "[There's No Good Reason to Trust Blockchain Technology](#) ." The article makes the following salient points:

"What blockchain does is shift some of the trust in people and institutions to trust in technology. You need to trust the cryptography, the protocols, the software, the computers and the network. And you need to trust them absolutely, because they're often single points of failure.

"When that trust turns out to be misplaced, there is no recourse. If your bitcoin exchange gets hacked, you lose all of your money. If your bitcoin wallet gets hacked, you lose all of your money. If you forget your login credentials, you lose all of your money. If there's a bug in the code of your smart contract, you lose all of your money. If someone successfully hacks the blockchain security, you lose all of your money. In many ways, trusting technology is harder than trusting people. Would you rather trust a human legal system or the details of some computer code you don't have the expertise to audit?"

Losing your money is mostly what has been going on this year in crypto. In addition to crypto itself being a dubious "investment," the Federal Trade Commission reported in June that "since the start of 2021, more than 46,000 people have reported losing over \$1 billion in crypto scams. That's about one out of every four dollars reportedly lost to fraud during that period." Given this factual background, the speech delivered by Fed Vice Chair Lael Brainard at the Bank of England in London last Friday is an embarrassment to the U.S. central bank. In the speech, Brainard repeatedly makes reference to the "crypto financial system" as if it's a real thing. Crypto is a "financial system" like Bernie Madoff's illusory split-strike conversion was delivering consistent 13 percent returns each year. In both cases, there's no "there" there.

Brainard's idea is to regulate crypto. China had a better idea. It outlawed it, as have eight other countries with dozens more severely restricting its use. The U.S. Congress appears to be too beholden

to crypto money to take a stand. That needs to change and the way it can change is for corporate CEOs at top technology companies in the U.S., like Google, Microsoft, Apple, Cisco, Intel, IBM and others, to start writing OpEds about the sham of crypto and blockchain in the New York Times, Wall Street Journal and other newspapers with wide circulations. If their own tech workers are willing to put their reputations and careers on the line by signing this letter, surely a CEO or two could find his voice before more Americans are defrauded and before the U.S. loses its competitive edge relentlessly pursuing a sham technology. ⁵

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CITATIONS:

1. The Wall Street Journal, September 9, 2022
2. The Wall Street Journal, September 9, 2022
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4. The Wall Street Journal, September 8, 2022
5. wallstreetonparade.com/2022/07/over-1600-of-the-brighest-scientific-minds-in-technology-have-signed-a-letter-calling-both-crypto-and-blockchain-a-sham/