

SP, Nasdaq Records – Economy from Stall to Fall

11-27-2020

Happy days are here again. Economies are 'booming'. This week Brazil and Mexico were included in the 'robust' growth category along with the US, China, Japan and many others. That this 'growth' starts from practically zero makes no difference. Growth + growth = Buy.

First among the alleged reasons for the S&P to top 3000 and set an all time record was the announcement that Tesla will join the 500 next month. Thus the madness that made Musk the second richest person in the world will add its fervour to stock values. This is quite an achievement for Tesla which sold all of 367,000 vehicles last year, barely beating out the annual sales of the Peugeot 208 small hatchback.

Note that all of the 13 economy data points listed below were worse than the previous reports with the exception of Nov. 14 continuing jobless claims. Q3 GDP remained the same – no upward revision. A fall in the inflation rate indicates weakening demand. Nothing matters because some day it must strengthen.

<u>Initial jobless claims</u> (regular state program, SA)	Nov. 21	778,000	748,000	
<u>Initial jobless claims</u> (federal & state, NSA)	Nov. 21	1.14 million	--	1.07 million
<u>Continuing jobless claims</u> (regular state program, SA)	Nov. 14	6.07 million	--	6.37 million
<u>Continuing jobless claims</u> (federal & state, NSA)	Nov. 7	20.45 million	--	20.32 million
<u>Gross domestic product</u> (revision) (SAAR)	Q3	33.1%		33.1%
<u>Durable goods orders</u>	Oct.	1.3%		2.1%
<u>Core capital goods orders</u>	Oct.	0.7%		1.9%
<u>Advance report on trade in goods</u>	Oct.	-\$80.3 billion		-\$79.4 billion

New home sales	Oct.	999,000	980,000	1.002 million
Consumer sentiment index (final)	Nov.	76.9	76.8	77.0
Personal income	Oct.	-0.7%	-0.5%	0.7%
Consumer spending	Oct.	0.5%	0.4%	1.2%
Core inflation	Oct.	0.0%	0.0%	0.2%

Economic Info

The CARES Act of March 27 allocated \$454 billion of the stimulus money for purpose of saving businesses and jobs. Those funds were intended to be transferred from Treasury to the Fed for distribution but most of seems never to have gotten there and the Treasury has been mum on an answer. Treasury chief Mnuchin a few days ago demanded that the Fed return what was left of CARES so it could be distributed for other purposes. The Fed says it used all that it actually received only \$114 billion and used it for business assistance.

Bloomberg reported that the Treasury is seeking \$429 billion but according to Wall Street on Parade missing money totals \$340 billion. Treasury and other government agencies would provide no information on what happened to the money but the WSP did a careful search of records and found it was deposited in a 'slush fund' called the Exchange Stabilization Fund. The ESF was created to support dollar valuations following the US leaving the gold standard in 1933, but now it's used mostly to support the currency and dollar denominated assets of other countries and to cover any Fed losses. Many elected officials approved the act for American needs, like assisting the 98,000 businesses that have permanently shut down because of the pandemic.

Both Treasury and Fed are set to testify before Congress on the issue Dec. 2nd.

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