

Market Outlook:

Fed...what Fed?

Several anticipated secular employment data were released last week, without much fanfare, particularly indicating that traditional brick and mortar retailers were suffering from decreased sales, limited foot traffic (most notably at shopping malls), and that tens of thousands of employees will be laid off in the coming months. Yet, the overall employment statistics were quite good because the amount of jobs created in other more technological fields has been increasing and offsetting whatever losses elsewhere might have occurred. Make no mistake, the preponderance of employment and overall economic activity is good. So investors had to focus on other news to justify the enormous bounce back stocks experienced for the week. Besides looking at the resolution of the Presidential impeachment process and the reduction of Chinese tariffs, I think there is one specific area they should be studying....

If, indeed, *low interest rates* are the engine behind the stock market's last decade of success, perhaps we need to focus more upon the locomotion effect they created than upon the shiny vehicle that sits atop.

For the last century every recovery has been ushered in by lower rates... a clear attempt to make borrowing money to cultivate new enterprise more affordable. (Conversely, every recession has been preceded by higher rates as central banks sought to rein in spending and inflation). But with global rates at, near, or below zero those central bankers have lost their monetary and psychological advantage over the direction, magnitude, and duration of the business cycle.

We might want to prepare for an economy...at least in the near term....which is wholly governed by *fiscal and moral doctrines* more so than by traditional supply/demand monetary-style economics. The tail will, for certain, wag the dog in that instance. Traditional guideposts and norms of our past might only minimally apply going forward.

The new normal is lower inflation and lower rates. However, another offshoot of that "new normal" is lower growth rates, as well. Strategies for incentivizing commercial and personal spending must now fall into the domain, brain power, and idealism of scientists, entrepreneurs, educators, social theorists, and, of course, politicians.

Taxes, spending initiatives, war, immigration displacement, healthcare, and infrastructure are now the new engines driving the global economy especially in an era where cultural/geopolitical differences are exacerbating and bank's monetary influences are receding.

Since this is a relatively new economic phenomenon there are doubts that the outcomes prescribed by these new "influencers" are a necessary and sufficient predicate for the development of effective policies.

New tapestries

Before the Federal Reserve or ECB (European Central Bank) ever existed, causes for economic booms and busts were numerous. Capricious passion, agriculture, weather, territorial conflict, industrialization, and geography were the prosecutors of the economic landscape. For all intents and purposes there was no *monetary policy*. Spending and taxation were local matters handled by powerful despots, kingdoms, and fiefs. Don't forget also that the currency of those times was based in commodities, textiles, gold, and other precious minerals.

Macroeconomics is a relatively new study. It represents the global economy *as a whole*, not just individuals and firms. When we act responsibly, morally, together there is a much more powerful economic engine to be had. Unemployment is lower when the common good is the desired outcome. Demand is better when the common good is the desired outcome. Growth is sustainable when the common good is the desired outcome.

Fear, volatility, recession, marginalizing one's neighbors is the outcome when "every man" is in it for their own benefit.

Our politics is a harbinger of a new social paradigm led by nationalism, proprietary interest, and cultural survival. Despite a new sense of social and economic imperatives brought about by synthetic monetary manipulation (low interest rates), we sometimes need a reminder that the Dow Jones Industrial Average is not always the best barometer by which to measure our outcomes.

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