

July 10, 2024

Good Afternoon,

Stocks emerged from the July 4<sup>th</sup> holiday with momentum, and the S&P 500 Index and the NASDAQ Composite Index seemingly make new all-time highs every other day. Fed Chair Powell concluded his testimony on Capitol Hill today giving clear signals that the Fed is ready to cut interest rates, likely starting in September. Stocks and bonds find comfort in that message. Borrowers are clearly looking forward to lower interest rates and more affordable debt. That includes the US Government.

America's most unaddressed gigantic problem is the \$35 trillion national debt. It's rapidly growing to unsustainable levels and Americans are eventually going to face some unhappy choices. In fiscal year 2024, interest payments on the US federal debt were 16% of total spending, or \$624 billion (up from \$476 billion in 2022). This makes interest the second-largest federal program, consuming a large portion of tax dollars that could be used elsewhere.

Virtually no politician tells the truth about how to fix the debt because the real answer is that there's something for everybody to hate. Tax hikes, spending cuts, and benefit reductions are all inevitable, and that message upsets so many voters that telling the truth and getting elected mutually exclude each other. That's something we should all hate.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Until next week,

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