

December 19, 2024

Good morning,

The Grinch showed up early yesterday on Wall Street with stocks and bonds falling sharply following the Fed's ¼ point interest rate cut announcement. Chair Powell gave a clear indication that further rate cuts in 2025 will be fewer than anticipated. He also confirmed the Fed will continue reducing its balance sheet by not buying Treasuries as existing notes mature. The result was the worst day for the S&P 500 in two years. The Dow Jones is now down 10 days in a row, its longest losing streak in 50 years. Are we facing an extended selloff for stocks? We don't think so. After strong gains throughout the year, some investors are looking for opportunities to take profits and the Fed's action provided an excuse to do so.

What's going on with the world's democracies? The French and German governments have collapsed under "no confidence" votes. South Korea has impeached its president. The Canadian government is in turmoil as Prime Minister Trudeau is fighting for his political life. And, of course, the US government is changing dramatically in four weeks. World leaders are facing economic and fiscal crises, growing populist sentiment, social divisions, and geo-political turmoil. We'll see if voters get the changes they are looking for, or just more of the same.

The US is staring at a potential government shutdown tomorrow at midnight. Although a bipartisan continuing resolution was set to pass in the House, Elon Musk told Republicans not to pass it – so they withdrew their support. I don't recall seeing his name on any ballots in November. And now, President-elect Trump is calling for abolishing the debt ceiling. It wasn't too long ago that the Republican Party was considered fiscally conservative. With mounting US debt, will they get fiscal discipline back on course? Let's hope so.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

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.

Have a great weekend! Go Bills!

Wade

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