

## Weekly Market Commentary

### February 05, 2024

#### The Markets

We've been hearing a lot about layoffs.

Last week, the January 2024 Challenger Report found that employers based in the United States cut more than 82,000 jobs in January. That's a lot. In December 2023, about 35,000 layoffs were announced. The January job cuts were concentrated in a few industries, and the reasons for the cuts included companies restructuring to lower costs and reorienting toward artificial intelligence.

Layoffs often are a sign the economy is losing steam, but that doesn't appear to have been the case in January since employers added more than 353,000 new jobs during the month, reported the Bureau of Labor Statistics (BLS).

If we subtract the number of layoffs from the number of new jobs ( $353,000 - 82,000 = 271,000$ ), the total number of jobs created in January was still significantly higher than the 185,000 new jobs economists anticipated.

Overall, the U.S. unemployment rate remained at 3.7 percent, although there were differences by gender and race.

Women (over age 20)	3.2 percent
Men (over age 20)	3.6 percent
Asian	2.9 percent
White	3.4 percent
Hispanic/Latino	5.0 percent
Black	5.3 percent

The BLS reported that wages moved higher in January. Average hourly earnings increased 4.5 percent over the 12 months through January 2024. If inflation continues to slow – it was 3.4 percent in December – that could be good news for consumers. However, the fight against rising prices continues. Katia Dmitrieva of *Bloomberg* explained:

“The [employment] report clearly shows that demand [for workers] and wage pressures are far from cooling. That is consequential for the Federal Reserve, which has been signaling that the strength in the labor market shows inflationary pressures are still in the system, and that's something policymakers will keep in mind before pivoting to rate cuts.”

After falling for much of the week, U.S. Treasury yields rose after strong jobs data dashed hopes the Federal Reserve would cut rates sooner rather than later. Stock investors remained confident despite the possibility that rates would remain higher for longer, and major U.S. stock indices finished the week higher.

Data as of 2/2/24	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.4%	4.0%	18.6%	9.0%	12.7%	11.0%

Dow Jones Global ex-U.S. Index	0.1	-1.5	1.5	-2.4	2.8	2.0
10-year Treasury Note (yield only)	4.0	N/A	3.4	1.1	2.7	2.6
Gold (per ounce)	0.8	-2.1	5.9	3.5	9.2	4.9
Bloomberg Commodity Index	-2.1	-2.0	-11.6	6.0	3.6	-2.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; [djindexes.com](http://djindexes.com); U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**THE NATIONAL DEBT IS BIG.** Last year, the U.S. economy produced about \$27.9 trillion worth of goods and services. At the end of 2023, the U.S. national debt was about \$33.2 trillion.

So, America's debt is currently bigger than its economy.

The U.S. national debt has accumulated over decades. Each year the government spends more than it receives, the debt grows. When the government spends less than receives, the debt shrinks. Over the last 50 or so years, the government has taken in more than it spent only five times. The last time was 2001.

The debt generally falls into two categories:

**Debt held by the public** amounted to about \$26.9 trillion in 2023. It includes U.S. Treasury securities that have been sold to investors. Economists generally consider this to be “the most meaningful measure of debt, because it reflects the amount that the Treasury has borrowed from outside lenders through financial markets to support government activities,” reported the Peter G. Peterson Foundation.

**Debt the government owes itself**, which amounted to about \$7.1 trillion in 2023. This is the money the U.S. government owes to itself. For example, when Social Security, Medicare, and other national government programs take in more than they need. The extra is invested in U.S. Treasuries that are held in the program's trust funds.

We're not alone. The level of government debt has grown around the world. The Institute of International Finance forecasts that global debt would total \$310 trillion for 2023, reported Sam Meredith of CNBC.

### How do we finance the debt?

The U.S. government finances its debt by selling securities such as Treasury bills, notes, bonds. When the debt grows or interest rates rise, the cost of interest increases. As a result, less money may be available for programs that support economic growth, education, Social Security, and other programs.

Higher debt can lead to slower economic growth. “A study by the World Bank found that countries whose debt-to-GDP ratios exceed 77% for prolonged periods experience significant slowdowns in economic growth,” reported Will Kenton of *Investopedia*. Since the U.S. economy and the U.S. stock market tend to be highly correlated, market returns might slow, too.

Some economists point out that higher rates can stimulate economic growth because they put more money in the hands of consumers, and consumers tend to be the driving force behind the U.S. economy. “...People who are holding government bonds, paying higher rates of interest, are getting a

huge windfall in the form of interest income and that income can be spent just like any other form of income,” explained a source cited by Charlotte Morabito of CNBC.

### How much is too much?

Economists are uncertain how much debt is too much debt for developed nations to hold. Last year, though, researchers at Penn Wharton of the University of Pennsylvania suggested that 200 percent of gross domestic product (GDP) would be the limit for the United States. In 2023, U.S. debt-to-GDP ratio was 123 percent.

### Weekly Focus – Think About It

“The price of greatness is responsibility.”

—Winston Churchill, statesman

Best regards,

Heritage Capital Advisors, LLC

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- \* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- \* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- \* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- \* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- \* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- \* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- \* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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