MOOSECALLS

Global Financial News & Analysis
DEC13.2024 through DEC22.2024

Global Markets: WEEKLY PERFORMANCE

INFLATION GIVES PAUSE

With November CPI and PPI inflation both pushing 3% year over year, bond prices fell, and long-term interest rates rose, pushing the US Dollar higher, and a three-week risk-on rally stalled out. Small-cap US stocks (-2.5%) led large caps (-0.9%) lower. Offshore, equities were mixed against a stronger dollar (+1.1%). Developed markets Japan (-2.2%) and Europe (-1.3%) fell while developing markets Asia-Pacific (+0.4%) and Latin America (+0.5%) advanced. Commodities (+2.7%) and oil (+5.7%) helped. Gold (+0.6%) was also up. That hurt US long bonds (-1.3%) sending the 10-year yield up 25 bps to 4.40% as cash yields (4.22%) dropped. **The models**: No switches this week. **Next week:** 2024's last Fed Meeting.

Global Ranking: US Small Caps Top Global Rankings

Index Moose ETF Rankings through DEC22.2024

The index rankings were developed in the 1980's to determine momentum across a number of global income equity and hard assets as the backdrop for a weekly financial newsletter. Relative strength, technical analysis, and a Fed component are used to rank a global set of exchange-traded funds. **This week:** US small caps top our global momentum choices as cash gives way. IWM is atop the Index model since switching on 11/20/2024 via CI. *Assets are ranked by CI, the "confidence index". It combines the relative strength (rank), and technical strength (TS). The Trend is based on the TS reading.*

RANK	CI	Description	TS	Trend	stop-loss	price	buy-stop
1	**100%**	**US small-cap stocks (IWM)**	**99%**	**very bullish**	**226.40**	**238.93**	**244.98**
2	93%	US large-cap stocks (SPY)	107%	very bullish	583.86	607.81	609.07
3	60%	Gold (GLD)	67%	bullish	236.13	242.95	250.39
4	52%	Pacific ex-JAPAN stocks (AAXJ)	58%	bullish	73.24	75.10	45.09
5	43%	US Long Treasuries (EDV)	61%	bullish	69.96	76.01	76.65
6	27%	Japanese stocks (EWJ)	104%	very bullish	66.85	71.08	71.66
7	5%	Cash (SHY)	-28%	--	81.90	82.23	82.33
8	-1%	European stocks (IEV)	-20%	neutral	52.57	54.97	55.19
9	-72%	Latin American stocks (ILF)	-93%	very bearish	22.77	23.09	25
		Ryan/CRB Indicator	99%	steady rates			
		ST Interest Rate Equity Indicator	-32%	slightly bearish			
		Volatility Index	-73%	bullish			
		US Dollar Index	87%	very bullish			
		Commodity inflation trend	-47%	slightly bearish			
		Oil	-40%	slightly bearish			

Global Markets: THE WEEK'S ACTION— Risk-OFF (1)

ASSETS	***M***	***T***	***W***	***T***	***F***	***WEEK***
US Equities	***down***	***down***	***up***	***down***	***down***	***DOWN***
European Equities	***down***	***down***	***up***	***down***	***down***	***DOWN***
Asian Equities	***mixed***	***down***	***up***	***down***	***down***	***MIXED***
US Bond Prices	***down***	***down***	***down***	***down***	***down***	***DOWN***
US Dollar	***up***	***up***	***up***	***up***	***down***	***UP***
Gold	***up***	***up***	***up***	***down***	***down***	***UP***

It was the 1ST RISK-OFF week after 3 Risk-On. Stocks DOWN, Bonds DOWN and Gold UP.

Global Markets: WEEKLY TECHNICAL SUMMARY

#1 US Small-Cap Stocks Back Off A Second Week
US small-cap stocks (IWM) are **very bullish** and ranked **1** globally, **more** attractive than cash. IWM fell **2.5%** this week, following last week's **1.2% loss**. That leaves IWM **up 7.5%** for the quarter (13 weeks) and **up 18.3%** for the year (52 weeks).

#2 US Large-Cap Stocks Slip Lower
US large-cap stocks (SPY) are **very bullish** and ranked **2** globally, **more** attractive than cash. SPY fell **0.6%** this week, following last week's **0.9% gain**. That leaves SPY **up 7.5%** for the quarter (13 weeks) and **up 28.7%** for the year (52 weeks).

#3 Gold Bullion Catches A Bounce
Gold bullion's price is **bullish** and ranked **3** globally, **more** attractive than cash. GLD rose **0.6%** this week, following last week's **1.1% loss**. That leaves GLD **up 2.4%** for the quarter (13 weeks) and **up 30.6%** for the year (52 weeks).

#4 Asia-Pacific ex-Japan To Get Politburo Help in 2025
Asia-Pacific ex-Japan equities (AAXJ) are **bullish** and ranked **4** globally, **more** attractive than cash. AAXJ rose **0.4%** this week, following last week's **1.2% gain**. That leaves AAXJ **up 4.4%** for the quarter (13 weeks) and **up 14.5%** for the year (52 weeks).

#5 US Long Treasury Bonds Retest Year's Lows
US Long-zeros 25y+ are **bullish** and ranked **5** globally, **more** attractive than cash. EDV fell **6.4%** this week, following last week's **1.2% gain**. That leaves long bonds **down 13.6%** for the quarter (13 weeks) and **down 13.5%** for the year (52 weeks).

#6 Japanese Equities Retrench
Japanese stock prices (EWJ) are **very bullish** and ranked **6** globally, **more** attractive than cash. EWJ fell **2.2%** this week, following last week's **2.0% gain**. That leaves EWJ **down 0.5%** for the quarter (13 weeks) and **up 10.1%** for the year (52 weeks).

#7 Cash Yields Fall— The 3-month (cash) T-yield was 8 bps lower at 4.22% while the US Treasury 10-year yield finished the week 25 ticks higher at 4.40%, and turning the yield curve positive by 18 basis points.

#8 European Central Bank Cuts Rate
European equities (IEV) are **neutral** and ranked **8** globally, **less** attractive than cash. IEV fell **1.3%** this week, following last week's **1.8% gain**. That leaves IEV **down 4.9%** for the quarter (13 weeks) and **up 4.3%** for the year (52 weeks).

#9 Latin American Equities Bounce At 2024 Low
Latin American equities (ILF) are **very bearish** and ranked **9** globally, **less** attractive than cash. ILF rose **0.5%** this week, following last week's **0.3% loss**. That leaves ILF **down 10.4%** for the quarter (13 weeks) and **down 20.0%** for the year (52 weeks).

Commodities Rally
A **slightly bearish** CRB rose **2.7%** this week after last week's **0.2% loss**. That left commodity prices **up 7.3%** for the quarter (13 weeks) and **up 10.9%** for the year (52 weeks). Meanwhile, oil prices (USO) rose **5.7%** this week, following last week's **1.9% loss**. That leaves US oil prices **up 6.3%** for the quarter (13 weeks) and **up 10.5%** for the year (52 weeks).

US Dollar Gets a Bounce
A **very bullish** US Dollar rose **1.1%** this week, following last week's **0.3% gain**. That leaves it **up 7.4%** for the quarter (13 weeks) and **up 4.0%** for the year (52 weeks).

Global Economy through DEC22.2024

Global Outlook: Negative (-3)

The Global Economic Outlook (-3) Stays Negative

An international shipping measure and proxy for current global trade, **the Baltic Dry Index fell to 1051 this week, and is lower after 13 weeks, a negative** trend. (After opening 2023 at 1515, BDI is still well below its 2010 peak @4640.) Meanwhile, another proxy for world activity**, WTI oil price at 71.29 rose this week, and is higher for the latest quarter, a positive** trend. (Oil remains below its 2022 peak @$130, but well above its 2020 Covid lows @$10.) Our proxy for global construction, **copper rose to 4.20 this week, and remains lower this quarter, a negative trend**. Domestically, **10Y US bond yields rose to 4.40% this week and are down over the past 13 weeks, a negative** bet on the largest world economy.

IMF WEO (APR 2024)— The baseline forecast is for the world economy to continue growing at 3.2 percent during 2024 and 2025, at the same pace as in 2023. A slight acceleration for advanced economies—where growth is expected to rise from 1.6 percent in 2023 to 1.7 percent in 2024 and 1.8 percent in 2025—will be offset by a modest slowdown in emerging market and developing economies from 4.3 percent in 2023 to 4.2 percent in both 2024 and 2025. The forecast for global growth five years from now—at 3.1 percent—is at its lowest in decades. Global inflation is forecast to decline steadily, from 6.8 percent in 2023 to 5.9 percent in 2024 and 4.5 percent in 2025, with advanced economies returning to their inflation targets sooner than emerging market and developing economies. Core inflation is generally projected to decline more gradually.

US Economy: WEEKLY DATA

INFLATION HEATS UP, SMALL BIZ OPTIMISM TURNS BULLISH

US Economy: week of DEC13.2024

This Week: MIXED

THE GOOD: Weekly EIA Crude Oil Inventories (-1.43M) draw lessens as oil prices rise. NOV NFIB Small Business Optimism (101.7) up from previous. OCT Wholesale Inventories (+0.2%) slight build offset prior draw. **THE BAD:** Weekly Initial Jobless Claims (242K) up from previous week and forecasts. Weekly Continuing Claims (1886K) up from previous week. **THE UGLY:** NOV Treasury Budget Deficit (-$367.0B) still massive.

US Economy: INFLATION
CPI, PPI PUSH 3%

US Inflation: week of DEC13.2024

NOV PPI (+0.4%) heating up (1 yr= +3.0%)
NOV Core PPI (+0.2%) heating up. (1 yr= +3.4%)
NOV CPI (+0.3%) warming (1 yr= +2.7%)
NOV Core CPI (+0.3%) heating up. (1 yr= +3.3%)
NOV Import Prices (+0.1%) higher yoy. (1 yr= +1.3%)
NOV Export Prices (+0.0%) higher yoy. (1 yr= -0.8%)

OCT PCE (+0.2%) warmer (1 year= +2.3%)
OCT core PCE (+0.3%) sticky warm (1 year= +2.8%)
Q3 GDP – 2nd (+2.8%) unrevised.
Q3 GDP Deflator – 2nd (+1.9%) revised up a tick.
Q3 Employment Cost Index (+0.8%) cooler than previous and feared.
Q3 Productivity (+2.2%) unrevised, weaker than Q2
Q3 Unit Labor Costs-Rev. (+0.8%) revised cooler than Q2.
Q2 Current Account Balance (-$266.8B) deficit worse than feared.

US Economy: RECESSION & GDP INDICATORS

NY FED: RECESSION THREAT NEGLIGIBLE

US recession chances one year out: 33.6% (NOV 2025) per NY Fed. (Recession expected if chance > 30%.) The Fed model has been calling for a recession a year out since November 2022, leaving the model's recession overdue since November 2023. In MAY 2023 the probability of recession a year out was the highest (70%) in 40 years. The risk, however, has diminished thanks to two years of massive Federal deficit spending.

ATLANTA FED: Q4 Growth Near Trend

Atlanta Fed Current GDP Model (12/09/2024): **Q4 Annualized 3.3% (Last week: Q4 Est 3.3%)**

Economy: FEDERAL RESERVE

FED BALANCE SHEET ($6.897T); FFR @ (4.50-4.75%)

Federal Reserve: week of DEC13.2024

After over-tightening, in Q1 2020 the Fed took its fed funds rate to zero with two Covid emergency rate cuts, where it remained until March 2022. Simultaneously, the Fed doubled its balance sheet to $9 trillion in monetary stimulus (QE), exceeding measures taken during the global financial crisis in 2008, including commercial paper funding as well as unlimited purchases of treasuries, mortgages, municipals, and junk bonds.

The Fed plan was to roll 95 billion per month in maturing bonds off its 8.965T balance sheet beginning 6/1/22. It had succeeded in reducing it to 8.34T by mid-March 2023, when the bank crisis required an expansion (back to 8.73T).

Currently, the Fed's balance sheet is 6.897T, DOWN slightly (-0.00T) in the latest weekly report (DEC09). The Fed Funds Rate was dropped 25 bps to 4.50-4.75% at the November FOMC meeting. The Fed continues quantitative tightening but at a slower rate than in the first half of 2024. Its balance sheet continued lower this week.

The Fed Check at 99%, the Fed Check suggests no change in the Fed overnight rate is warranted, with commodity prices slightly bearish and T-bond prices bullish. **CME Fed futures, however, are betting (96%) on another quarter percent cut next Wednesday (12/18).** That is down from 100% prior to the election as recession fears have diminished. **The 3m-10y yield curve has turned positive 18 bps this week.** The curve was inverted from November 2022 until just recently (20 months). The median yield is still falling, leaving our interest rate signal for stocks slightly bearish.

The 3-month SOFR yield @4.62% is up this week, while the 3-month T-bill @4.22% is down. That puts the SOFR/T-Bill (SOF-T) spread at 40 basis points, above its 200-day (37 bps). **A rising TED spread signals a riskier, less confident financial system.**

FED POSTURE THIS WEEK: NEUTRAL (0) LW: 0
Rate Posture DOVISH (+1), Balance Sheet HAWKISH, (-1), Fed Speak NEUTRAL (0), Fed Check NEUTRAL (0)

Latest FOMC Assessment (2024.11.07) Recent indicators suggest that economic activity has continued to expand at a solid pace. Since earlier in the year, labor market conditions have generally eased, and the unemployment rate has moved up but remains low. Inflation has made progress toward the Committee's 2 percent objective but remains somewhat elevated. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are roughly in balance. The economic outlook is uncertain, and the Committee is attentive to the risks to both sides of its dual mandate.
In support of its goals, the Committee decided to lower the target range for the federal funds rate by 1/4 percentage point to 4-1/2 to 4-3/4 percent. In considering additional adjustments to the target range for the federal funds rate, the Committee will carefully assess incoming data, the evolving outlook, and the balance of risks. The Committee will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities. The Committee is strongly committed to supporting maximum employment and returning inflation to its 2 percent objective.
In assessing the appropriate stance of monetary policy, the Committee will continue to monitor the implications of incoming information for the economic outlook. The Committee would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessments will take into account a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments. **(Next FOMC meeting: 2024.12.18)**

US Currency Market:
Dollar Gets A Bounce

US Dollar: UUP rose 1.1% this week, following last week's 0.3% gain. It is currently very bullish—up 7.4% for the quarter (13 weeks), but up 4.0% in the last year (52 weeks). At 30, UUP is above its short-term (50-day) average at 30, and above its intermediate-term (200-day) average at 29. Momentum in the greenback is positive and improving, but RSI14 @65 is neither overbought nor oversold. A Dollar strengthened this week, enhancing US assets over foreign assets, commodities, and gold. Longer term, the bullish Dollar favors US investments over foreign assets and commodities, while reducing US trade competitiveness.

With November CPI and PPI inflation both pushing 3% year-over-year, US bond prices fell this week, and long-term interest rates rose, pushing the US Dollar higher. Between last week's solid if questionable jobs number and this week's warming inflation, it is a wonder 97% still expect a Fed rate cut next week. As for other major currencies vs the Dollar, the Euro is very bearish, and down 0.6% this week. The Yen is neutral, and down 2.4%. The Pound is slightly bearish, and down 0.9%. The Canadian Dollar is very bearish, and down 0.6%. The Australian Dollar is very bearish, and down 0.5%.

The **Dollar: longer view— 2023:** The Dollar rallied on rising Fed interest rates. **2022:** The Dollar continued to rally into October (UUP @30.50) as the Fed has promised then began to tighten. From there it fell to a 7-month low to end the year (@26) as the tightening increased recession fears. **2021:** The Dollar bottomed (UUP @24.22) in May, then rallied as the US economy reopened and the Fed began promising it would tighten in the face of growing inflation.

Carry-trade This Week

Non-Dollar investors seeking to maximize profits using the Moose should incorporate a "carry-trade" currency strategy into the decision, making it a two-step process. First, decide if it makes sense to switch to US Dollars, then use the Moose to identify the best ETF in which to put those Dollars. (Generally, if one's currency is weakening (bearish) against the Dollar, non-Dollar investors in the Moose will outperform. If a currency is bullish vs. the Dollar, the Dollar investment will underperform. If the Dollar is weakening, Dollar investors in the Moose might consider currency-hedged foreign equity ETFs instead of the Dollar denominated funds we track. A strengthening Dollar, however, suggests they be avoided.

	TS	Trend	Non-Dollar investors in $ Moose	US $ investors in Foreign Assets
Euro	-92%	very bearish	Euro investors outperform	US$ investors underperform in Euros
Yen	-24%	neutral	Yen investors match	US$ investors match in Yen
Australian $	-95%	very bearish	Aussie $ investors outperform	US$ Investors underperform in A$
British Pound	-25%	slightly bearish	Sterling investors outperform	US$ investors underperform in Pound
Canadian $	-96%	very bearish	Canadian $ investors outperform	US$ investors underperform in C$

US Bond Market:
#5 Bonds Retest Year's Lows

US Long Treasury Bonds: EDV fell 6.4% this week, following last week's 1.2% gain, leaving it ranked #5 globally and more attractive than cash. Long bonds are down 13.6% for the quarter (13 weeks) and down 13.5% for the year (52 weeks) as yields have risen. The US Treasury 10-year yield finished the week 25 ticks higher at 4.40%, and the 3-month yield was lower at 4.22%, leaving the yield curve positively sloped by 18 basis points. That reduces the odds of a recession in 2025. Technically, US long bonds are bullish and at 71. EDV is below its short-term 50-day average at 73, and below its intermediate-term 200-day average at 75. Momentum (PMO) is neutral but deteriorating, and its 14-day RSI of 38 means EDV is neither overbought nor oversold. As for currency effects, the Dollar strengthened this week, enhancing return for dollar investors in US bonds. Longer term, the bullish Dollar spurs investment in US assets while reducing US trade competitiveness.

Bonds lost ground on renewed inflation fears this week as both the CPI and PPI reported pushing 3% year-on-year in November. A ceasefire between Hezbollah and Israel in Lebanon that contributed to falling oil and gold prices, reducing inflation pressures in commodities gave way this week to an overthrow of Syrian strongman Assad next door pushing gold, oil, and the CRB all up. That propelled US long bonds lower for the first week in four and sent EDV below short and intermediate trends (@71) in a retest of 2024 lows (@67.5). Yields rose as a December Fed rate cut next week became slightly more certain (97%).

US Long Treasury Bonds: longer view— 2022: Bonds continued lower (and yields higher) after the Fed has promised to tighten. **2021:** Yields kept rising and bond prices falling into March (EDV @125) due to the vaccine rollout; improving economic data; stimulus checks, and supply constraints due to an end to lockdowns. Then, the Delta variant initiated a second Covid wave and bonds rallied. Massive tax hikes proposed by the Biden administration added gasoline to the fire until passage failed in November (EDV @145).

2023 ETF Breakdown: EDV-- A market value-weighted index of high-duration, zero-coupon 25-year US Treasury securities. **Countries:** US (100%). **Top Sectors:** Government (93%), Cash (4%), ETFs (2%), Energy minerals (1%).

US Equity Market:
#2 SPY Slips Lower

US Large-Cap Stocks: SPY fell 0.6% this week, following last week's 0.9% gain, leaving it ranked #2 globally and more attractive than cash. The index is up 7.5% for the quarter (13 weeks), but up 28.7% for the year (52 weeks). Technically, US large caps are very bullish and at 604. SPY is above its short-term 50-day average at 592, and above its intermediate-term 200-day average at 551. Its momentum (PMO) is positive and neutral, and its 14-day RSI of 67 means SPY is neither overbought nor oversold. As for currency effects, the Dollar strengthened this week, enhancing return for dollar investors in US stocks. Longer term, the bullish Dollar spurs investment in US assets while reducing US trade competitiveness.

Warmer inflation data sent US large cap stocks lower this week amid rising bond yields. With payrolls and consumer confidence also growing, investors got worried that the markets will hike interest rates if the Fed doesn't. Betting money (97%) makes a December Fed rate cut all but imminent next week even though the pro-growth team won the election, and the current continuing resolution is still jacking the Federal deficit by $367B a month. If Uncle Sugar continues to drive the US stock market higher as it has since 2017, it will be the best place to put your money-- especially after deregulation. But if the bond vigilantes object, it may not be a straight shot up.

US Large Cap Stocks: longer view— 2022: SPY remained weak on Fed uncertainty and after rate hikes began in earnest mid-year closed the year down 18%. **2021:** SPY continued to rally on Trump and Biden fiscal stimulus; the vaccine rollout; an end to state lockdowns; and the Fed's repeated insistence that inflation wouldn't require rate hikes until 2023. That tune changed in December and stocks weakened.

2023 ETF Breakdown: SPY-- A cap-weighted index fund. **Countries:** US (100%). **Top Sectors:** Technology Services (20%), Electronic Technology (18%), Finance (12%), Health Technology (10%), Retail trade (7%), Consumer non-durables (5%), Energy Minerals (4%), Producer manufacturing (4%), Industrial Services (4%), Consumer services (3%), Commercial services (3%).

US Equity Market:
#1 IWM Backs Off A Second Week

US Small-Cap Stocks: IWM fell 2.5% this week, following last week's 1.2% loss, leaving it ranked #1 globally and more attractive than cash. The index is up 7.5% for the quarter (13 weeks), and up 18.3% for the year (52 weeks). Technically, US small caps are very bullish and at 233. IWM is above its short-term 50-day average at 230, and above its intermediate-term 200-day average at 214. Its momentum (PMO) is positive but deteriorating, and its 14-day RSI of 46 means IWM is neither overbought nor oversold. As for currency effects, the Dollar strengthened this week, enhancing return for dollar investors in US assets. Longer term, the bullish Dollar spurs investment in US assets while reducing US trade competitiveness.

Warmer inflation data sent US small cap stocks lower this week as bond yields jumped. With payrolls and consumer confidence also growing, investors got worried that the markets will hike interest rates if the Fed doesn't. Betting money (97%) makes a December Fed rate cut all but imminent next week even though the pro-growth team won the election, and the current continuing resolution is still jacking the Federal deficit by $367B a month. If Uncle Sugar continues to drive the US stock market higher as it has since 2017, it will be the best place to put your money-- especially after deregulation. But if the bond vigilantes object, it may not be a straight shot up.

US Small Cap Stocks: longer view-- 2022: IWM remained weak on Fed uncertainty and after rate hikes began in earnest mid-year closed the year down 18%. **2021:** IWM began higher on Fed ease and fiscal stimulus, peaking in June. It flattened out on Covid mandates and the threat of higher taxes and then dipped in December when Fed tightening fears arose.

2023 ETF Breakdown: IWM-- A cap-weighted index fund. **Countries:** US (99%). **Top Sectors:** Finance (22%), Health Technology (12%), Technology Services (12%), Producer manufacturing (8%), Electronic Technology (7%), Industrial Services (4%), Energy Minerals (4%), Commercial services (4%), Consumer services (3%), Process industries (3%).

US Equity Market: Top Sectors

Bitcoin, Software, Banks, Capital Mkts, Internet

US Stock Sectors: through DEC22.2024

The table below ranks our 25 primary US sector ETFs in order of relative strength at the close of the latest week. Momentum investors may consider those ranked higher than cash bullish (**buy** or **hold**), and those ranked below cash bearish (**sell or avoid**). Value investors may feel the opposite.

This week breadth steadied-- 89% of our sectors are buy or hold (L89%). BUYS are now 44% (L52%). HOLDS are now 45% (L37%). AVOIDS are now 11% (L11%). That is more bearish than last week. Top "Buys" include Bitcoin, Software, Banks, Capital Mkts, Internet. Avoids: Energy, Semiconductors, Healthcare.

TICKER	CI	NAME	SECTOR	TS	Manual Sort
BLOK	40%	Bitcoin (BLOK)	Tech	91%	very bullish
XSW	36%	Software (XSW)	Tech	96%	very bullish
KBE	34%	KB Banks (KBE)	Financial	81%	very bullish
KCE	33%	Capital Markets (KCE)	Financial	83%	very bullish
FDN	28%	DJ Internet Index (FDN)	Tech	100%	very bullish
XLC	20%	Media Portfolio (XLC)	Consumer	99%	very bullish
FCOM	20%	Telecommunications (FCOM)	Telecom	99%	very bullish
IAK	15%	KBW Insurance (IAK)	Financial	70%	bullish
PPA	14%	US Aerospace & Defense (PPA)	Industrial-Tech	78%	very bullish
GDX	13%	Gold Miners (GDX)	Materials	30%	slightly bullish
XLI	13%	Industrials (XLI)	Industrial	79%	very bullish
VNQ	12%	REITs (VNQ)	Real Estate	58%	bullish
XLU	11%	Utilities (XLU)	Utilities	89%	very bullish
SPY	**11%**	**S&P 500**	**BENCHMARK**	**95%**	**very bullish**
XHB	11%	Home Construction (XHB)	Home Builders	57%	bullish
IYT	11%	Transports (IYT)	Transportation	78%	very bullish
XRT	10%	Retail (XRT)	Consumer	95%	very bullish
IYW	9%	US Technology (IYW)	Tech	95%	very bullish
PBJ	8%	Food & Beverage (PBJ)	Consumer	90%	very bullish
IHI	7%	US Medical Devices (IHI)	Health-Tech	84%	very bullish
XLP	7%	Consumer Staples (XLP)	Consumer	82%	very bullish
IHE	1%	US Pharmaceuticals (IHE)	Health	11%	neutral
IBB	1%	Biotechnology (IBB)	Health-Tech	11%	neutral
SHY	**1%**	**CASH**	**BASELINE**	**8%**	**neutral**
XLB	1%	Select Materials (XLB)	Materials	21%	neutral
IEZ	-3%	US Oil Equipment & Services (IEZ)	Energy	-27%	slightly bearish
IHF	-3%	US Health Care Providers (IHF)	Health	-40%	slightly bearish
XOP	-5%	Oil & Gas Exploration & Production (XOP)	Energy	-12%	neutral
SMH	-7%	Semiconductors (SMH)	Tech	33%	slightly bullish

INTERNATIONAL MARKETS:
#3 GLD Catches A Bounce

Gold Bullion: GLD's price rose 0.6% this week, following last week's 1.1% loss, leaving it ranked 3 globally and more attractive than cash. Most recently, GLD is up 2.4% for the quarter (13 weeks), but up 30.6% for the year (52 weeks). Technically, Gold bullion (GLD) is currently bullish and at 244, below its short-term (50-day) average at 247, and above its intermediate-term (200-day) average at 228. Its momentum (PMO) is positive and improving, and its 14-day RSI of 48 means GLD is neither overbought nor oversold. As for currency effects, the US Dollar strengthened this week, dampening returns for dollar investors in gold bullion. Longer term, a bullish Dollar dampens returns to Dollar investors in gold.

Ceasefire in Lebanon got replaced by violent overthrow in Syria this week helping gold as a safe haven. Gold also got a boost as an inflation hedge from this week's CPI and PPI data (on top of strong payrolls and consumer confidence last week) coupled with a possibly oblivious Fed that is expected to cut rates in three days. Betting money (97%) makes a December Fed rate cut all but imminent even though the pro-growth team won the election, and the current continuing resolution is still jacking the Federal deficit by $367B a month. With bonds down, gold, the other traditional hedge against inflation, got the nod this week after two weeks on the fade. That came despite a stronger Dollar and a bump in bond yields. Gold always seems to have value as a "Safe haven", as "a store of wealth", and as a "hedge against inflation" for someone. Add to that firm central bank demand for gold and renewed Chinese consumption, and bullion's future still looks bright.

Gold Bullion: longer view— 2022: GLD opened @169 but faded as Fed promises to tighten turned real, closing the year @168. **2021:** A stagflationary fiscal policy as the US economy reopened and rising interest rates as the Fed began promising it would tighten in the face of growing inflation weakened GLD 6% by yearend.

INTERNATIONAL MARKETS:
Commodities Rally

Commodities: A slightly bearish CRB rose 2.7% this week after last week's 0.2% loss. That left commodity prices up 7.3% for the quarter (13 weeks), and up 10.9% for the year (52 weeks). At 294, the CRB is above its short-term (50-day) average at 285, and above its intermediate-term (200-day) average at 286. Its momentum (PMO) is positive and improving, and its 14-day RSI of 67 means the CRB is neither overbought nor oversold.

Crude Oil: Meanwhile, oil prices (USO) rose 5.7% this week, following last week's 1.9% loss, and are currently slightly bearish. That leaves US oil prices up 6.3% for the quarter (13 weeks), and up 10.5% for the year (52 weeks). At 74, USO is above its short-term (50-day) average at 73, and below its intermediate-term (200-day) average at 75. The Dollar strengthened this week, dampening returns for investors in hard assets. Longer term, the bullish Dollar is dampening returns for investors in commodities and oil.

Ceasefire in Lebanon got replaced by violent overthrow in Syria this week helping Mideast oil prices and increasing inflation pressures in commodities generally. West Texas Intermediate dropped from $95 a barrel in September 2023 to $70 on election day as the Biden administration sidelined its $100 oil promise to the Greenies in lieu of more pressing re-election concerns. It rose to $71 this week despite Trump's "Drill, baby, drill!" mantra. Tighter global monetary policy has no doubt helped drop prices by reducing demand for oil, but tighter policy seems out at this point. Betting money (97%) makes a December Fed rate cut all but imminent.

Commodities: longer view— 2022: The rally in the CRB continued until mid-year thanks to Fed easing and Covid re-openings. It peaked and reversed when Fed tightening began in June but still finished the year up 19%. **2021**: A new US President immediately curtailed US energy production. That and more easy money in the US and abroad boosted commodities 39%. Oil prices rose 73% setting off inflation alarms.

INTERNATIONAL EQUITIES:
#8 European Central Bank Cuts Rate

European Large-Cap Stocks: IEV fell 1.3% this week, following last week's 1.8% gain, leaving them ranked #8 globally and less attractive than cash. Most recently, Europe is down 4.9% for the quarter (13 weeks), and up 4.3% for the year (52 weeks). Technically, IEV is neutral at 54—below its short-term 50-day average at 55, and below its intermediate-term 200-day average at 56. Its momentum (PMO) is positive and neutral, and its 14-day RSI of 49 means IEV is neither overbought nor oversold. As for currency effects, the Euro weakened this week, dampening returns to Dollar investors. Longer term, a bearish Euro dampens return to Dollar investors but improves Europe's trade competitiveness.

After hitting a six-month low in November, Europe rallied and tested 50 and 200-day resistance this week but failed miserably. In fact, IEV formed a Death Cross on Monday as its 50-day dropped through its 200-day. IEV is only up 6% year-to-date despite global central bank easing in the second half. Rising US bond yields and a strong Dollar have been a major drag on European equities the last three weeks. (Moreover, there is now the ugly prospect of Donald Trump insisting that the EU engage in fair trade and share in the cost of its own defense next year.) **Global Interest Rates:** Europe followed US rates higher last year and has been leading them lower in 2024. The ECB cut rates (to 3.00%) this week (12/12) and the Bank of England is expected to hold its rate (4.75%) steady (12/19). (The Fed is expected to cut 25 bps to 4.25% next Wednesday.) **The Ukraine War:** North Koreans have entered the war on Russia's side. The Biden administration has cleared Ukraine to launch US long range missiles into Russia. Europe views Ukraine as a bulwark against Putin but worries that Trump will abandon it.

European Large Cap Stocks: longer view— 2022: IEV topped out @54 to open the year, dropped 31% (@ 37) by October on US rates hikes and a strong dollar, then rallied 32% into yearend as US rate hikes slowed and the Dollar weakened. **2021:** More central bank largesse and four stimulus bills pushed IEV to new record highs @55-56 in May, but Fed talk of tightening stalled out IEV's subsequent attempts to break higher, and it closed the year @52.

2023 ETF Breakdown: IEV-- A cap-weighted index fund. **Countries:** UK (24%), France (18%), Switzerland (16%), Germany (13%), Netherlands (7%), Denmark (5%), Sweden (4%), Spain (4%), Italy (4%), Belgium (1%). **Top Sectors:** Finance (18%), Health Technology (16%), Consumer non-durables (15%), Electronic Technology (7%), Producer manufacturing (7%), Energy Minerals (6%), Utilities (4%), Consumer durables (4%), Technology Services (5%), Process industries (3%).

INTERNATIONAL EQUITIES:
#6 Japanese Equities Retrench

Japanese Stocks: EWJ fell 2.2% this week, following last week's 2.0% gain, leaving it ranked #6 globally and more attractive than cash. Most recently, Japan is down 0.5% for the quarter (13 weeks), and up 10.1% for the year (52 weeks). Technically, EWJ is very bullish at 70, above its short-term 50-day average at 69, and above its intermediate-term 200-day average at 69. Its momentum (PMO) is neutral but deteriorating, and its 14-day RSI of 50 means EWJ is neither overbought nor oversold. As for currency effects, the Yen weakened this week, dampening return for dollar investors in Japanese stocks. Longer term, a bearish Yen dampens return to Dollar investors but improves Japan's trade competitiveness.

After dipping post-US election, EWJ recovered three weeks in a row, peaking 12/3. It has retreated since. The Trump victory may promise a strong American consumer for Japan's export economy, but it also includes the threat of US tariffs blowing up Japan's traditional weak Yen beggar-thy-neighbor trade policies. Last March, the Bank of Japan was the last major economy to end negative interest rates. Warren Buffet gave Japan a vote of confidence (May '24) but then the BoJ unexpectedly raised its overnight rate by 15 bps to 0.25% and curbed bond-buying (7/31). With the US and Europe cutting rates and Japan initially planning to raise interest rates, EWJ tanked in August but recovered by fall after Japan put further rate hikes on hold. EWJ has been flat since, but the hedged version (DXJ) of Japanese equities gives a smoother more positive return.

Japanese Stocks: longer view -- 2022: Japan fell 29% on tighter US money and a strong Dollar into October. From there a weakening Dollar helped Japan rally 20% but it ended the year down 19% anyway. **2021:** EWJ went flat, despite hosting the summer Olympics, finishing the year practically unchanged.
2023 ETF Breakdown: EWJ-- A cap-weighted index fund. **Countries:** Japan (100%) **Top Sectors:** Finance (15%), Consumer durables (14%), Producer manufacturing (14%), Electronic Technology (12%), Health Technology (9%), Process industries (5%), Technology Services (5%), Consumer non-durables (5%), Communications (5%), Distribution services (4%).

INTERNATIONAL EQUITIES:
#4 AAXJ To Get Politburo Help in 2025

Asia-Pacific ex-Japan: AAXJ rose 0.4% this week, following last week's 1.2% gain, leaving it ranked #4 globally and more attractive than cash. The index is up 4.4% for the quarter (13 weeks), and up 14.5% for the year (52 weeks). Technically, AAXJ is bullish and at 75, below its short-term 50-day average at 76, and above its intermediate-term 200-day average at 73. Its momentum (PMO) is negative but improving, and its 14-day RSI of 51 means AAXJ is neither overbought nor oversold. As for currency effects, the US Dollar strengthened this week, dampening return for dollar investors in Asian stocks. Longer term, a bullish Dollar dampens return to Dollar investors in Asian stocks but improves the region's trade competitiveness.

AAXJ spiked higher on Monday when China's politburo promised another dose of economic stimulus on the way in 2025. The Asian stock rally soon faded, however, as the US Fed meeting approached, and a strengthening Dollar posed a drag on foreign equities. AAXJ has been in retreat since a three-year overbought high (10/7) in the wake of September's massive Chinese monetary stimulus. Over the last ten weeks It lost 50% of the Fall rally as it became increasingly clear that monetary stimulus alone wasn't enough to overcome weak demand, deflationary pressures, a crashed real estate sector, and rising trade tensions with the United States and Europe without added help. The next Fibonacci retracement level (down 62%) is just above AAXJ's 200-day moving average. Couple that with the realization that US subsidies to China and India under Biden will end under Trump when the US again exits the Paris Climate Accords, and things could get worse for Asia-Pacific despite the new plans. Singapore, China, Taiwan, Hong Kong and India are bullish intermediate term while South Korea is bearish.

Asia Pacific ex-Japan Stocks: longer view— 2022: AAXJ dropped 35% (to 54) in October amid US tightening and China's zero-Covid lockdowns. Rally ensued when zero-Covid policies in China ended but AAXJ ended year down 21%. **2021:** Between Covid issues in India and elsewhere in the region, and weakness in China's stock market after the SEC threatened to delist several US-listed Chinese tech companies over accounting and (communist) control issues, AAXJ faded throughout 2021, losing 20%.

2023 ETF Breakdown: AAXJ-- A cap-weighted index fund. **Countries:** Hong Kong (36%), Taiwan (17%), India (16%), Korea (14%), Mainland China (4%), Singapore (4%), Thailand (2%), Indonesia (2%), Malaysia (2%), US (1%). **Top Sectors:** Finance (24%), Electronic Technology (20%), Technology Services (10%), Retail (7%), Consumer non-durables (5%), Consumer durables (4%), Producer manufacturing (4%), Transportation (4%), Energy (4%), Health Technology (3%).

INTERNATIONAL EQUITIES:
#9 ILF Bounces At 2024 Low

Latin America 40: ILF rose 0.5% this week, following last week's 0.3% loss, leaving it ranked #9 globally and less attractive than cash. The index is down 10.4% for the quarter (13 weeks), and down 20.0% for the year (52 weeks). Technically, ILF is very bearish and at 23. ILF is below its short-term 50-day average at 24, and below its intermediate-term 200-day average at 26. Its momentum (PMO) is negative but neutral, and its 14-day RSI of 39 means ILF is neither overbought nor oversold. As for currency effects, the Dollar strengthened this week, dampening return for dollar investors in Latin stocks. Longer term, the bullish Dollar dampens return to Dollar investors in Latin stocks but improves the region's trade competitiveness. It also makes repaying dollar-denominated debt tougher.

After rocketing to a 2024 overbought high (8/19) in two weeks, ILF lost it all, retracing 100% of the move by December 2. A “Dead Cat Bounce” followed. ILF remains well below both its 200-day and 50-day. Rising US bond yields and a stronger Dollar have been a drag on Latin equities for two months. A ceasefire in Lebanon last week led to lower oil and commodity prices, hurting the raw materials exporting region-- along with Trump’s new BRIC tariff concerns. **Global Economic Concerns:** Commodities and oil have overcome 50 and 200-day resistance, but China's massive monetary stimulus announced 9/26 has done little for Latin America and the new stimulus announced this week has yet to resonate. Moreover, inflation is a problem, especially in Mexico, Argentina and Brazil. For now, Mexico (EWW), Colombia (GXG), Chile (ECH), and Brazil (EWZ) are in “stupid government” phases that have turned their equities bearish. Only Argentina’s (ARGT) equity ETF is above its 200-day.

Latin American Stocks: longer view— **2022:** A weaker Dollar to open the year helped an oversold ILF rebound 38% by April, drop 32% by July, comeback 21% by August and go sideways (@23) from there, finishing the year up 10%. **2021**: ILF rallied peaking (@32) in June on reopening but faded to a December bottom (@22) with the Delta variant and Omicron.

2023 ETF Breakdown: ILF-- A cap-weighted index fund. **Countries:** Brazil (58%), Mexico (26%), US (8%), Chile (6%), Colombia (2%) **Top Sectors:** Finance (31%), Non-energy minerals (20%), Energy Minerals (14%), Consumer non-durables (10%), Retail (7%), Communications (5%), Technology Services (4%), Utilities (3%), Process Industries (2%), Producer manufacturing (2%).

Private Sector Strategies-- ETFs
Market Timing v. Diversified Buy & Hold: Performance

Strategy	2024	2023	2022	2021	2020	2019	2018	2017	2016
US Strategy Moose	**29.8%**	12.3%	-7.0%	22.2%	20.9%	23.6%	1.2%	28.5%	-5.6%
S&P Benchmark	27.1%	24.3%	-19.5%						
Aggressive G&I (AOA)	14.8%	15.6%	-17.9%	13.5%	10.7%	12.5%	-6.2%	8.0%	3.5%
Moderate G&I (AOM)	7.6%	9.2%	-16.4%	5.3%	7.7%	19.5%	-9.9%	14.1%	5.3%
Index Moose	7.4%	3.6%	-16.3%	11.7%	13.2%	-6.5%	5.1%	9.0%	-6.0%

US Strategy Model is outperforming Buy-and-Hold in 2024. The Index Model is lagging aggressive B&H.
For buy and hold investors: Aggressive is outperforming more moderate diversifications.

The table above is short, but it illustrates several points: (1) Success of any strategy can be highly variable year-to-year. (2) Just because it worked last year doesn't mean it will next year. (3) Buy-and-hold is preferable in a bull market with few lasting or deep corrections amid trendless volatility. (4) When stocks are trending strong, aggressive buy-and-hold is best, but when stocks go bearish it can be a huge loser. (5) To avoid substantial losses, buy-and-hold investors should have a separate exit plan, whereas such plans are implicit in index targeting (a loss-minimization strategy). (6) Market timing is most profitable when there is one predominant asset choice, or in extended bear market scenarios.

The US Equity Strategy (USES) Model
TOP US Equity Strategy: HOLD Growth (IUSG)

In this section: 7 alternative US equity strategies (as represented by the most popular smart-beta ETFs based on volume and capitalization) and 2 global asset allocation strategies are monitored and ranked using our momentum methodology. The 7 US equity strategies include US momentum, US growth, US value, US low volatility, US high dividend, US fundamentals, and US equal weight. The 2 global asset allocation strategies are moderate (40% equities / 60% income) and aggressive (80% equities / 20% income). The table below compares the relative strength of each of the 9 strategies to a SPY benchmark and a SHY cash baseline. **This week:** Strategy Moose holds Growth since 10/30/24 @ 134.81. **It was the 1ST RISK-OFF week after 3 Risk-On. Stocks DOWN, Bonds DOWN and Gold UP.**

RANK	CI	Fund	TS	Trend	stop-loss	price	buy-stop
1	**100%**	**US Growth (IUSG)**	**64%**	**bullish**	**134.75**	**143.44**	**144.42**
2	76%	US Benchmark (SPY)	60%	bullish	583.86	604.21	609.07
3	76%	US Momentum (MTUM)	52%	bullish	207.73	214.29	217.77
4	67%	US Fundamentals (QUAL)	59%	bullish	178.65	183.96	187.26
5	57%	US High Dividend (VYM)	37%	bullish	44.93	45.15	47.52
6	51%	US Equal Weight (RSP)	50%	bullish	179.65	182.16	188.16
7	50%	US Low Volatility (SPLV)	41%	slightly bullish	71.68	71.78	75.14
8	44%	US Value (IUSV)	45%	slightly bullish	95.99	96.18	100.29
9	44%	Diversified: Aggressive (AOA)	59%	bullish	77.30	79.26	80.20
10	30%	Diversified: Moderate (AOM)*	50%	bullish	43.91	44.66	45.14
11	5%	US Short Term T-Bill (SHY)	11%	neutral	81.93	82.09	82.33

NOTE: All of the strategies in this model are derivative of and highly correlated to the S&P. When the S&P is *bearish, hits a stop-loss, is overbought, or gives some other sell signal, adopting any strategy that is highly correlated to it is not recommended. Both SPY and the chosen ETF must be at least technically neutral positive (TS>0) or better and working on a buy-stop to initiate a switch.)

Best S&P Strategies
IUSG on top over 1, 3 & 5 years

This week: US equities outperform offshore stocks. Among US strategies, Fundamentals are best over 3 years. Momentum and Growth outperform the S&P benchmark over 1 and 5 years respectively.

	Fund	1Y	3Y	5Y
1	**US Growth (IUSG)**	**39%**	**69%**	**115%**
2	US Fundamentals (QUAL)	26%	57%	84%
3	US Benchmark (SPY)	28%	54%	90%
4	US Momentum (MTUM)	38%	46%	73%
5	US Value (IUSV)	16%	34%	54%
6	Diversified: Aggressive (AOA)	16%	29%	37%
7	US Equal Weight (RSP)	17%	26%	60%
8	Diversified: Moderate (AOM)	8%	14%	11%
9	US High Dividend (SPYD)	16%	12%	19%
10	US Low Volatility (SPLV)	13%	11%	25%
11	US Short Term T-Bill (SHY)	0%	1%	-3%

The Index Model
TOP Index Model Move: HOLD US Small Caps (IWM)

This week: Index Moose HOLD *US Small Caps (IWM)* vis CI on 11/20/24. It was the 1ST RISK-OFF week after 3 Risk-On. Stocks DOWN, Bonds DOWN and Gold UP.

RANK	CI	Description	TS	Trend	stop-loss	price	buy-stop
1	**100%**	**US small-cap stocks (IWM)**	**99%**	**very bullish**	**226.40**	**238.93**	**244.98**
2	93%	US large-cap stocks (SPY)	107%	very bullish	583.86	607.81	609.07
3	60%	Gold (GLD)	67%	bullish	236.13	242.95	250.39
4	43%	US Long Treasuries (EDV)	61%	bullish	69.96	76.01	76.65
5	35%	Emerging Markets (EEM)	41%	slightly bullish	42.80	43.85	45.09
6	13%	Europe-Australia-Far East (EFA)	79%	very bullish	72.58	80.08	75.97
7	5%	Cash (SHY)	-28%	--	81.90	82.23	82.33

Public Sector Strategies-- Thrift Savings Plan
TSP Moose v. TSP Lifetime Funds: Performance

Strategy	YTD2024	2023	2022	2021	2020	2019	2018	2017
L2060	**20.1%**	23.3%	-15.9%	19.9%	new	--	--	--
TSP Moose	18.1%	16.5%	-3.4%	13.3%	21.8%	14.9%	6.5%	21.0%
L2050	17.1%	20.0%	-13.4%	16.3%	14.8%	23.3%	-6.0%	18.8%
L2040	15.5%	18.1%	-11.4%	14.5%	13.2%	20.7%	-4.9%	16.8%
L2030	13.6%	16.6%	-9.0%	12.4%	11.3%	17.6%	-3.6%	14.5%

Stocks rule. The most aggressive Lifetime fund we track is currently outperforming. The TSP Timing Model led for most of the year.

The Thrift Savings Plan Model
TOP TSP Model Move: HOLD US Small Caps (Fund S)

The Thrift Savings Plan, or TSP, is the government's 401K-style retirement plan. Millions of federal employees are invested in it, including several life-long friends here in the capital region. Beginning 12/21/2018, the revised TSP model began incorporating actual fund data and monitoring ten TSP funds instead of five index fund proxies alone.

While having ten asset choices offers myriad possibilities, our primary concern involves the overall strategic decision: Should TSP investors use index targeting (market timing) to manage their portfolio or rely on a diversified buy-and-hold approach. Answer: it depends on the investor and on what's working. Index targeting (using TSP Moose) outperformed diversified buy-and-hold (using TSP's lifestyle choices) in 2017, 2018 and 2020 and 2022, but it underperformed most buy-and-hold lifestyle funds in 2019, 2021 and 2023.

TSP This Year: Stocks are bullish into November while bonds are slipping after initial Fed rate cuts. On the plus side, trillions in federal deficit spending continues—through December-- and the Fed is expected to continue cutting rates in November. On the negative side, several economic indicators are still predicting recession.

The TSP Model is outperforming conservative Buy-and-Hold in 2024, but not the most aggressive Lifetime funds. For buy and hold investors: More aggressive is outperforming more moderate portfolios and has been all year

TSP This week: TSP Moose holds US small caps (Fund S) since 11/27/24 @96.72. It was the 1ST RISK-OFF week after 3 Risk-On. Stocks DOWN, Bonds DOWN and Gold UP.

	CI	Fund	Description	Strategy	Style	SL	PRICE	RANK
1	**100%**	**S Fund**	**Small-caps**	**Growth Equities**	**Index**	**91.34**	**95.06**	**97.96**
2	83%	C Fund	Large-caps	G & I Equities	Index	92.59	95.56	96.15
3	62%	L 2060	Retire 2060	Very Aggressive Grwth	Diversified	17.62	18.15	18.35
4	54%	L 2050	Retire 2050	Aggressive Grwth	Diversified	17.62	35.83	36.19
5	49%	L 2040	Retire 2040	Aggressive G&I	Diversified	34.93	59.13	59.6393
6	43%	L 2030	Retire 2030	Moderate G & I	Diversified	57.79	51.40	51.77
7	25%	L Inc	Long-term Inc	Maximum Income	Diversified	26.65	26.93	27.02
8	24%	F Fund	Fixed Income	US Bonds	Index	19.49	19.62	19.89
9	11%	G Fund	Short-term Inc	Cash equivalent	Index	18.65	18.71	18.71
10	20%	I Fund	Internat stocks	Offshore Growth	Index	42.19	43.22	43.83

**Stop-loss hit, no buy-stop since—default to highest ranked alternative. (Published stop-loss price is as of previous Friday close. It may change daily and as such, is published as an initial reference only.) **overbought*

Moospeak

China’s Bridge Too Far

When the week’s best news for the capital markets is out of Red China, you should know you’re in trouble. Really, what do communists know about capitalism other than the fact that it works better than communism, but they can’t talk about it. This week, the Chinese politburo announced a new round of stimulus in 2025, augmenting last fall’s $140B monetary infusion.

Over the last ten weeks Chinese equities have lost 19%, or 50% of China’s Autumn rally as it becomes increasingly clear that monetary stimulus alone isn’t enough to overcome weak demand, deflationary pressures, a crashed real estate sector, and rising trade tensions with the United States and Europe without additional help. Couple that with the realization that US subsidies to China and India under Biden will end under Trump when the US ditches the Paris Climate Accords, and that new 60% US tariffs could be imposed on $400B in Chinese exports, and things could get worse for China, plan or no plan.

Indeed, the absence of specifics regarding the new plan suggests it probably hasn't been fleshed out yet. According to the Politburo read-out, “In 2025, authorities must adhere to “the principle of pursuing progress while maintaining stability. A more proactive fiscal policy and an appropriately loose monetary policy should be implemented, enhancing and refining the policy toolkit, strengthening extraordinary counter-cyclical adjustments,” The statement also added that “the housing market and stock market must be stabilized” without providing details.

Generic government-speak with little or no further enlightenment is what politicians do when they know there is a problem, when the things they’ve already tried aren’t working, and when they need a little extra time to figure it out.

My guess is the politburo is waiting to tailor its response to actual US trade policies rather than rumors. Trump could force a major switch in Chinese strategy. Chinese authorities have focused on upgrading their export-reliant manufacturing sector, with remarkable success in electric vehicles, solar energy and batteries. That has spurred some pushback from the US under Biden, but that will certainly intensify under Trump.

Population-wise, China is one of the largest markets in the world. A capitalist would advise the powers that be in Beijing to be more consumer-oriented, to offer stronger financial support for low-income residents, and to implement promised tax, welfare and other policy changes in order to address structural problems.

Antithetical to the communist manifesto as they are, ideas that would reduce the peasant class and foster a vibrant consumer class, are probably a philosophical “bridge too far” for Beijing’s ruling elite. Too bad, not only would life be better for the Chinese people, but for the rest of the world as well.