



Weekly Update

27-December-2023

Carlisle C. Wysong, CFA

Managing Partner

- The Santa Claus rally continues
- Inflation continues to cool
- Quick Hits
- Where did all the crypto money go?
- Chart Crime of the week

	Last	5d %	YTD %	1yr %
S&P 500	4,782	1.8%	26.5%	26.3%
QQQ	\$411.50	2.1%	55.5%	54.9%
US 10 YR	3.80%	3.85%	3.75%	3.88%
USD/DXY	100.9	102.4	104.5	104.5
VIX	12.4%	13.7%	22.9%	22.1%
Oil	\$73.91	0.1%	-7.7%	-6.8%

*10yr, DXY, and VIX are levels not changes

** Oil is front month futures, beware

The Santa Claus rally continues. It is hard to argue against the short-term momentum which has been fueled by the Fed's pivot. There are still some soft spots in the economy. But as we have been saying, time can heal many wounds. And covert government stimulus can carry the economy even if it looks like a K-shaped divergence is unfolding (rich get richer, those struggling continue to struggle...this goes for companies and people).

Here are a few random bullet points:

Mastercard says holiday spending (Nov1 to Dec 24) rose 3.1% vs last year. It is not adjusted for inflation (which rose about the same amount), and it excludes autos. Online sales grew 6.3%, and in-store grew 2.2%.

Restaurant sales led the pack with a jump of 7.8%. But we also know that restaurant inflation has outpaced most other categories.

US rail traffic was up 24.2% in the week ending December 23 (vs last year or y/y).

China is cracking down on its internet giants (again).

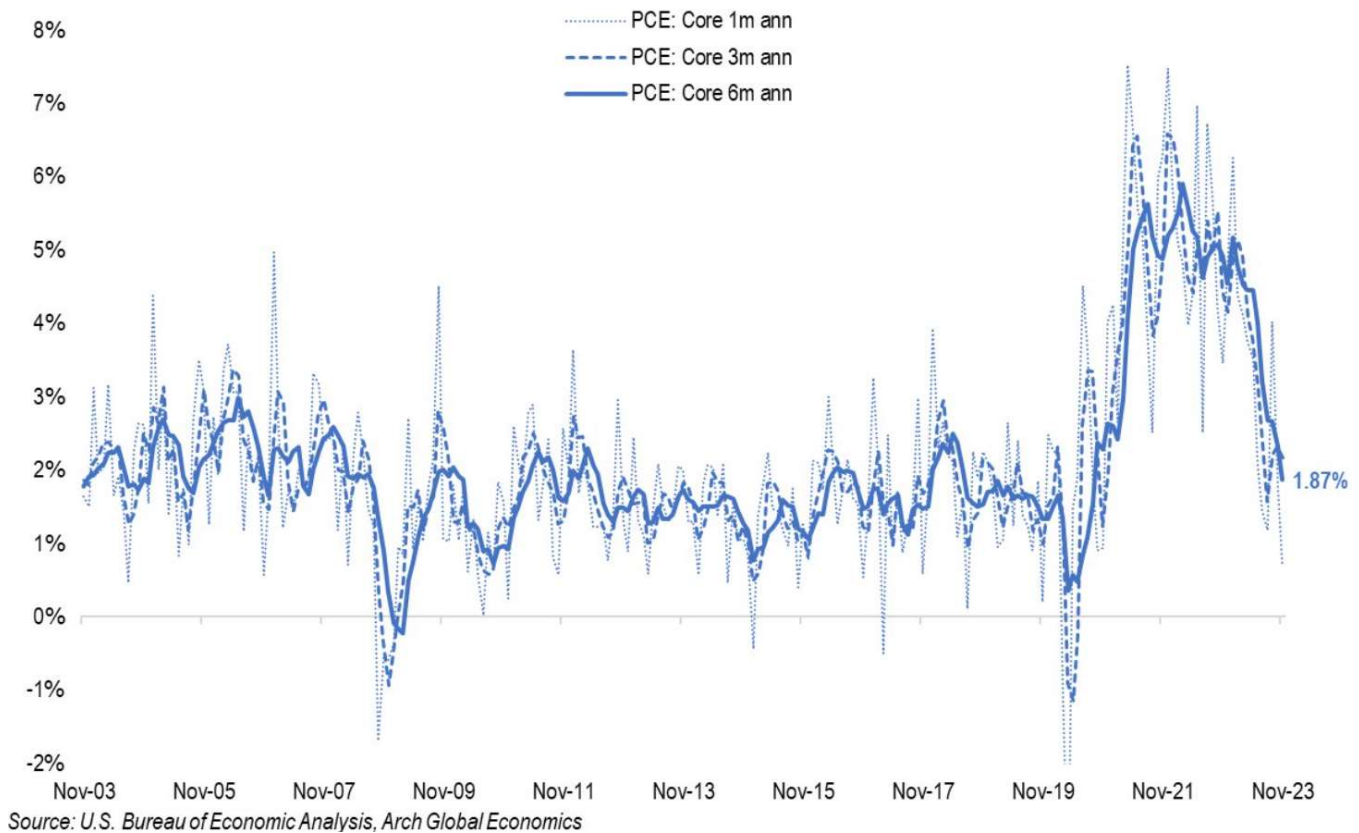
Nike warned about slowing sales growth. Much of this is being attributed to China.

The US government might try to block the Nippon Steel purchase of US Steel

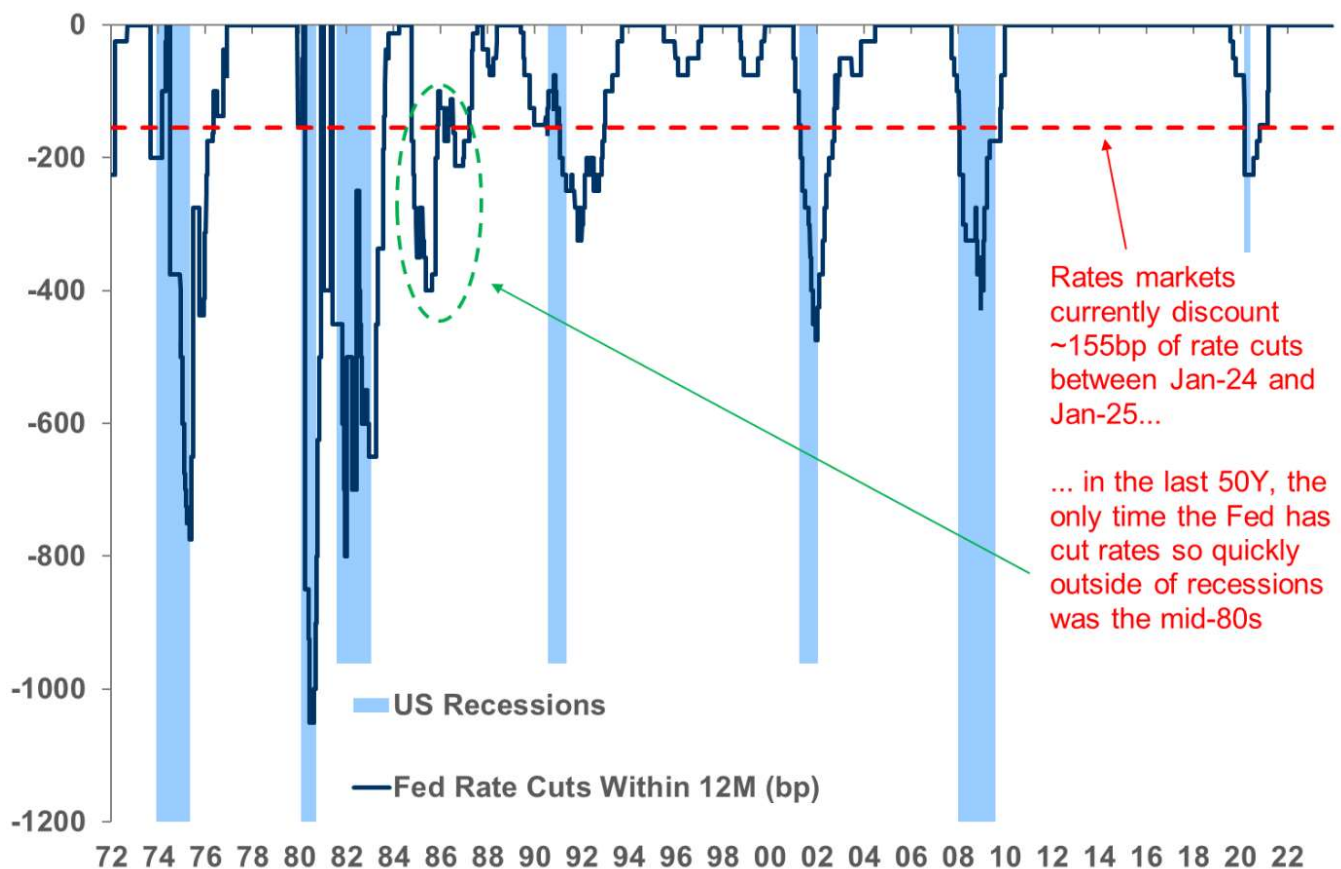
Angola is leaving OPEC in January.

➤ Inflation continues to cool

PCE Inflation in November (Personal Consumption Expenditures index) was negative at -0.1% vs October. The yearly change was 2.6%. The Core PCE (stripping out Food & Energy) was still positive at 0.1% and 3.2%. Services are still experiencing inflation while Goods prices are deflating. Obviously, Energy was a big mover with a 2.7% monthly drop. The “Supercore,” PCE Core Services ex-Housing, increased slightly on the month at 0.1%. Its yearly rate is down to 3.5%. Here is a chart (from Arch Capital on twitter) that shows the annualized rates (not yearly). It is hard to argue there is much more to go in the fight against inflation. Of course, low inflation must be sustained not just measured in a snapshot. And low inflation is not a cure for high prices. But the Fed has cooled its rhetoric against high prices...it seems to be more at ease as time passes (the idea being that sticker shock starts to fade as long as prices are not increasing).



Of course, as we have been repeating, the Fed almost always cuts rates too late. This chart from Morgan Stanley shows that quick and deep rate cuts coincide with recessions (only the mid 1980's was different, and that was during a time of severe fiscal reform...about the opposite of now).



Also released with this inflation data is Personal Income. This grew monthly by 0.4%. If inflation is under control but wages are still growing, that is a good recipe (hard to achieve as wage growth usually leads to growth in other prices).

➤ Other economic data is mixed

Durable Goods in November flipped back to a strong gain of 5.4% vs October's drop of 5.1%. The more important Core Capital Goods (aka business spending) increased 0.8% vs the -0.6% drop in Oct. This is the data that showed resiliency all year long.

The Leading Economic Indicator (LEI) registered another negative reading. We have belabored the history of this index...it has always predicted recessions when negative readings are strung together. Perhaps "this time is different" because we have already had the rolling recessions in different sectors.

New Home Sales in November dropped by over 12% v October. But recall that Housing Starts in November accelerated.

The Philly Fed Manufacturing index in December was negative again. This is the 11th negative reading out of the last 12 months. Business Conditions were strong, but New Orders, Capex, and Employment were negative.

The Kansas City Fed Manufacturing index in December was also negative. This makes 10 out of 12 months.

Initial Jobless Claims held steady at 205k. The same goes for Continuing Claims at 1.865mm.

U Michigan Consumer Sentiment accelerated as expected. The one-year inflation expectation dropped from 4.5% in November to 3.1%

GDP for the 3Q was revised lower from 5.2% to 4.9%. More important than this backward-looking data is the current read for 4Q GDP. The Atlanta Fed's GDPNow has move from 1.2% to 2.3% (it did hit 2.7% earlier in the week). The NY Fed's Nowcast is 2.4%. Many had expected 4Q growth to turn negative after the big burst higher in 3Q.

➤ Where did all the crypto money go?

CZ, the jailed and disgraced founder of Binance which had to pay a \$4.3b fine to the US government, is worth \$37b according to Bloomberg. That is where all the crypto money went.

➤ Quick Hits

- BIC added a hole in the top of the pen cap in 1991 to prevent it from obstructing an airway if it were swallowed.
- An Italian vase that was bought for \$4 at a garage sale was auctioned off for \$107k.
- Damar Hamlin was the most googled pro athlete in 2023.
- December 25, 26, and January 1 have the most cardiac arrests of the year.
- The 49ers have played five bird teams in a row.
- New York state is looking to require fast food restaurants that have concessions on highway rest stops to be open seven days a week.

[Check out our website to learn more about Chalk Creek Partners](#)



[Carlisle's Twitter Financial List](#)



[Carlisle's LinkedIn](#)

The information presented does not involve the rendering of personalized investment, financial, legal or tax advice, and it is intended to be general market commentary. Information presented is believed to be factual and up-to-date, but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the authors as of the date of preparation and are subject to change. Certain information has been provided by third-party sources and, although believed to be reliable, it has not been independently verified and its accuracy or completeness cannot be guaranteed. Past performance is not indicative of future results.