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Macro Roundup Artcile

Headline: Crash Up

Article Link: https://fedguy.com/crash-up/

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Publication	Fed Guy Blog
Publication Date	December 04, 2023

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Summary: Large fiscal deficits combined with future rate cuts will likely lead to significant demand for equities. The wealth distribution of the U.S. is heavily concentrated, suggesting that newly printed Treasuries ultimately end up in the hands of a small group of people. At the same time, the attractiveness of Treasuries is decreasing with the expectation of rate cuts. The market has priced in 125bps of cuts in 2024 after hearing Governor Waller suggest cutting rates due to moderating inflation. This may encourage wealthy investors to rebalancing their rapidly growing portfolio out of bonds and into other assets like equities. The intersection of a structural decline in equity supply with a structural increase in demand suggests the potential for significant upward price pressure. Related: 2024 US Equity Outlook: “All You Had To Do Was Stay” and R versus G and the National Debt

Primary Topic: Financial Markets

Topics: Financial Markets, Fiscal Deficits, Fiscal Policy, GDP, Monetary Policy, Op-Ed/Blog Post

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