

Student Managed Investment Fund

November Economic Update

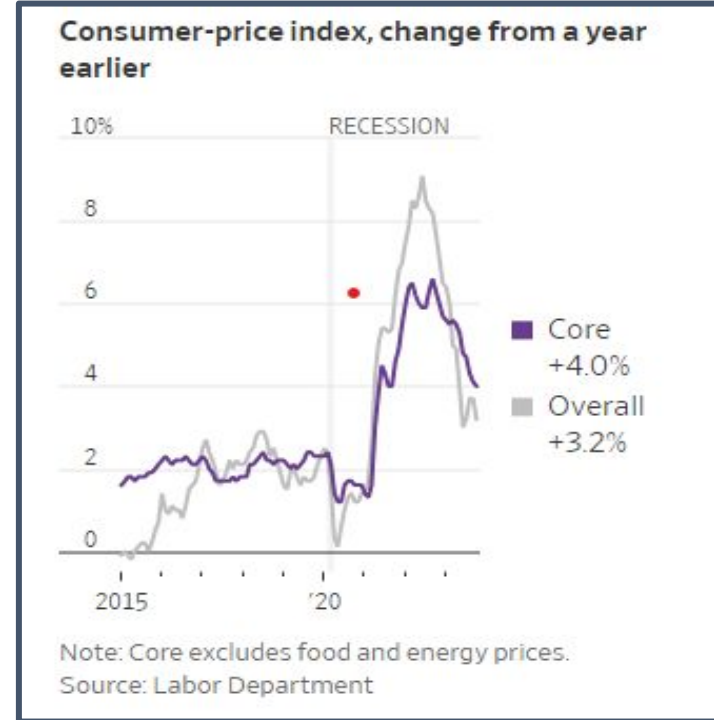
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Fall 2023

Fast Facts

Key Trends

- CPI data came in on Tuesday morning showing that US inflation came in at 3.2% increase YoY
- Moody's recently changed their credit outlook on US debt to "negative"
- Consumer credit card debt is at all time highs and savings rates at all time lows
- The housing market shows signs of easing up, but is still a clear sign of sticky inflation



Global Economy Pulse Check: 4 Questions

What does a lower CPI reading mean?

Consumer prices overall were flat last month and rose 3.2% from a year earlier. Increases in core prices, also showed underlying price pressures are abating. Core inflation for the five months ended in October was at an annual rate of 2.8%, down from 5.1% during the first five months of the year.

Is the amount of US Government debt sustainable?

Rising debt loads will likely mean: 1. higher trend inflation, with major consequences for asset allocation; 2. lower productivity growth as public debt crowds out private investment; and 3. a weaker US dollar as investors foreign and domestic opt for the stability of real assets. The risk of a debt spiral is more real than ever.

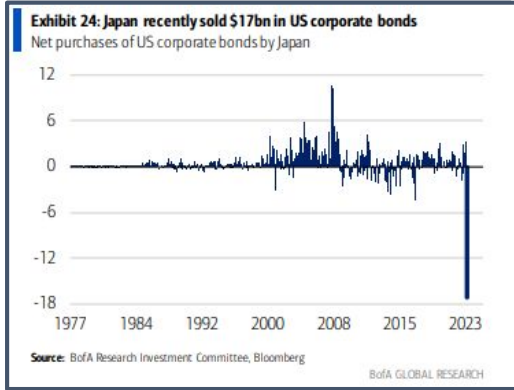
Is there a global credit bubble?

Global debt burdens are unsustainable in places in the EU and Japan. Italy is past peak fiscal support and grappling with tighter monetary policy. In the team's updated debt sustainability models, the debt ratio could fall below pre-pandemic levels for the next 5 years, leaving little room in the event of an economic shock.

What does the future hold for the US bond market?

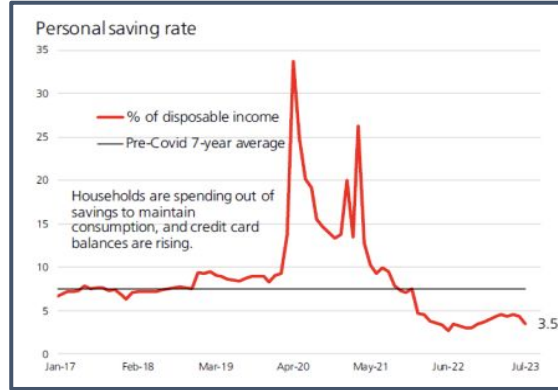
The long-term correlation between stocks and bonds was positive for most of history and has begun reverting to norms. Stock and bond correlations have turned positive once inflation breaches $>3\%$. The treasury curve could go flat and the traditional inverse relationship between stocks and bonds could be slowly slipping away.

Global Economy Pulse Check: 4 Questions cont.

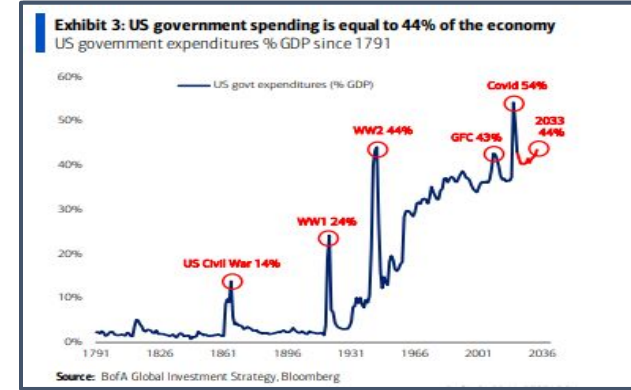


Source WSI

Less demand for US treasuries could cause problems down the road



Personal savings rates are the lowest ever in relation to the real Federal Funds rate



Source UBS, Haver

US Gov. spending is at all time highs in relation to GDP spending

What We are Following

Pushing to avert a Government shutdown

Law makers came to an agreement in the House that seeks to satisfy short-term funding needs. The bill notably excludes the funding the White House requested for Ukraine and Israel.

Conflict in the Middle East has big Impacts

U.S. troops are continuing to be mobilized to the Eastern Mediterranean to monitor the situation and launch attacks against Iran backed militias. The IDF have surrounded many Gazan hospitals believing there to be tunnels serving as Hamas' military HQ.

Corruption in the U.S.? Possibly...

NYC Mayor Eric Adams has been charged with various crimes relating to campaign finance violations and favorable rulings to allies. On the federal level, Senator Bob Menendez of NJ has been accused of taking bribes from the Egyptian government.

President Biden set to Meet Xi Jinping in Cali

President Xi is set to meet President Biden in San Francisco for the APEC summit in which the two leaders will discuss a whole host of issues from trade to military communication and economic development

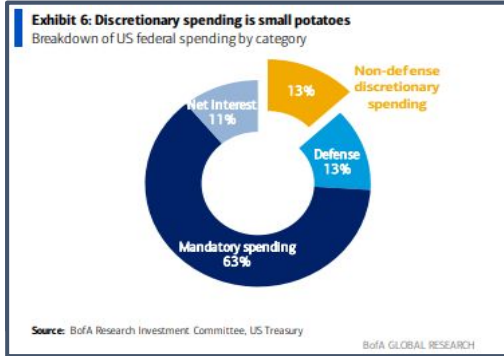
Unions Finally End their Strikes. What now?

The UAW strike, actors strike, and writers strikes have all ended with deals with the respective employers. Time will tell how much the respective wage increases will have on the economy and the respective profitability of each company involved.

Oil

BofA projects Brent and WTI to average \$81/bbl and \$85/bbl, respectively, in 2023. The global oil balance should stay tight in 2023, supported by additional OPEC cuts, slower non-OPEC growth, and rebounding Asia demand.

What We are Watching cont.



Source Global News



Source Bloomberg



Source Politico

How will the US manage its debt burden moving forward?

What does each nation hope to achieve from the APEC summit?

How much credit should the Fed get for falling inflation?